When Anthony Leteri started industrial coating company USA Polycoat Inc. in 1981, life was simple. Americans could use any phone service they wanted – as long as it was AT&T. The same held true for service, equipment and listings in the Yellow Pages. That was almost a quarter century and, for USA Polycoat, about six phone companies ago.

“"You had one call to make when your phone broke," Leteri said. “Those were the good times, I guess.”

Nostalgia notwithstanding, analysts say, the old Ma Bell is dead.

The newly announced $16 billion merger of AT&T and Baby Bell SBC Communications Inc. is not a step toward reconstituting the telecom monolith, they say. Rather, it is a stride toward a future dominated by a handful of communications giants that will offer the Full Monty of services – television, high-speed Internet, landline voice and wireless voice – to businesses and homes.

“We're moving to these companies that have a full array of services,” said Craig Clausen, senior vice president at New Paradigm Resources Group, a Chicago-based telecom researcher. “It’s Ma Bell sliced vertically.”

Instead of reconstituting Ma Bell into one Humpty Dumpty, Clausen said, there will be “a slew of Humpties competing with each other.”

What will the “Humpties” look like? Some will be today’s telecom companies and others will be the cable providers. Within three years, he said, cable companies will be offering customers wireless service through alliances like the one between Time Warner Cable and Sprint now being tested in the Kansas City area. Under that partnership, Time Warner is selling Sprint cellular service, making it the first cable provider to market the coveted “quadruple play.”

Clausen said cable providers have a leg up on their telecom rivals because their coaxial cables can deliver more bandwidth than the copper wires of the phone companies. That has allowed cable companies to push ahead with broadband Internet and Internet telephony offerings that aim directly at the telecoms' traditional markets.

While AT&T progeny SBC, Verizon Communications, BellSouth and Qwest all provide landline voice, high-speed data and wireless service, video, a centerpiece of any bundle, has been a missing piece of the puzzle.

“It's a little more elusive for them to deploy video services,” Clausen said. Until now, telecoms that wanted to package video did so through a partnership with satellite television companies like Dish Network and DirecTV.

Though the modern world may count the telecom revolution from 1984, when federal regulators broke up AT&T, the underpinnings of even the most modern offerings can be traced back to Alexander Graham Bell.

As portrayed in a 1939 Hollywood biopic, Bell (portrayed by Don Ameche) teaches the deaf as he seeks a means of transmitting the human voice. He falls in love with deaf Mabel Hubbard (played by Loretta Young). On March 10, 1876, Bell is about to test a new transmitter that won a patent three days earlier. He spills acid on his clothing and calls out: “Mr. Watson, come here. I want you.” Watson hears the call, they celebrate and a year later Bell forms the Bell Telephone Company, which later became AT&T. Needless to say, Bell and Mabel marry.
Bell's company gets a big boost after he shows Queen Victoria his new invention and she orders phones for Buckingham Palace.

But Bell did not stop with the telephone. In 1881, Bell and assistant Charles Sumner Tainter developed a photophone that carried voice on a beam of light. In one test, they sent a message over 200 yards. The photophone, Bell said, eclipsed the telephone as his greatest invention.

Taking a cue from their spiritual forefather, the Baby Bells are placing one of the biggest bets in history that light, carried by fiber optic cables instead of through the air, will allow them to beat back the cable companies that threaten to eat their lunch.

Much as coaxial cable offered a bigger conduit than copper wire, telecom companies are betting that fiber optics – which have far higher capacity than even cable – will be the pipe of choice as consumers and businesses demand bandwidth-intensive high-definition television plus new data and voice services.

Verizon is making the biggest splash by beginning work to build fiber-to-the-premises networks in parts of California, Delaware, Florida, New Hampshire, Maryland, Massachusetts, New York, Pennsylvania, Texas and Virginia and announcing plans to build its network in parts of Rhode Island and Indiana.

How much will it cost to build such a network cost? Verizon CEO Ivan Seidenberg gave a hint when he told investors that the company planned to increase its capital budget to $14 billion in 2005.

"If you look back the last couple of years, [telecom companies] have been losing money on local voice," said Mike Arden, principal analyst at ABI Research in Oyster Bay. "They've been commoditized. Business telecom services still have some good value, but the residential chunk is hurting these companies."

The key, he said, is video and advanced data services.

"By bundling and getting scale, they'll be able to revive their revenues," he said. "You can have this whole end-to-end communication package."

Verizon's USA Polycoat, the telecom revolution has meant more than hopping from one phone company to the next.

"We've been progressively changing because of cost and service," he said. "A wireless data networks in two of the company's offices lets workers stay connected while moving about with laptop computers and cellular phones from Nextel (which has agreed to merge with Sprint) that have a walkie-talkie feature."

For Leteri, corporate mergers are less important than dividends for users.

"Hopefully the telephone service will improve," he said.