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Psst! Want to Buy a Research Lab? The Baby Bells Want Out

By EDMUND L. ANDREWS

FOR SALE: State-of-the-art telecommunications research lab, complete with 6,000 employees and $1 billion annual budget. Profits: none. Price: negotiable. All offers welcome.

After mulling over their options for a year, the seven regional Bell telephone companies formally put their gigantic research consortium, Bellcore, on the auction block yesterday.

The move comes as the Bell companies have become more divided in their strategies and interests, with some of them now viewing each other as potential rivals rather than allies.

Based in Livingston, N.J., Bellcore is best known for helping develop industrywide technical standards and software for local telephone companies, as well as having responsibility for arcane tasks like the allocation of telephone numbers across North America.

But many of the Bell companies have been eager to pull out of the consortium, in part because they became convinced that the consortium was an inappropriate place to develop technology for themselves. Where the companies once walked in lock step on most issues, identical twins born of the same Ma Bell, they are now pursuing quite different strategies on everything from offering video services to wireless communications.

Nobody has yet emerged as a potential buyer for the giant research complex, and it remains unclear what kind of value it will have in the market.

Berge Ayvazian, an analyst at the Yankee Group in Boston, said the most obvious potential buyers for Bellcore would be other manufacturers of telecommunications or computer equipment.

But the biggest equipment manufacturer is **AT&T**, which is prohibited from ownership under a provision of the antitrust decree that broke up the old Bell System and probably would not be interested anyway; it already owns the sprawling Bell Laboratories complex. Other possible purchasers would be companies like **Northern Telecom** of Canada or **Ericsson** of Sweden, but those companies might well run into political troubles by virtue of their foreign ownership.

Bellcore was established as a nonprofit institution, in essence a contract research affiliate for the seven Baby Bells. The principal way to get value out of Bellcore is to keep pouring money into research and hope that it will pay off commercially.

The seven Baby Bells currently provide 80 percent of Bellcore's annual budget, and the companies made it clear yesterday that they wanted to sell their entire stake in the consortium. That raises the question of whether Bellcore's future revenues will hold solid, though executives at the consortium said they had now established a valuable franchise as an engineering and software development company.

"We think our contributions have been valued by the entire industry," said George H. Heilmeier, Bellcore's president and chief executive. "Going forward, I would expect we would continue that process, but we will probably do that through a much larger array of clients."

Dr. Heilmeier said yesterday that the Bells wanted to sell their entire position, but the current owners had made no decision about what form that sale would take.

The Bells want to sell out entirely, in part to free Bellcore from restrictions that apply to the Bells. For example, Bellcore is currently prohibited from developing new equipment because the regional Bell companies are barred from manufacturing equipment.

Dr. Heilmeier has won praise since taking over Bellcore in 1991, partly for making the consortium much more market-driven. He also expanded Bellcore's clients, which now include Sprint, Bell Canada and independent local telephone companies like Southern New England Telephone in Connecticut.