

BAD CONNECTION

By *BEN SILVERMAN*



**C. MICHAEL
ARMSTRONG**
AT&T boss

January 7, 2003 -- Meet the new, slimmer AT&T.

The telecommunications giant announced yesterday that it will slash 3,500 jobs as the company prepares for a massive \$1.5 billion write-down.

AT&T said the cuts, about half of which will hit management, stem from the company's streamlining of installation and maintenance procedures.

But the cuts may not be the company's last.

"The job cuts reflect more than just new efficiencies," said Guzman & Co. analyst Patrick Comack. "They reflect a weakness in the industry. AT&T is a perpetually shrinking company."

Speaking on the condition of anonymity, an AT&T executive said the company's cost-cutting will continue throughout the year.

"We're working to refocus the business, and that will unfortunately mean that we'll look to cut costs and possibly more jobs," the person said.

"We need to address what this company will be and what direction we're going in. AT&T is a strong company, but we need to be strong, especially while our competitors are hurting along with us."

But AT&T said the job cuts and the write-down are "old news" and that customer service won't be affected by the move.

"Technological advances allow us to have fewer people and to have improved quality and reliability. That is a positive effect," said Eileen Connolly, a spokeswoman for AT&T.

AT&T will take a \$240 million charge associated with the layoffs. The company also announced it would take an asset-impairment charge of about \$200 million on its DSL assets.

The two charges, combined with a previously announced \$1.1 billion write-down on the company's investment in AT&T Latin America, mean a hit of about \$1.60 per share for the fourth quarter of 2002.

AT&T stock fell 18 cents to \$27.48.

Tim Horan, an analyst with CIBC, said AT&T's stock "is going to remain under pressure for the next three or four months."

[Home](#)

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