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F.C.C. Plans a Wide A.T.&T. Inquiry

By CHRISTOPHER LYDON
Special to The New York Times

WASHINGTON, Jan. 21—The Federal Communications Commission announced tonight a comprehensive investigation of the American Telephone and Telegraph Company. The F.C.C. will examine not only A.T.&T.'s request for a major rate increase but also its mounting costs, charges of discriminatory hiring practices and the company's control of the Western Electric manufacturing subsidiary.

The new inquiry, which could take a year or more, was prompted by the massive public objections to A.T.&T.'s application for rate increases worth \$535-million and by the Equal Employment Opportunity Commission's charge last month that the national system of Bell

Telephone Companies practiced "pervasive, systemwide discrimination in employment against women, Negroes, Spanish-surnamed Americans and other minorities."

The F.C.C. authorized the phone company to impose lesser rate increases, worth a projected \$250-million in annual revenues, effective next Tuesday. But it also required an accounting separation of the increase so as to permit refunds to phone customers if further examination found the new rates unwarranted.

The commission said it would "vigorously pursue" the discrimination charge but that it was not inclined to relate the matter to the economic issues, as the Equal Employment Opportunity Commission had suggested.

"No showing has been made,

or even attempted, as to any logical or functional relationship between rate levels and the company's policies and practices in the matter of equal employment opportunity," the F.C.C. said.

The F.C.C. decision was supported by all six commissioners who considered it. Commissioner Nicholas Johnson wrote a concurring statement that emphasized the importance of examining A.T.&T.'s costs. Thomas Houser, appointed to the commission this month, did not participate in the case.

The new investigation, the commission indicated, will take up for detailed analysis many of the issues that were scheduled but never pursued in an F.C.C. inquiry that began in 1965.

The first phase of the new study will deal with A.T.&T.'s authorized rate of return, or profits, which the company wants raised from 7.5 per cent of its investment to 9.5 per cent.

But the rate of return question will be only a beginning. Commissioner Johnson noted, for example, that the growth of the company's expenses had a far greater impact on customers' phone bills.

"Of the total amount paid by the subscribers," Mr. Johnson said, "something on the order of 80 per cent represents costs rather than profits."

The commission noted "an unusually sharp upswing" in the phone company's operating expenses — up nearly 16 per cent for the first nine months of 1970 over the comparable period of 1969.

The new study will examine once again "the regulatory problems posed by the integration of Western Electric into A.T.&T.'s corporate structure." The hearing order made no specific mention of the wisdom of integration or divestiture, but said it would seek to find out why Western Electric should be allowed to make a higher rate of return than it had authorized for A.T.&T. as a whole.

The new investigation will also seek to determine whether A.T.&T. has put the proper prices on its different categories of service — business services, for example, as opposed to home telephones. It will look for evidence of price discrimination, including the use of the voice telephone monopoly to make the company more competitive in other specialized fields.