

NETWORK!

AN ELECTRONIC NEWSLETTER FOR THE PEOPLE OF AT&T NETWORK SYSTEMS

NSG People in Action

Copies of the NSG People in Action -- Playing to Win brochure have been landing in mailboxes throughout NSG. The brochure is designed to introduce NSG's integrated people programs -- initiatives about understanding the obstacles and what actions must be taken for NSG to win in the marketplace.

A vision for everyone

NSG has a vision in which every individual and every team will understand and support the same objectives for the business, will hold the same values and practice behaviors consistent with the values. In the not-too-distant future, NSG will be part of a larger systems and technology business. That makes it more important for NSG to achieve a dramatic improvement in business and organizational performance.

Everyone has a role to play

Many of the initiatives described in the NSG People in Action -- Playing to Win brochure are not new, but what is new is the effort to approach these initiatives as an integrated solution -- the employee version of the integrated offers we're presenting to our customers.

NSG people have a unique opportunity to create a new future for the business. Every person has a special role to play, no matter what organization they're in or what job they perform.

Become familiar with NSG People in Action -- Playing to Win initiatives. Think and talk about the changes you'd like to see in the business -- and use the initiatives to make positive changes happen. □

Telecom '95 draws industry titans

If ever there was a "Super Bowl" for the telecommunications industry, it's Telecom '95.

From Oct. 3-11, the biggest players in the telecom industry flock to Geneva, Switzerland to provide a showcase for customers and to assess the strengths and weaknesses of their competitors. For nine days they pit their strategies and products against each other in the escalating competition to attract and satisfy customers.

The stakes are high in this global contest to grab a bigger and bigger slice of the ever-growing communications pie. The converging communications, computer and multimedia markets generated \$1.43 trillion in sales in 1994. That type of money draws people and companies from around the world. More than 130,000 visitor and 55,000 corporate representatives will travel from all corners of the world to pack the PalExpo center. The marquee names

in the telecommunications industry -- Alcatel, Northern Telecom, Siemens and AT&T -- have also come to Telecom '95.

"Our business is vibrant"

Network Systems owns 50 percent of AT&T's 8,800 square feet of floor space, exhibit areas and guest programs. "Our business is vibrant and growth is our middle name." That's the key message NSG brought to Telecom '95 this year.

NSG products are displayed in AT&T's five "solutions" areas where products from across AT&T's business units were grouped into common solutions such as the "video multimedia solution." NSG executives answered journalist's questions about the recent restructuring and explained the opportunities they see as a stand-alone company.

NSG announced three new products and a Professional Services

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NS wins cellular service contract

Cellular One Customers in Rhode Island and Bristol County, Mass. will benefit from a recent contract between Network Systems and Southern New England Telecommunications Corp. (SNET). Under a \$35 million, three-year contract, NS will supply and install a new wireless communications network for SNET Cellular, Inc., a subsidiary of SNET.

The AT&T system will replace an existing Motorola network and will serve SNET's customers who subscribe to cellular service under the Cellular ONE brand name.

The new AUTOPLEX® System 1000 network will allow SNET Cellular to offer improved quality and new capabilities -- such as multiple phones with the same phone number, and fraud protection to its customers. The system will also easily allow SNET Cellular to upgrade to advanced digital services such as code division multiple access or time division multiple access.

Installation is expected to be completed by the end of the year, with cutover scheduled for early 1996. □

Sale of Phoenix Works to CSI now complete

Network Systems has completed the sale of its U.S.-based copper-exchange cable, cords and custom cable assembly business to Cable Systems International Inc. (CSI). The intent to sell this business, which includes the Phoenix Works plant, where most of AT&T's manufacturing of copper cable for local telephone networks has been based, was announced in June 1994.

A difficult decision

In connection with the sale, copper-exchange cable production performed at Network Cable Systems' (NCS) Atlanta Works facility was transferred to Phoenix, resulting in the elimination of about 125 jobs in Atlanta. The Atlanta Works continues to be AT&T's worldwide center for fiber-optic production.

"The decision to sell this business was especially difficult because it affected the lives of individuals -- and their families -- who had served Network System faithfully and well over the years," says Jack Bucter, NCS president.

Smooth transition

AT&T has provided a full range of support services to Phoenix Works employees who did not join CSI, as well as Atlanta Works employees affected by the sale. "Many of the NCS employees who left Phoenix transferred to other manufacturing

assignments throughout the U.S.," says Bucter. "We were pleased that the number of employees who were laid off as a result of the transfer of work from Atlanta was significantly smaller than originally anticipated."

As previously announced, Peter A. Woog, formerly NSG's copper cable products vice president, has become chief executive officer of CSI. Woog said that through new hiring related to the consolidation of production from Atlanta, employment at the Phoenix facility has grown from 1,600 people when the sale was announced to about 1,700.

Focus on customer transitions

Since the agreement was announced, NCS and CSI have worked closely to facilitate the transition and to minimize its impact on customers.

"By now, customers of AT&T's copper-exchange cable products know exactly how their needs for these products will be met," says Bucter. "In many cases, ongoing support may involve a combination of a continuing partnership with AT&T for some products and a new relationship with the CSI. We're committed to providing applications that can be used over copper networks in response to customer needs." □

Restructuring plays well at Telecom '95

News of AT&T's restructuring was a hot topic of debate at Telecom '95. The event provided a worldwide stage to unveil the strategy to spin off NS and other AT&T equipment units into a new systems and technology company separate from AT&T. The restructuring drew praise from the media and European customers who are now giving NS a second look.

"For Richard A. McGinn (NSG CEO), Telecom '95 has been a grand coming-out party," according to an Oct. 5 article in *The New York Times*. The article quoted analysts and potential customers saying, "AT&T has a fighting chance to win lucrative contracts from both the Baby Bells and European telecommunications giants to supply them with everything from cellular telephones to digital networking equipment."

One European telephone company said it would cast a kinder eye on AT&T. "John J. Goossens, the chief executive of Belgacom, the state telephone company of Belgium, said he had warned AT&T in February that his company would not buy equipment from AT&T because it was trying to compete for customers in Belgium's long-distance market. 'That's no longer a problem,'" Goossens told the *Times*.

Increasing competitive pressures will bode well for NS according to an Oct. 5 *Wall Street Journal* article. "Analysts are counting on the untethered \$20 billion giant to win back much of the business it began to lose earlier in the year, putting pressure on other equipment suppliers to either cut prices or pass on an order against the old AT&T."

"Equipment competitors of AT&T should be alarmed and they are," Michael Arellano, telecommunications equipment analyst at New-York based Northern Business Information, told the *Wall Street Journal*. □

Telecom '95 draws industry titans

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contract at Telecom '95. Here's a brief summary of each:

* NSG's new AirLoop™ digital wireless local loop system connects central offices to homes and businesses using a wireless loop.

* New speech transcoding equipment for base stations provides GSM wireless service providers increased capacity and flexible architecture.

* NSG's Integrated Transport Management Network Module serves as the "air-traffic control tower" for transport networks. Operators of Synchronous Digital Hier-

archy networks can now monitor their entire transport networks from a centralized network management system.

* Network Systems agreed to provide professional services expertise to Kazakhtelecom -- the long distance operator for Kazakhstan. NSG's expertise in planning and operating networks is becoming a sought-after skill. Other professional services contract wins include: Saudi Arabia, Pacific Bell and Southern New England Telephone. □

Costbusters Corner

Specifications + teamwork = SAVINGS

Simple, standard and flexible. Three words that describe the specifications and quality monitoring procedures for printed circuit boards (PCBs). Honest! At least they do now -- after some fancy teamwork among AT&T Network Systems, AT&T Microelectronics (AT&T-ME) and Global Supply Line Management (GSLM). By updating the PCB "specs" and exploring other opportunities together, the partnership uncovered potential yearly cost savings of nearly \$1 million.

Requirements revisited

The GSLM Interconnect Center of Excellence (ICOE) was already considering an overhaul of the PCB specifications when Ernie Rodriguez, who leads the NS COGS reduction effort, asked Microelectronics for cost-reduction ideas. One proposal presented by Bruce Fichter, of ME's PCB factory in Richmond, Va., called for changes in the assembly and specification requirements.

At the request of Nick Stevens, vice president of GSLM-ICOE, Mano Rao, a technical manager in Stevens' organization, set up a cross-functional team to align PCB specifications to industry standards and review proposals from Fichter. The team expects to reap savings from the revised requirements, changes in testing procedures and a move to statistical quality sampling in lieu of 100 percent testing when appropriate.

"In some cases, the AT&T specs were unique for AT&T at a time before divestiture," says Rao. "There was room for significant cost savings without jeopardizing quality or reliability." For example, in some cases the general spec applied the most stringent requirements to all products rather than tailoring them for different product lines. The

new specification addresses this issue, says Rao, emphasizing that the team carefully analyzed all proposed changes to ensure they conformed to industry norms and did not affect quality or reliability.

The right mix of players

The team attributes much of its success to having the right mix of PCB experts -- people representing design functions in various business units, PCB manufacturing (Richmond), assembly manufacturing and GSLM.

"It was faster and easier to determine how changes in manufacturing, assembly or testing would affect each operation -- and tradeoffs were made in real time," adds Rao, confident that collaboration produced better solutions than organizations working independently.

The total team provided the answers while a core ICOE team (Billy Lung, Union, N.J.; Mel Wilson, Columbia, S.C.; Bob Holmes, Richmond; Marius Holdrinet and Hille Andringa, Hilversum, Netherlands) injected clarity and details into the new document in record time. The team plans to keep improving the specs and pursuing further opportunities for cost reduction.

Creating connections

John Segelken, GSLM-ICOE technical director, thinks the effort illustrates the value of the "center of excellence" structure, which links technical, supplier management and business/contracting issues on behalf of -- and in partnership with -- business units.

Jim Cocito, project manager, COGS reduction effort, applauds the team for tackling the real "nitty gritty" of their work. "Reviewing specs can be tedious, but this project proves it has huge payoffs," he says. "It saves money, moves us towards industry standards -- and cuts across boundaries to build and strengthen important relationships."

Telecommute America! Week

Telecommute America! Week is coming Oct. 23-27. The nationwide program -- spearheaded by AT&T and government agencies -- encourages employees to try telework alternatives.

Tired of stressful rush-hour commutes? Need a better balance of work and personal activities? How about improved productivity, lower corporate overhead and support for the company's Employee Trip Reduction programs? Telecommuting, or working away from the office -- either at home or an alternative site -- during normal business offers many advantages to employees and the company.

AT&T recognized

Telecommute America! allows people who telecommute, and those interested in it, to participate and learn more about flexible work options. Last year, 47,000 AT&T employees practiced some form of telecommuting. AT&T is committed to developing innovative telecommuting programs. The company was recently recognized as an industry leader in telecommuting in *The Telecommuters Handbook*.

Potential telecommuters can call Telecommute America's toll-free number, 800-TELEWEEK to obtain a comprehensive telework guide, "how-to-participate" brochures and information on educational seminars in 19 cities.

A new World Wide Web site (http://att.com/Telecommute_America) also offers resources for telecommuters.

Is it for you?

As attractive as it sounds, telecommuting isn't right for everyone. Telecommuting isn't an option for union-represented employee because of union regulations. People interested in participating in Telecommute America! Week or other telework arrangements should talk with their supervisors. □

It's benefit time

It's time once again to think about the benefits you want for next year.

There are a number of changes in medical coverage being introduced for 1996, including the Point-of-Service (POS) option for management employees and a new mental health/chemical dependency (MH/CD) program for everyone not in an HMO. Occupational employees (except those in HMOs) will be able to participate in the prescription drug program next year.

If you're a management employee who lives in an area where the POS program's networks are available, you must enroll in a medical option this fall, or you'll be assigned the POS option. Coverage under the MH/CD and prescription drug programs is automatic -- you don't have to enroll to participate.

Some changes

In addition, there are changes to dependent coverage for 1996. The category of Class I dependent is being expanded to include Sponsored children. This means that if you currently cover any Sponsored children, they'll automatically be covered as Class I dependents in 1996, provided they won't turn 23 before Jan. 1.

If you don't want them covered as Class I dependents, call the Benefits Directions Enrollment Center (BDEC) to discontinue coverage. Also, if you want to cover Class II dependents, you must enroll them this fall, or you won't be able to in subsequent years.

There are other changes to your health and insurance benefits. Take the time to carefully review your enrollment materials. If you have questions about your benefits, HelpLine numbers are listed in your pre-enrollment brochure. If you have questions about enrollment, you can call the BDEC, Monday - Friday, 9:00 a.m. - 7:00 p.m., ET. □

FYI

Academic Awards Program gets under way

The 1996 AT&T Academic Awards Program will provide 140 scholarships of up to \$6,500 per year to eligible children of AT&T employees. An applicant must be a high school senior with a minimum cumulative 3.25 grade point average; be active in community services; and be the child of an active AT&T employee.

Applications are available now through Dec. 15 and must be post-marked by Dec. 31. To get an application, call 800-282-2828. The Citizen's Scholarship Foundation of America, a non-profit organization, administers the program and selects winners.

AT&T offers Family Care grants

Child-care providers who serve children of AT&T employees and who plan to attend the National Association for the Education of Young Children Annual Conference in Washington, D. C. from Nov. 29 - Dec. 2, can now receive a limited AT&T Family Care Development Fund grant.

Providers living more than 60 miles from Washington are eligible to receive a \$200 grant. Grants of \$100 are available for providers living within 60 miles of the conference. The grants will be awarded on a first-come, first-served basis.

Call Richard Titus on 609-582-

8282 to receive an application. The deadline for applications and proof of registration is Dec. 11.

Universal Card changes rates

AT&T Universal Card has announced a promotional offer to standardize the interest rate charged on all AT&T employees' credit card accounts. This will result in an Annual Percentage Rate (APR) reduction for most employees.

The new variable APR is based on the prime rate plus 1.9 percent, is effective with October billing cycles and will be reflected on November statements. The rate will be in effect through Dec. 31, 1996.

On Jan. 1, 1997, the APR is expected to revert to a variable rate based on the prime rate plus 5.9 percent. The new variable APR will cover existing balances, new purchases and cash advances. In addition, the cash advance fee will be waived for the 15-month period.

A letter stating how your account is affected will be mailed by Oct. 15. If you do not receive this letter, please call 800-423-4343. To apply for the AT&T Universal Card, call 800-662-7759. □

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AT&T's general restructuring principles

At the Sept. 28 town meeting with employees, Chairman Bob Allen laid out the following 15 principles for guiding the overall restructuring process:

- *First, and foremost, we're here to serve customers. Indeed, our commitment to customers should be our guiding principle in everything we do.*
- *All contracts and commitments -- whether internal or external -- will be fulfilled.*
- *All financial commitments will be met.*
- *Globalization will remain a top priority.*

In terms of decision-making:

- *Decisions will be made in the overall best interests of AT&T's current shareholders.*
- *The Steering Committee will resolve significant corporate conflicts -- not by negotiation, but on the basis of the best facts and judgment that can be applied on behalf of the current shareholders.*
- *Decisions will be made prudently and in real time, based on best-available information.*
- *Decisions will be made mindful of simplicity, speed and ease of execution.*

In terms of people and their jobs:

- *Transition teams for the businesses will have the primary responsibility for determining how many people they'll need. They'll work with the leaders of the corporate functions regarding decisions about filling jobs in specific businesses.*
- *In general, people will follow their work.*
- *Most dedicated functions will align with internal customers. Shared functions will be divided up, but some sharing might continue for a short period after the transition.*
- *Surplus employees will have access to job opportunities across the enterprise, and every effort will be made to place them.*

In terms of the way we treat each other during the restructuring process, and afterwards:

- *Our behavior and decisions will be guided by the values of Our Common Bond.*
- *We will restructure the business as a team.*
- *We will communicate -- openly and frequently.*

