

B

Federal Communications Commission
Telephone Investigation

Sup

Special Investigation Docket No. 1

Report on

CONTROL OF TELEPHONE COMMUNICATIONS

(Pursuant to Public Resolution No. 8, 74th Congress)

APPENDIX A

Data Relating to Federal Control of the
Bell Telephone System, August 1, 1918 to July 31, 1919

June 15, 1937

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PREFACE

5
The Government of the United States had legal control and possession of the wire systems of the country from August 1, 1918 to July 31, 1919. This was a War measure. This volume consists of copies of a series of documents which relate to the control of the Bell System during this period.

With the exception of this Preface and the first page of Section 1, no textual material has been added to the original documents. The evidence is here presented, however, in an ordered sequence which, upon reading, will give a clear picture of the main outline of events during the period of control. A brief discussion of the organization and operation of the Bell Telephone System under Federal control is given in Chapter V of Volume I, "Control of American Telephone and Telegraph Company," of the Report on "Control of Telephone Communications." The main subject of that report, however, and the limitations of scope and arrangement, did not permit of a more elaborate discussion of the evidence in the possession of the Commission experts. Limitations of time did not permit writing a separate report on this subject.

Due to these circumstances, the present expedient is used to reveal the essential aspects of the organization, operation and results of Federal control of the Bell System. So far as it is known, this information, with the exception of the official documents here quoted for completeness, has not been available to the public and the students of this War period. Much has been written about Government control of railroads during the War, but little has been known of the comparable situation in wire communications. It is hoped that these documents will supply this need, and lead to better understanding of the reasons why Government control during this emergency period yielded unfavorable results.

The gist of the evidence is this: The Bell System did not oppose Federal control. The results were fully gratifying to them. The Government of the United States, through the Postmaster General, assumed complete financial responsibility, by contractual guarantee, for all expenses incurred during the period of control, including dividends (average dividends paid during 1915, 1916 and 1917 to stock in hands of public), interest, amortization charges, depreciation, etc. This was according to the proposal of the American Telephone and Telegraph Company which was accepted by the Postmaster General. The Wire Control Board established by the Postmaster General was overburdened with work. The Operating Board of the United States Telegraph and Telephone Administration consisted of officers of communications companies. The de facto control and operation of the Bell Telephone Companies was in the hands of their officers. Due to the nature of the compensation contract, increased costs, and other reasons yet unexplained, the Government of the United States incurred a deficit in the operation of the Bell Telephone System. The Postmaster General was, therefore, in a difficult position where he had to either allow a growing deficit or raise rates in order to cut down the deficiency. He raised rates, upon advice of company officials and the Operating Board. This was done for long distance rates in December, 1918, and for local exchange rates in March, 1919.

Thus, by one stroke, the Bell Companies obtained increased rates throughout the country, which they had been fighting for in each individual state prior to Federal control. The increases ordered by the Postmaster General had an annual revenue value of some \$40,000,000. In several states the Postmaster General's rates were enjoined upon application by local authorities on the premise of lack of jurisdiction. The Post Office Department was, therefore, faced with the necessity of

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defending the increased telephone rates. The General Solicitor of the American Telephone and Telegraph Company, who is now General Counsel, was loaned to the Post Office Department as special assistant to the Solicitor of the Department. He was principally engaged in preparing the general outlines of defense of the Postmaster General's increased rates, and in preparing the briefs in special cases. The General Counsel of the American Company was the real director of the various cases. One of these cases was selected for appeal to the Supreme Court of the United States. This case was directed by the General Counsel of the American Company, and the arguments in the case were the work of the General Solicitor of the American Company. Both of them, however, worked in the background, assisting the Solicitor of the Post Office Department, and the office of the Solicitor General of the United States. The Supreme Court sustained the validity of the Postmaster General's rates on June 2, 1919.

In May, 1919, Mr. Vail, the President of American Telephone and Telegraph Company, began a campaign for the return of wires to the companies. After the decision of the Supreme Court, he intensified the campaign, writing to members of Congress, wiring to state commissions, mobilizing local telephone people to bring pressure upon commissions, all to the end that they support a proposed bill sponsored by the Bell System which would cause return of wires and the retention of the Postmaster General's rates for one year thereafter. By Act of Congress approved July 11, 1919, the wires were returned as of August 1, 1919, with the provision that the Postmaster General's rates as established prior to June 6, 1919 should continue in force for four months, unless otherwise modified by local authorities having jurisdiction.

Thus, soon after the validity of the Postmaster General's rates was sustained as constitutional, the return of the wires was

engineered. The Government of the United States was left with a deficit of over nine million dollars, whereas the Bell System derived the benefit in their own right of the increased rates given to them by order of the Postmaster General.

The evidence does not show that this result was due to Governmental inefficiency in the operation of the telephone system. Although the data hereinafter presented are not exhaustive by any means, they are sufficient to indicate that whatever unfavorable results accrued were due to the nature of the compensation agreement and the type of organization, rather than to Governmental inefficiency. After all, the System was operated by the same people as those who directed it before and after Government control. Furthermore, the Bell officers had a free hand in the operation of the System, with the least interference from Washington, and in addition obtained practically every important request that they made, with the possible exception of Vail's proposal to effect a unification of all forms of wire communication in one organization. This being the situation, if there were any mistakes made from the rate payer's and tax payer's point of view, they were due to the type of compensation contract and the particular form of organization of control established. These may be explained by the exigencies of the period, the pressure of work, the enormousness of the undertaking, and the unpreparedness of the Government to assume the multiplicity and magnitude of the tasks imposed upon it at such short notice.

Section 1

Necessity of Government Control as a War Measure.

5-1
The assumption of control over telegraph, telephone and cable systems by the Federal Government as a War measure was the subject of public hearings on a proposed resolution (H. J. Res. 309, 65th Congress, 2d Session) in both the House Committee on Interstate and Foreign Commerce and the Senate Committee on Interstate Commerce, on July 2 and July 9, 1918, respectively. At these hearings, Hon. Newton D. Baker, Secretary of War, Hon. Josephus Daniels, Secretary of the Navy, and Hon. Albert S. Burleson, Postmaster General, testified in favor of the joint resolution then being considered to authorize the President of the United States to take control of wire systems. An act to this effect was finally passed and approved by President Wilson on July 16, 1918. ^{1/} Inquiry of the American Telephone and Telegraph Company by Commission staff as to the attitude of the company towards this legislation has yielded neutral results, in that no record is found of any definite attitude in favor of or opposed to this legislation. In the following few pages, excerpts are given from the testimony of Messrs. Baker, Daniels, and Burleson, before the House Committee on Interstate and Foreign Commerce on July 2, 1918, giving the reasons why they favored the assumption of Federal control over wire systems.

^{1/} Public Resolution No. 38, 65th Congress.

Statement of Hon. Newton D. Baker, Secretary of War:

Secretary Baker. Mr. Chairman, I have before me a copy of Joint Resolution No. 309, to insure the continuous operation of electrical communicating systems, to guard the secrecy of war despatches, and prevent communication between public enemies. The War Department has considered this resolution and by letter I have indicated to the committee that the department is in favor of the resolution. I can add to that only two thoughts. One is the indispensable importance of continuity of operation of these lines during war times. It is so obvious that it only needs to be stated, of course, to be understood."

* * *

* * *

* * *

Mr. Esch. Do you believe that the taking over of the possession, operation, and control of the telephone and telegraph lines is a military necessity?

Secretary Baker. I don't think it is a military necessity at this minute, but it might easily become a military necessity the next minute. The power which we might be called upon to use ought to be in existence.

Mr. Esch. It is true the resolution puts it in the discretion of the President as to whether he will take over these various instrumentalities and the extent of their taking over?

Secretary Baker. Yes.

Mr. Esch. In the railroad-control bill there was not that discretion.

Secretary Baker. The railroad-control bill was passed after they had been taken over under another power.

Mr. Esch. Under the act of 1916?

Secretary Baker. That act, as you recall, gave the Secretary of War the right to take them over, and the Secretary of War did take them over, as a matter of fact.

Mr. Esch. Yes; I understand the machinery of that; and it is your impression that this can be done and that proper contract for compensation can be entered into with these individual lines?

Secretary Baker. I haven't the slightest doubt that that can be done, Mr. Esch. I really had not addressed my mind to the question of contract.

Mr. Esch. Do you know that was a very difficult problem under the Federal railroad act, and we have not yet agreed upon the contracts of compensation?

Secretary Baker. Yes; and it is a question that will naturally present many difficulties, because the telegraph and telephone lines, like the railroads, are subject to many kinds of control and regulation

sometimes by State agencies, sometimes by Federal agencies, and in the instance of telephone lines, sometimes by entirely local agencies, although I think there are very few States in the country which give municipal councils regulatory powers over telephone rates, but there may be some. But the thing that I was thinking of was the paramount necessity of governmental control, and I haven't the slightest doubt that the Federal authorities could accommodate themselves to any sort of local regulation which is necessary or is in existence.

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"Mr. Esch. Well, then, is it your idea that this resolution as to telephone, telegraph, wireless, and cable companies shall serve the same purpose as that provision in the Army appropriation act of 1916, which gave the President the power to take over, through your office, the railroads or systems of transportation?"

"Secretary Baker. Yes; I should say it serves exactly the same purpose.

"Mr. Esch. Then that would mean that this resolution would have to be supplemented by legislation giving the provisions as to just compensation?"

"Secretary Baker. I think if the President found it discreet and wise to take over these lines, and did do it, the contractual business relations between the Government and the persons whose property was thus taken over, and all the connections between that and other property used in connection with it, would have to be fixed by subsequent legislation."

Statement of Hon. Josephus Daniels, Secretary of the Navy:

"Secretary Daniels. Mr. Chairman, I have had a letter from the chairman of the committee asking my views about this resolution.

"I believe that in time of war it is of the highest importance that communications of all kinds shall be Government monopolies. The Government should absolutely control communication of all kinds, by mail, wire, and radio. That is the only absolutely safe way in which the Government may insure the dispatch of its messages and the secrecy of its business."

* * *

* * *

* * *

"Mr. Hamilton. Were you advised in relation to the subject matter of this bill before it was introduced?"

"Secretary Daniels. I had a letter from the chairman asking my opinion about it. I have on more than one occasion--perhaps a dozen

occasions since the war began-whenver I have talked with any Member of Congress or anybody else, urged the taking over of wire communications by the Government, or the power to take over all such communications. I had a hearing over a year ago before the committee of which Judge Alexander is the chairman, the Committee on Merchant Marine and Fisheries, on permanently taking over the commercial radio service, and a bill providing for this is now pending in that committee. We believe in the Navy that the radio service ought never to go back out of the control of the Government; that it is essential that it should be a Government institution."

"Mr. Winslow. Mr. Secretary, I would like to ask you if you regard this resolution as a strictly war provision?

"Secretary Daniels. In its present aspect, yes. As a fundamental principle of government I also think it is very important.

"Mr. Winslow. But the purpose of the resolution as presented you feel that we ought to regard it as a war necessity pure and simple?

"Secretary Daniels. As a war necessity. I would not say pure and simple. I trust it will be a permanent policy.

"Mr. Winslow. Would you like to have the subject discussed in Congress on that basis?

"Secretary Daniels. Well, I would not like to say how Congress should do it; but this resolution, I should say, is a war necessity.

"Mr. Winslow. It was introduced to meet a war necessity?

"Secretary Daniels. It was introduced to meet a war necessity.

"Mr. Winslow. Well, if that is the case, can you see any harm in having the provisions of the resolution confined to a definite period?

"Secretary Daniels. I think that the period of its continuance ought to be left to the wisdom of Congress.

"Mr. Winslow. I was trying to get your views.

"Secretary Daniels. If you wish my views, I would say it ought to last forever.

"Mr. Winslow. So that you would have a war emergency last for all times of peace?

"Secretary Daniels. I would have the Government control and own telegraph, telephone, and all means of communication permanently.

"Mr. Winslow. That is where you hitch it up to the Government as permanent.

"Secretary Daniels. I say communication ought to be a Government monopoly, both for the security of secrecy in war and continuous operation, and for the control of communication. It is just as important for the Government to control communication by telephone and telegraph as it is by mail.

"Mr. Winslow. But the emergency is in respect to the needs of the war?

"Secretary Daniels. Yes.

"Mr. Winslow. Now would you kindly state whether in taking over the radio business of the country you acted under the provisions of existing statutes or under general authority existing in the war period?

"Secretary Daniels. We acted under the executive order of the President, which was based on the radio act of 1912.

"Mr. Winslow. Would there be any reason why we could not take over these companies by a like order for the same reason?

"Secretary Daniels. I am not sure that the taking over of land lines is authorized by any statutes. There was some division of opinion on investigation as to whether the President had the power, but the radio act of 1912 gave power to take over the wireless. It was decided that the President had the power he exercised. We could not have run the war without it, and it was an absolute essential thing. The power resided in the President as the Commander in Chief of the Army and Navy, and he issued the executive order and the Navy took over these radios and censored the cables in pursuance of the President's Executive orders. In passing this resolution, you would give the clearest power by statute.

"Mr. Winslow. Well, would you have us assume that this is done to correct a mistake?

"Secretary Daniels. Not at all. I think it was the proper thing and the legal thing to do.

"Mr. Winslow. Then, on the assumption that the President acted on good authority and so saw fit to take over the radio, why are we not justified in feeling that if he needs this thing at any one minute he can take over the telegraph and telephone systems by the same authority?

"Secretary Daniels. He has not the same clear authority in the latter case. I should say that in an emergency, in a war emergency the powers of the Commander in Chief are very large, but in the matter of telephone and telegraph, which touches the whole country, the President should be, by legislative act, given full and explicit authority to take them over.

"Mr. Winslow. On the assumption that it would be a more thoroughgoing method of procedure to have legislation to cover it, would you doubt the power of the President in case of an emergency to take over these companies?

"Secretary Daniels. I should ask the advice of the Attorney General about that.

"Mr. Winslow. But if he did it with reference to radio, I presume he would be able to do it in this case too.

"Secretary Daniels. I take it that the President had the opinion of the Department of Justice-in fact, I know he did-when he issued the Executive order to take over the radio stations. The matter was covered by statute, and only one minor point was doubtful.

"Mr. Winslow. Undoubtedly.

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"Secretary Daniels. I would not like to say-I would not like to give a legal opinion-as to how thoroughly the radio act of 1912 covered our requirements.

"Mr. Winslow. Well, I had this idea in mind-perhaps a different idea from what you surmise or expect-I am trying to find out the real necessity of immediate, perhaps insufficient, consideration of this bill as a war necessity.

"Secretary Daniels. Well, it seems to me that a question like this does not take long to consider. The question is whether in this great war the officer-the President-responsible for the conduct of the war should have the power to safeguard communications, and I think clearly he ought to have that power, and it ought not be delayed at all."

Statement of Hon. Albert S. Burleson, Postmaster General:

"Postmaster General Burleson. Mr. Chairman and gentlemen, at the outset I desire to say that the views entertained by me with reference to what I think should be the permanent policy of the Government as to these instrumentalities do not determine the opinion I am going to express about this particular resolution.

"It may be well known to you that for a number of years as Postmaster General I have recommended that the telegraph and the telephone should be made part of our Postal Service. I have always felt that the electromagnetic telegraph and the telephone are proper functions of the Postal Service. I was led largely to the adoption of those views by the provision of the Constitution which reposes in Congress the power to establish post offices and post roads. As early as 1843, when Prof. Morse discovered the electromagnetic telegraph, it was universally admitted-acquiesced in by everybody-that it should be made a part of the Postal Service. In fact, it was constructed, maintained, and operated by the Government all through the administration of Mr. Tyler, I believe, as part of the Postal Service, continuing so until about 1847, when, because of a false idea of economy, because the telegraphic service was resulting in a small deficiency under the administration of Mr. Polk, over the protest of the Postmaster General, the Congress authorized the sale of the telegraphic service in the face of the fact that Prof. Morse was offering to sell to the Government his patents for about \$100,000, as I now recall.

"I have never been able to understand why the use of wires should be denied for the transmission of communications, any more than the use of a man on foot, or a boy on a horse, or the stage coach, or the steamboat, or the railroad, or the aeroplane. I regard each as simply a means of communication and believe that the electrical wire, like other means, should be a part of the Postal Service."

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7 "Postmaster General Burleson. Yes, sir; as I said a minute ago, Gov. Montague, all the great countries of the world, with the exception of ours, own and operate and maintain the telegraph and the telephone as a part of their postal system. Gentlemen, although I am an old-fashioned Democrat, I try to keep pace with the progress of the world. I am not what might be termed a Government-ownership partisan. I have never been in favor of Government ownership of railroads; in fact I might be termed a conservative on that subject, but I could never understand why anybody should object, however strict a constructionist he might be, to the ownership of electrical means of communication as a part of our Postal System.

"Mr. Calhoun himself was in favor of Government ownership and control of the telegraph as a part of the Postal Service.

"But, gentlemen, that is all aside from the question. I have felt that during this great war no one should use its exigencies to impose a pet policy on the public notice or attempt to have it enacted into law. That is the way I have felt about it, and so I have not been insistent during this awful period that telegraphs or telephones should be taken over as a part of the Postal Service. But after we got into the war, and after I had had some experience with the military authorities across the water, when I discovered that they were so anxious to maintain the secrecy of communications that they were not only building their own telegraph lines in France, but that they insisted upon the handling of the mail that was going to the troops, Gen. Pershing said, "We can not trust information as to the movement of the units--military units--to other than military forces; hence it is necessary for us to take over and militarize the Postal Service." A few weeks ago, in response to those recommendations, we handed over to our military authorities in France the handling over there of mail to the soldiers.

"Mr. Montague. You mean he could not trust the postal employees in Europe?

"Postmaster General Burleson. Our postal employees, although every one of them was a native-born American, tried and tested, and as loyal as it was possible to select in this country, could not be given this important information. The necessity of maintaining secrecy of communication and the secrecy of the movements of our troops was such that Gen. Pershing said, "I can not tell others than the military of the movements of the various military units," Such being the case of course the postal authority could not deliver this mail. If we did not know where a particular regiment was going to be moved to, or where until weeks after it had been moved, it was impossible for us to get mail to them.

"Mr. Montague. The serious point there is this, that your own Government officials were not trustworthy.

"Postmaster General Burleson. Oh, no; he said he would not trust anyone outside of the military authorities--nobody.

"Mr. Montague. You do not propose to make these military authorities in order to operate these matters now?

"Postmaster General Burleson. I am not prepared to say what will be done under the provisions of this resolution. I will say to you further in connection with the military, that one of the greatest generals the world has ever produced recommended to the American Congress that the telegraph be taken over by the Government--Gen. U. S. Grant. And as you all know, he was President just after we had had a most serious war. I do not know to what extent he was controlled by a belief in it as a military necessity.

"But the question arises, Should this particular resolution be passed? I do not know what is in the womb of the future. I do know from this policy of Gen. Pershing, I do know from the acts of Congress that you have passed, safeguarding the use of the mails, the transmission through the mails of seditious and disloyal matter, how concerned you were about controlling communications by those in this country who might be not in sympathy with the great purpose that is moving us in the conduct of this war, that we ought to safeguard the future if possible. I have thought that this discretionary power should be given the President. It is not mandatory in terms. It is only permissive. Who is the man to say that the President of the United States, if in his discretion he should deem it wise in the prosecution of this war or in safeguarding the interests of America, shall not take the action authorized by this resolution? The suggestion has been made that probably he has this power. Well, I am one who believes that he now has the power. I believe that the President under the war power has the implied authority to do anything necessary to the successful prosecution of the war, and some great lawyers agree with me in this position. Mr. Justice Hughes and I understand ex-Attorney General and present Senator Knox are of the same opinion. Yet you know how Mr. Lincoln was denounced, not only by those who were not of his party but by some members of his own party, for exercising a power that he thought was necessary for the preservation of the Union. President Wilson, the present Commander in Chief, sees fit to adopt the policy of asking of the Congress the authority to do those necessary things for the prosecution of the war. And it may be, probably, his is the wisest policy.

"I do not think that the interests of these telegraph and telephone companies should be disregarded. When this resolution was shown to me--and it was shown to me--not the first resolution introduced by Mr. Aswell, however, on this subject, because Mr. Aswell introduced a resolution some time ago, dealing with this subject matter, about which he did not consult me.

"The Chairman. That was the 4th of January.

"Postmaster General Burleson. He did not consult me about that one, but when this resolution was introduced he came by my office and asked my opinion, and I agreed with it, unhesitatingly. He expressed the belief that this authority should be conferred upon the President, and I unhesitatingly assented. And as I now recall I made a suggestion or two--immaterial, of little consequence--which he readily accepted, and another resolution was introduced.

"I do not know, as I said a moment ago, what is in the womb of the future, and neither do you gentlemen. There may never be a necessity that the President exercise the power conferred on him by this resolution, but if the necessity should arise, and the Congress had failed to give authority to him, you would never cease to upbraid yourselves, because I know you are just as patriotic and anxious to win this war as those who are at the front along the lines in France.

"I will now answer any questions the committee desires to ask me.

↳ "Mr. Esch. General, if this resolution is enacted into law, of course the President, if he takes over the lines, would appoint some one who had the powers akin to the Director General in the case of the railroads?

"Postmaster General Burleson. Probably so, but I have no knowledge of the action the President would take. I have talked with the President about this several times, not very recently. I think I did talk to him once recently, but I have no information as to the action he would take under this resolution.

"Mr. Esch. But it would be a rational inference that that would be the method of procedure?

"Postmaster General Burleson. He always does the rational thing.

"Mr. Esch. So that it will be in the hands of some official, and in view of the fact that the Postmaster General's office has control of communications, we could readily expect that your office would be given control of the provisions under this bill.

"Postmaster General Burleson. I hope so, because I believe that the postal establishment can conduct this service more efficiently than any other in the world."

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"Mr. Esch. And do you agree with the other Secretaries that this resolution is primarily a war necessity?

"Postmaster General Burleson. Undoubtedly the necessity for action now grows out of the exigencies of the war, but if the efficient management and direction is given the telegraph and telephone that has been given the Postal Service, the probability is that they never will be returned to private control. But if government control was a failure, they would undoubtedly be returned. In England--and that Government is more readily responsive to public will than ours--you could not get a member of Parliament standing for election to advocate a return to private control of this public utility. It would be as much as his political life was worth. In my opinion, he could not get 10 votes from any district he might stand for."

Section 2

Act of Congress, Proclamation of the President,
and Orders of the Postmaster General, Pertaining
to Taking over of Telegraph and Telephone Systems.

ACT OF CONGRESS COVERING TAKING OVER OF WIRES.
Public Resolution No. 38 (65th Cong.).
[40 Stat. 904.]

JOINT RESOLUTION To authorize the President, in time of war, to supervise or take possession and assume control of any telegraph, telephone, marine cable, or radio system or systems or any part thereof and to operate the same in such manner as may be needful or desirable for the duration of the war, and to provide just compensation therefor.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President during the continuance of the present war is authorized and empowered, whenever he shall deem it necessary for the national security or defense, to supervise or to take possession and assume control of any telegraph, telephone, marine cable, or radio system or systems, or any part thereof, and to operate the same in such manner as may be needful or desirable for the duration of the war, which supervision, possession, control, or operation shall not extend beyond the date of the proclamation by the President of the exchange of ratifications of the treaty of peace: Provided, That just compensation shall be made for such supervision, possession, control, or operation, to be determined by the President; and if the amount thereof, so determined by the President, is unsatisfactory to the person entitled to receive the same, such person shall be paid seventy-five per centum of the amount so determined by the President and shall be entitled to sue the United States to recover such further sum as, added to said seventy-five per centum, will make up such amount as will be just compensation therefor, in the manner provided for by section twenty-four, paragraph twenty, and section one hundred and forty-five of the Judicial Code: Provided further, That nothing in this act shall be construed to amend, repeal, impair, or affect existing laws or powers of the States in relation to taxation or the lawful police regulations of the several States, except wherein such laws, powers, or regulations may affect the transmission of Government communications, or the issue of stocks and bonds by such system or systems.

Approved, July 16, 1918.

PRESIDENT'S PROCLAMATION TAKING OVER TELEPHONE AND
TELEGRAPH SYSTEMS.

[40 Stat. 1807.]

[A Proclamation by the President of the United States of America]

Whereas the Congress of the United States, in the exercise of the constitutional authority vested in them, by joint resolution of the Senate and House of Representatives, bearing date July 16, 1918, resolved:

"That the President during the continuance of the present war is authorized and empowered, whenever he shall deem it necessary for the national security or defense, to supervise or take possession and assume control of any telegraph, telephone, marine cable, or radio system or systems, or any part thereof, and to operate the same in such manner as may be needful or desirable for the duration of the war, which supervision, possession, control or operation shall not extend beyond the date of the proclamation by the President of the exchange of ratifications of the treaty of peace: Provided, That just compensation shall be made for such supervision, possession, control, or operation, to be determined by the President; and if the amount thereof, so determined by the President, is unsatisfactory to the person entitled to receive the same, such person shall be paid seventy-five per centum of the amount so determined by the President and shall be entitled to sue the United States to recover such further sum as, added to said seventy-five per centum, will make up such amount as will be just compensation therefor, in the manner provided for by section twenty-four, paragraph twenty, and section one hundred and forty-five of the Judicial Code: Provided, further, That nothing in this act shall be construed to amend, repeal, impair or affect existing laws or powers of the several States in relation to taxation or the lawful police regulations of the several States, except wherein such laws, powers, or regulations may affect the transmission of Government communications, or the issue of stocks and bonds by such system or systems."

And whereas it is deemed necessary for the national security and defense to supervise and to take possession and assume control of all telegraph and telephone systems and to operate the same in such manner as may be needful or desirable:

Now, therefore, I, Woodrow Wilson, President of the United States, under and by virtue of the powers vested in me by the foregoing resolution, and by virtue of all other powers thereto me enabling, do hereby take possession and assume control and supervision of each and every telegraph and telephone system, and every part thereof, within the jurisdiction of the United States, including all equipment thereof and appurtenances thereto whatsoever and all materials and supplies.

It is hereby directed that the supervision, possession, control, and operation of such telegraph and telephone systems hereby by me undertaken shall be exercised by and through the Postmaster General, Albert S. Burleson. Said Postmaster General may perform the duties hereby and hereunder imposed upon him, so long and to such extent and in such manner as he shall determine, through the owners, managers, boards of directors, receivers, officers, and employees of said telegraph and telephone systems.

Until and except so far as said Postmaster General shall from time to time by general or special orders otherwise provide, the owners, managers, boards of directors, receivers, officers, and employees of the various telegraph and telephone systems shall continue the operation thereof in the usual and ordinary course of the business of said systems, in the names of their respective companies, associations, organizations, owners, or managers, as the case may be.

Regular dividends hitherto declared, and maturing interest upon bonds, debentures, and other obligations, may be paid in due course; and such regular dividends and interest may continue to be paid until and unless the said Postmaster General shall, from time to time, otherwise by general or special orders determine; and, subject to the approval of said Postmaster General, the various telegraph and telephone systems may determine upon and arrange for the renewal and extension of maturing obligations.

By subsequent order of said Postmaster General supervision, possession, control, or operation, may be relinquished in whole or in part to the owners thereof of any telegraph or telephone system or any part thereof supervision, possession, control, or operation of which is hereby assumed or which may be subsequently assumed in whole or in part hereunder.

From and after 12 o'clock midnight on the 31st day of July, 1918, all telegraph and telephone systems included in this order and proclamation shall conclusively be deemed within the possession and control and under the supervision of said Postmaster General without further act or notice.

In witness whereof, I have hereunto set my hand and caused the seal of the United States to be affixed.

Done by the President, in the District of Columbia, this 22d day of July, in the year of our Lord one thousand nine hundred and eighteen and of the independence of the United States the one hundred and forty-third.

Woodrow Wilson.

By the President:
Frank L. Polk,
Acting Secretary of State.

PUBLIC STATEMENT OF POSTMASTER GENERAL AND ORDER
TAKING POSSESSION AND CONTROL OF TELEPHONE AND TELE-
GRAPH SYSTEMS.

Office of the Postmaster General,

Washington, July 23, 1918.

I realize the immensity of the task which has been intrusted to me by the President's order. The telegraph and telephone service as

conducted by those who have had the responsibility under conditions heretofore existing has been remarkably successful considering the unusual additions to their task and the unprecedented difficulties in the way of its full performance which have arisen out of the war -- difficulties which could be overcome only by a unity of administration, particularly a unification of the use of the telephone and telegraph lines, which could not be realized without the aid of the Government.

Under the President's order conditions are changed and greater opportunity is afforded to effect improvements and economies and a larger use by the people of these facilities which have become an imperative need in their everyday life. Whether advantage can be taken of these opportunities to improve this service to the public remains to be disclosed by experience. Every effort of the department will be directed to the accomplishment of this end. It will be the purpose of the Post Office Department to broaden the use of the service at the least cost to the people, keeping in mind that a high standard of efficiency must be maintained. I shall avail myself of an early opportunity to consult with those who have heretofore had the responsibility of directing the affairs of the various wire systems taken over and I doubt not will be greatly benefited by suggestions they may be kind enough to offer me. The operation or control of what are commonly called farmers' telephone lines will be interfered with only for the purpose of facilitating their connections with the longer lines. There will be no change affecting the press-wire service except to improve it wherever possible. Of course, no general policy has been decided upon and will not be until a most careful survey of the whole situation is had and a grasp of conditions as they now exist secured. I shall freely avail myself of all advice and suggestions which those in a position to make same valuable may be good enough to offer me.

Wherever it is necessary to inaugurate any changes of policy, announcement of such will be made through the Postmaster General.

A. S. Burleson,
Postmaster General.

Order No. 1783.

Office of the Postmaster General,

Washington, August 1, 1918.

Pursuant to the proclamation of the President of the United States I have assumed possession, control, and supervision of the telegraph and telephone systems of the United States. This proclamation has already been published, and the officers, operators, and employees of the various telegraph and telephone companies are acquainted with its terms.

Until further notice the telegraph and telephone companies shall continue operation in the ordinary course of business through

regular channels. Regular dividends heretofore declared and maturing interest on bonds, debentures, and other obligations may be paid in due course, and the companies may renew or extend their maturing obligations unless otherwise ordered by the Postmaster General. All officers, operators, and employees of the telegraph and telephone companies will continue in the performance of their present duties, reporting to the same officers as heretofore and on the same terms of employment. Should any officer, operator, or employee desire to leave the service, he should give notice as heretofore to the proper officer, so that there may be no interruption or impairment of the service to the public.

I earnestly request the loyal cooperation of all officers, operators, and employees and the public, in order that the service rendered shall not only be maintained at a high standard, but improved wherever possible. It is the purpose to coordinate and unify these services so that they may be operated as a national system with due regard to the interests of the public and the owners of the properties.

No changes will be made until after the most careful consideration of all the facts. When deemed advisable to make changes, due announcement will be made.

A. S. Burleson,
Postmaster General.

Section 3

Organization under Federal Control.

BULLETIN NO. 1.

Wire Control Board.

Order No. 1744.

July 23, 1918.

Postmaster General Burleson to-day issued the following order for the governmental control of the telegraph and telephone systems covered by the proclamation of the President dated July 22, 1918.

"July 23, 1918.

"John C. Koons, First Assistant Postmaster General; David J. Lewis, commissioner, United States Tariff Commission; and William H. Lamar, Solicitor for the Post Office Department, are hereby appointed a committee for the governmental management, operation, and control of the telegraph and telephone systems covered by the proclamation of the President dated July 22, 1918, of which committee the Postmaster General shall be chairman.

"A. S. Burleson,
"Postmaster General."

In announcing the appointment of this committee the Postmaster General stated that while the committee would have charge of the governmental management, operation, and control of the telegraph and telephone systems, yet it would be necessary to divide its work to a certain extent, and that Mr. Koons and the Postmaster General would have charge of the administration and organization of the service, Mr. Lewis and the Postmaster General of its operation, and Mr. Lamar and the Postmaster General of the finances.

Committee on Consolidation of Telephone Systems.

Order No. 1855.

August 15, 1918.

Nathan C. Kingsbury, vice president American Telegraph & Telephone Co., and George W. Robinson, president Tri-State Telegraph & Telephone Co., are hereby designated by me for the purpose of making the necessary investigations, conducting negotiations, and arriving at agreements for the unification and consolidation of the various

telephone companies operating in the same communities within the United States. Any agreements resulting from these negotiations will be submitted to the Postmaster General for final approval.

A. S. Burleson,
Postmaster General.

Appointment of Operating Board.

Order No. 2479.

December 13, 1918.

Union N. Bethell, F. A. Stevenson, G. M. Yorke, and A. F. Adams are hereby appointed an operating board for the operation of the telegraph and telephone service under Government operation and control, of which board Mr. Bethel shall be chairman.

A. S. Burleson,
Postmaster General.

Operating Board to Assume Operation.

Order No. 2534.

December 23, 1918.

The Operating Board appointed under Order No. 2479, dated December 13, 1918, consisting of Union N. Bethell, F. A. Stevenson, G. M. Yorke, and A. F. Adams, of which Union N. Bethell is chairman, is hereby directed to assume the operation of the telephone and telegraph systems under Government control.*

A. S. Burleson,
Postmaster General.

* The Operating Board assumed the operation of the telephone and telegraph systems under Government control on Jan. 1, 1919.

Excerpt from Minutes of Meeting of Board of Directors of American Telephone and Telegraph Company, December 27, 1918:

"RESOLVED: That Union N. Bethell, First Vice President, be and he is hereby authorized and directed to accept the positions of Member and Chairman of the Operating Board for the operation of the telegraph and telephone service under governmental operation and control created by order of A. S. Burleson, Postmaster General, Number 2479, dated December 13, 1918, and that F. A. Stevenson, General Superintendent of Plant, Long Lines Department, be and he is hereby authorized and directed to accept the position of Member of the said Board, and that said Union N. Bethell and F. A. Stevenson are hereby authorized and instructed to perform in such positions such duties as may be imposed upon them by A. S. Burleson, Postmaster General.

"RESOLVED, FURTHER: That pending the term of his service as Member and Chairman of the Board above referred to, the said Union N. Bethell be designated as Vice President in Charge of Operation, charged with the operation of the Long Lines Department."

Excerpt from Minutes of Meeting of United States Telegraph and Telephone Administration -- Operating Board, January 10, 1919:

"The Chairman reported that on December 30, 1918, he had notified The Western Union Telegraph Company, The Postal Telegraph-Cable Company, The Postal Telegraph-Cable Company of Texas, and the Associated Companies of the Bell Telephone System, that the Operating Board, appointed by the Postmaster General, would assume the operation of the telephone and telegraph systems under Government control, January 1, 1919.

"VOTED - That the action of the Chairman as reported, be, and the same hereby is, ratified, approved and confirmed.

"Mr. Adams reported that he had notified the Independent Telephone Companies that the Operating Board, appointed by the Postmaster General, would assume the operation of the Telephone and Telegraph Systems under Government control, January 1, 1919.

"VOTED - That the action of Mr. Adams as reported, be, and the same hereby is, ratified, approved and confirmed.

"Mr. Adams reported that he had arranged with Mr. F. B. MacKinnon* to act for the Board in arranging and carrying out some systematic method of dealing with the Independent Telephone Companies, to the end that the very best service may be given the public, the

* Vice President of United States Independent Telephone Association.

property interests safeguarded, and the announced policy of the Postmaster General relative to good service, economies, the employment of standard methods, and unification, may be put into effective operation at the earliest possible moment; Mr. MacKinnon to receive a monthly compensation at the rate of \$5,000.00 per annum, it being understood that he will retain his present position with the United States Independent Telephone Association, and that he will make satisfactory arrangements with them whereby he will use their offices and will receive permission from them to devote the necessary time to this work.

"VOTED - That the action of Mr. Adams in making the arrangement with Mr. MacKinnon, as reported, be, and the same hereby is, ratified, approved and confirmed."

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"Mr. Adams submitted a copy of a letter dated December 24, 1918, which he had sent to all Independent Telephone Companies regarding the policy to be pursued in making extensions, and in the purchase of equipment and supplies. Mr. Adams stated that before taking this action, he had submitted the matter to Judge Lamar of the Post Office Department, who had approved it.

"Mr. Bethell reported that on January 2nd, 1919, he had notified the Associate Bell Companies that they should follow the methods heretofore established in regard to purchases, and that except when it is desired to change to a type of equipment which cannot be furnished by the usual suppliers, the Companies should buy, as far as possible, where they have theretofore bought. Except as otherwise provided by existing orders, the Associate Bell Companies should conduct their operations in the usual and ordinary course, taking up with the Operating Board, unusual and extraordinary matters, and those of a general character.

"VOTED - That the actions of Mr. Adams and Mr. Bethell, as above reported, be, and the same hereby are, ratified, approved and confirmed."

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"It was decided that the usual course should be followed in the matter of renewal of frank books, until otherwise ordered.

"In the matter of subscriptions to Chambers of Commerce, Trade Associations, and similar organizations, it was decided that Companies should continue the practice heretofore followed, until otherwise ordered.

"Mr. Adams reported that on account of the large number of Independent Telephone Companies (over 8,000), and the difficulty of dealing with them direct, each company being operated separately, he had authorized Mr. MacKinnon to appoint as District Supervisors, with limited powers, men who occupied prominent positions throughout the field. These supervisors, before incurring same, would submit for approval, estimates of any expense found necessary; their particular attention had

been directed to the order of the Postmaster General regarding the conduct of the business in the usual way, and it had been pointed out to them that their duties are principally to provide media of communication, interpret the orders of the Postmaster General, and see that they are followed.

"VOTED - That the action of Mr. Adams as above reported, be, and the same hereby is, ratified, approved, and confirmed."

Excerpt from Minutes of Meeting of United States Telegraph and Telephone Administration -- Operating Board, March 6, 1919:

"A regular meeting of the Operating Board was held at 195 Broadway, at 2:00 o'clock P. M. March 6th, 1919.

"There were present Messrs. U. N. Bethell, Chairman, F. A. Stevenson and G. M. Yorke.

"Messrs. A. N. Holcomb, of the Post Office Department, B. S. Read, and MacKinnon, were also in attendance.

"The minutes of the previous meeting were read and approved.

"The Chairman reported that subject to the approval of the Board, he had arranged to be regularly assisted in operating the properties of the Bell constituent companies (Bell Telephone System) by a supervisory staff consisting of:--*

- B. S. Read, Director, in charge of Commercial Department.
- H. F. Thurbur, Director, in charge of Plant and Traffic Department.
- N. T. Guernsey, General Counsel, in charge of Legal Department.
- B. Gherardi, Acting Chief Engineer, in charge of Engineering Department.
- W. S. Gifford, Comptroller, in charge of Accounting Department.

"The salaries of the Chairman of the Board, its secretary, and the above named staff officers, and the cost of conducting their departments, will be borne by the American Telephone and Telegraph Company, under Section #4 of the Compensation Contract, and no part of the same will be charged as operating expenses.

"On motion, the action of the Chairman was ratified, approved and confirmed."

* These gentlemen held corresponding positions in American Telephone and Telegraph Company.

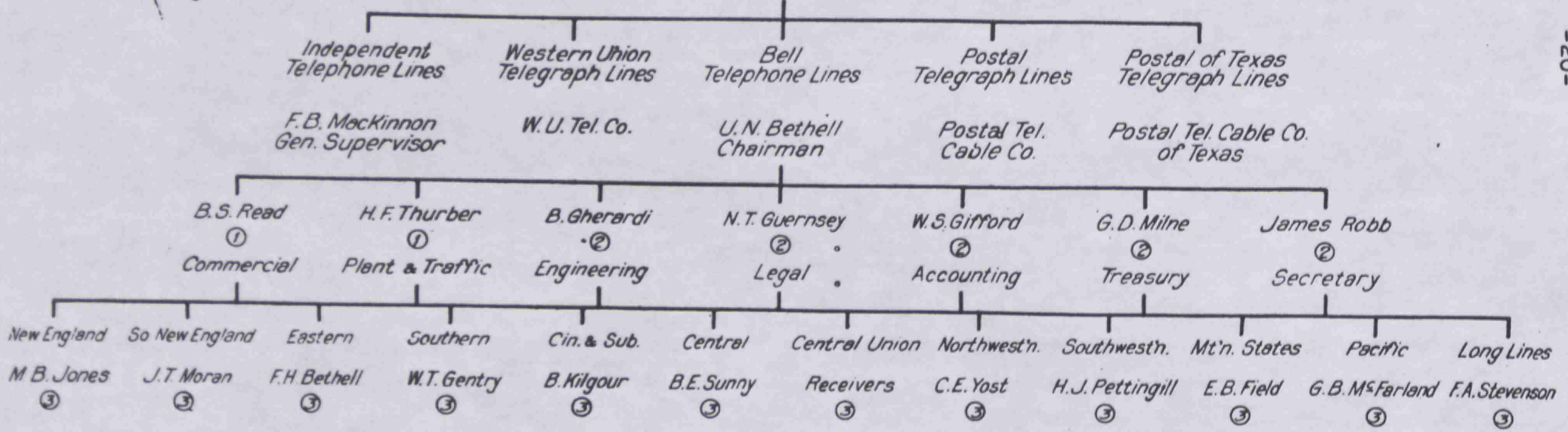
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This copy for
Mr. Vail
for his information
[Signature]

U.S. TELEGRAPH & TELEPHONE ADMINISTRATION
OUTLINE OF
OPERATING ORGANIZATION

Detail Sheet for Bell Lines
Correct to February 1st 1919.
[Signature]

Operating Board
U.N. Bethell, Chairman
A. F. Adams
F. A. Stevenson
G. M. Yorke



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① Exclusively operating (Supervisory) ② Corporate, but by arrangement regularly advise and assist in operating.
 ① & ② Constitute the operating General Headquarters Staff. ③ Heads of operating Field Organizations.
 Note: While any A.T.&T. official will advise and assist, on request, in operating matters relating to Bell Lines it is desired that ordinarily the Field Organizations present such matters requiring attention at General Headquarters, to the Chairman or the appropriate member of the Staff as indicated on this diagram.

Section 4

Compensation under Federal Control.

POST OFFICE DEPARTMENT
WASHINGTON

October 5, 1918.

ORDER NO. 2085.

The proposal of the American Telephone and Telegraph Company, dated October 4, 1918, in behalf of itself and of the Constituent Companies comprising the Bell System, with respect to just compensation for the use of the properties owned by it and the other Companies comprising the Bell System during the period of Federal control provided for in the Joint Resolution of Congress approved July 16, 1918, and the Proclamation of the President with respect thereto dated July 22, 1918, and the Order of the Postmaster General assuming supervision, possession, control and operation of these and other telephone and telegraph properties, dated August 1, 1918, is hereby accepted on behalf of the United States, and compensation will be paid in accordance with the terms and provisions thereof.

By direction of the President.

A. S. BURLESON,
Postmaster General.

Proposal of American Telephone and Telegraph Company dated October 4, 1918:

After extended conferences with the Postmaster General, which included, in order to prevent any possible misunderstandings, a frank exchange of views and painstaking and exhaustive discussions of all phases of the questions presented, the AMERICAN TELEPHONE AND TELEGRAPH COMPANY, in behalf of itself and of each Constituent Company of the Bell System, which shall within twenty-five (25) days hereafter, (subject to extensions of such time in any case by the Postmaster General) in writing indicate to the Postmaster General its purpose to join in this proposal, offers to accept a just compensation for the supervision, possession, control and operation of the telephone system of the Bell System taken by the President of the United States under a joint resolution of the Senate and House of Representatives, dated July 16, 1918, which supervision, possession, control and operation commenced at twelve (12) o'clock midnight on the 31st day of July, 1918, and is referred to as Federal control, to be fixed as follows:

SECTION 1. The Bell System's telephone system, of which the President has taken such supervision, possession, control and operation includes

(a) All of the telephone property operated by the Bell System as parts of its telephone system, whether owned or leased, and all additions, including those through consolidations and purchases, made thereto during the period of Federal control, except that each of the Constituent Companies reserves to itself the right to use during Federal control such portions of office buildings owned by it and now occupied in the operation of its telephone system as may be reasonably necessary to provide accommodations for its corporate organization, and such use of the Federal Telephone System, on such terms to the corporate officials, as the Postmaster General may prescribe.

(b) All materials and supplies on hand at midnight July 31, 1918. As soon as practicable a separate inventory of said material and supplies received from each Constituent Company shall be made and authenticated for him by the signatures of such person or persons as the Postmaster General may designate for that purpose, and for the Bell System by the signature of the President or a Vice President of the American Company, which inventory when so authenticated shall constitute a part of this proposal.

(c) The net balance as of midnight July 31, 1918, in the accounts of each Constituent Company which are designated in accounting circular #8 of the American Company as follows: (1) number 115, Employees' Working Funds, (2) number 118, Due from Subscribers and Agents, (3) Subdivisions 02 to 08, both inclusive, number 119, Accounts Receivable from System, (4) number 120, Miscellaneous Accounts Receivable, and (5) number 123, Other Current Assets.

(d) Eleven Million Nine Hundred and Seventy-two Thousand and Seven Hundred and Nine and 94/100 (\$11,972,709.94) Dollars in cash for working capital, the use of which the Postmaster General is to have during the period of Federal control without interest, which amount is the amount of working capital which the Long Lines Department of the American Company and the Constituent Companies other than the American Company had on hand August 1, 1918. If this proposition is accepted the Bell System will within thirty days thereafter notify the Postmaster General in writing of the amount of such working capital to be returned to each Constituent Company at the end of Federal control.

SECTION 2. During the period of Federal control, the operation of the property of the Bell System shall be continued at a standard of efficiency relatively equal to that of the past.

SECTION 3. (a) During the period of Federal control, through current repairs and maintenance the property of the Bell System shall be maintained by the Postmaster General up to a standard relatively equal to that prior to July 31, 1918, so that its state of repair and operating condition will be relatively the same at the expiration of the period of Federal control as at its beginning.

(b) In order to make the provision for depreciation and obsolescence relatively equal to that of the past, during the period of Federal control the Postmaster General shall set aside an amount in each year (and at the same rate for each fraction of a year) equal to 5.72% of the book value for the year in question of the property described in paragraph (a) of section 1 hereof, which book value shall include the book value of the Long

Lines plant of the American Company and the cost of each addition to the property of the Bell System during the period of Federal control, including additions made through consolidations and purchases, but shall not include intangible capital, right of way or land.

The Postmaster General shall further make provision for the amortization of intangible capital, right of way and land, including additions to these accounts because of additions as aforesaid to the property during the period of Federal control, upon a basis substantially equal to the established practice of the Bell System prior to Federal control.

The amounts so set aside shall be credited in monthly installments to be fixed in accordance with the present established practice of the Bell System, and its proportionate share thereof shall be so credited to each Constituent Company for credit to its reserve for accrued depreciation or reserve for amortization of intangible capital, as the case may be. The charges to these accounts shall be made according to the rules of the Commission governing the accounts of telephone companies, and any balance remaining in either of these accounts after such charges shall be invested in plant of the Bell System.

(c) Each Constituent Company shall have the right to inspect its property at all reasonable times during the period of Federal control and the Postmaster General shall provide reasonable opportunities for such inspection, but such inspection shall not interfere with the operation of the property.

SECTION 4. (a) The American Company will continue to perform for the telephone properties of all the licensee companies of the Bell System the duties hitherto required of it under the license agreements, a specimen of which is hereto attached, which duties may be stated generally as follows:-

To furnish for their use telephone transmitters and receivers and to maintain the same by repairs and renewals;

To license the use of inventions, call bells, switches, switchboards and other telephone devices, operating methods and systems needed for telephone lines;

To grant the use of the American Company's rights-of-way and franchises for the maintenance of lines, so far as this may legally be done;

To furnish facilities for long distance communication over the toll lines and to the exchanges comprising the Bell System throughout the United States;

To afford to the Bell System the right to use all the telephone devices, operating methods and systems covered by patent rights now or hereafter held by ownership or license;

To continuously prosecute the fundamental work of research, investigation and experimentation in the development of the art and science of telephony and in the development of plans, methods, systems and ideas designed to promote safety, economy and efficiency in equipment, construction and operation;

To furnish advice and assistance in general engineering, plant, traffic, operating, commercial, accounting, patent, legal and other matters pertaining to the efficient, economical and successful conduct of the telephone business;

To furnish advice and assistance in any financing, in the securing of funds on fair terms, needed for new construction or other expenditures;

To afford to each Constituent Company, the right, for the betterment of the service, to extend to connecting companies the benefit of such engineering and other technical advice and information in respect to the construction, maintenance, repair and operation of telephone plant;

To maintain continuously an organization of specialists trained in various branches of the work required to be done in rendering the foregoing services, of such numbers and possessed of such technical knowledge and experience as will enable the work to be so done as to relieve the individual companies from the necessity of attempting to perform said work for themselves.

(b) In addition thereto the American Company will grant to the Postmaster General, during the period of Federal control of the telephone systems, the right to employ and use in the operation of telephone, telegraph, radio or cable systems any patented invention, discovery, contrivance or device heretofore or hereafter developed, owned or controlled by the American Company or any of its Constituent Companies or by the Western Electric Company, Incorporated, a New York corporation; and will, upon request of the Postmaster General, through its scientific, technical and engineering departments, undertake to make such experiments, studies and researches in the science of communication by electricity pertaining to the operation of such systems as the Postmaster General may direct, and will give such advice and assistance as he may require; provided, however, that the Postmaster General, during the period of Federal control or subsequent thereto, shall not have the right to manufacture or license manufacturers under such patents; provided, further, that the rights as to patents proposed in this section shall not extend beyond the period of Federal control, nor shall the use of patented devices owned by individuals or companies other than Constituent Companies, during the period of Federal control, be construed to confer any right upon Constituent Companies to use or to control the use of such devices subsequent to the termination of Federal control; nor shall the use during the period of Federal control of patented devices covered by patents of the Bell System on property other than that of Constituent Companies be construed to confer the right to continue such use after the expiration of such period.

In consideration of the foregoing duties, the four and one-half per cent. (4 1/2%) payments heretofore made by the Constituent Companies to the American Company under said license agreements shall be continued and during the period of Federal control shall be made by the Postmaster General to the American Company according to the established practice of the Bell System under said license agreements, and the money shall be expended by the American Company in similar manner as heretofore and for the same general purposes. The Long Lines Department of the American Company shall be treated as a licensee company as heretofore.

For any services rendered by the American Company to the Postmaster General in the extension or improvement of any properties other than those owned by the American Company or its Constituent Companies, compensation will be agreed upon.

Any balance of the fund created by the payments under this section to the American Company which shall remain unexpended shall be invested from time to time in extensions and improvements of the properties of the American Company without charge to the Government for interest as provided in Section 6, paragraph (a), item 2 hereof.

SECTION 5 (a). During the period of Federal control the Bell System's Plan for Employees' Pensions, Disability Benefits and Death Benefits shall be continued, except as modified by mutual agreements of the American Company and the Postmaster General. The Postmaster General shall pay all installments of pensions granted prior to August 1, 1918, and becoming due during the period of Federal control, and all payments becoming due during the period of Federal control to employees taken over by the Postmaster General on account of pensions, disability benefits and death benefits; provided, however, that pensions granted to former employees who were employees of the general department of the American Company when their pensions were granted, shall not be paid by the Postmaster General.

(b) The Bell System shall, before they become delinquent, pay all taxes, license fees and charges, and the expense of suits in respect thereof, which can or may be lawfully imposed during the period of Federal control by Federal or other governmental authority upon any part of the property described in paragraph (a) of Section 1 hereof, and also such other taxes, license fees and charges as during the period of Federal control become the obligations of the companies owning or operating such property.

The American Company shall render bills to the Postmaster General for such taxes, license fees and charges as the same are paid, which bills shall be accompanied by receipts of the proper tax collecting officials, and shall be paid by the Postmaster General within 5 days after their rendition, except that said bills shall not include, and the Postmaster General shall not pay to the American Company, the portion of such taxes, license fees and charges properly apportionable to property not taken under Federal control and to the revenue from said last mentioned property. For the purpose of apportioning such taxes, license fees and charges, stock, obligations or other securities held by any Constituent Company representing investments in the property described in paragraph (a) of section 1 hereof shall be treated as property taken under Federal control.

If any such tax, license fee or charge is for a period which began before July 31, 1918, or continues beyond the period of Federal control, such portion of such tax, license fee or charge as may be apportionable to the period of Federal control shall be paid by the Postmaster General and the remainder shall be paid by the proper Constituent Company.

Whenever a period for which a tax, license fee or charge is imposed cannot be definitely determined, so much of such charge as is payable in any calendar year shall be treated as imposed for such year.

(c) During the period of Federal control, the Postmaster General shall pay all rentals for property used in the operation of the property of the Bell System.

(d) Said taxes and rentals shall be allocated between the expenses of operation and capital accounts in accordance with the accounting rules prescribed by the Commission.

(e) The Postmaster General shall afford to the American Company without charge therefor the use of telephone and telegraph plant in his possession for experimental and testing purposes, with such services of his employees as may be involved in such use; provided, however, that this shall be done without interference with the efficiency of the service rendered by the Postmaster General.

SECTION 6. (a) Such additions to the telephone property of the Bell System as may be desired by the Postmaster General, and approved by the American Company, as necessary in order to reasonably provide for the public requirements, giving priority to such requirements for purposes directly relating to the prosecution of the war, (including in the word additions those made by consolidations and purchases) shall be made, item (1), by investing the proceeds of the \$48,367,200. of the American Company's Seven Year Six Per Cent. Convertible Gold Bonds dated August 1, 1918, due August 1, 1925, referred to in paragraph (a) of section 7 hereof, and the unexpended balance of the reserves for accrued depreciation of the Constituent Companies in additions to their telephone systems; and after said funds have been exhausted, item (2), by investing any available surplus remaining from the non-operating income of the Constituent Companies (but not arising out of any revenue derived from money paid by the Postmaster General under section 7 hereof) after the payment of interest and dividends; and after such surplus, if any, has been exhausted item (3), by investing the proceeds of the issue and sale of securities if such securities can be sold at a reasonable price; provided, however, that the Bell System shall not be bound to expend for such additions from money provided by the issue of new securities more than four times the sum of the amount contributed by the Bell System to their cost through item (2) above plus the amounts contributed to their cost by the Postmaster General. The title to each such addition shall immediately vest in the proper Constituent Company.

(b) Any amounts which the Postmaster General may so contribute to the cost of such additions shall be repaid to him by the American Company in twenty (20) equal annual installments, payable one at the expiration of one year after Federal control and one at the end of each year thereafter until all are paid, with interest from the date of the end of Federal control at the rate of 5 per cent. per annum payable annually upon all unpaid balances; provided that if any Constituent Company shall part with the title to its telephone system under such conditions that its telephone system shall cease to be a part of the Bell System, then and in that event all such installments owing on account of such additions to the property of said Constituent Company and then unpaid shall become due and payable.

(c) In the expenditure of the balances in the reserves for accrued depreciation and the surplus, if any, of non-operating income for additions as provided in paragraph (a) of this section, the use of such

balances and surplus shall not be restricted to the telephone systems of the particular Constituent Companies to which they belong, but may be for such additions to any part of the Bell System; and the several Constituent Companies will make between themselves the arrangements and adjustments involved in such treatment of said balances and surplus.

(d) The character, plan and design of such additions shall be approved by the Postmaster General and the American Company. The Postmaster General shall render to the American Company on the 15th day of each month accurate statements of the cost of all material and labor furnished by him for account of each Constituent Company for such construction during the preceding month, which statements shall be based upon and in accordance with the accounting rules and classifications prescribed for the Bell System by the Commission and in force July 31, 1918, as from time to time amended. Upon such accounts there shall be credited any amounts then due and unpaid from the Postmaster General on account of the reserves provided for in paragraph (b) section 3 and the balance remaining shall be paid to the Postmaster General on or before the 15th day of the succeeding month.

(e) The Bell System shall not be required in the first instance to furnish funds for such additions not approved by the American Company. At the end of Federal control, the value of each addition not approved by the American Company, for the future use of the Constituent Company of whose system it forms a part, shall be appraised by the Commission and at the end of Federal control, but not prior thereto, the title to each of such additions shall pass to the proper Constituent Company and the amount so determined to be its value shall be paid to the Postmaster General by said proper Constituent Company in twenty (20) equal annual installments, payable one at the expiration of one year after Federal control and one at the end of each year thereafter until all are paid, with interest from the date of the end of Federal control at the rate of 5 per cent. per annum, payable annually upon all unpaid balances; provided, that if any Constituent Company shall part with the title to its telephone system under such conditions that its telephone system shall cease to be a part of the Bell System, then and in that event, all such installments owing by such Constituent Company and then unpaid shall become due and payable.

SECTION 7. (a) The Postmaster General shall pay to the American Company for each year, and pro rata for each fractional part of a year during the period of Federal control, an amount equal to the sum of the following four items: item (1) the annual interest and existing amortization charges on all outstanding securities or obligations of the Bell System in the hands of the public, including \$48,367,200 of the American Company's Seven Year Six Per Cent. Convertible Gold Bonds, dated August 1, 1918, due August 1, 1925, item (2) dividends for the period of one year upon the share capital of the Bell System outstanding July 31, 1918 in the hands of the public, at the average rate of regular dividends paid thereon during the three years ending December 31, 1917, which items (1) and (2) aggregate Sixty-five Million One Hundred Forty-eight Thousand Six Hundred and Forty-one Dollars (\$65,148,641.), subject to corrections for errors in computations, in any, item (3) the annual charge for interest and dividends and other costs of securing necessary additional capital for such expenditures as may be made at the request of the Postmaster General, and

item (4) the annual charge for such interest and dividends as the Bell System may be required to pay on new securities or share capital issued for the discharge, conversion or renewal of present obligations, including sinking fund obligations, and for additional interest and charges to secure extensions on existing securities.

(b) The said compensation shall be paid to the American Company in monthly installments on the last day of each calendar month during the period of Federal control, except that installments which have accrued prior to the acceptance of this proposal shall be payable at the date of such acceptance; such payments to the American Company to operate to fully satisfy and discharge all claims of the Constituent Companies and each of them on account of the amounts so paid.

If any Constituent Company shall fail to join in this proposal, as provided by Section 12 hereof, the following deductions shall be made from the above mentioned items (1) and (2).

(1) There shall be deducted an amount equal to the annual interest and existing amortization charges, on all outstanding securities or obligations of such non-joining Constituent Company; and

(2) There shall be deducted an amount equal to dividends for the period of one (1) year, at the average rate paid during the three (3) years ending December 31, 1917, upon the share capital of such non-joining Constituent Company outstanding on July 31, 1918.

SECTION 8 (a). All amounts received by the Postmaster General under paragraph (c) of section 1 hereof, and all other amounts, whether received from the Bell System in cash or collected or realized by him from current operating assets, belonging to the Bell System or arising from telephone operations prior to midnight of July 31, 1918, shall be credited by him to the proper Constituent Company; and the Postmaster General shall, to the extent of the cash so received or realized, pay and charge to each Constituent Company all expenses arising out of its telephone operation prior to August 1, 1918, and unless objected to by such Company may pay and charge to such Company any of such expenses in excess of the cash so received or realized. Balances of the above accounts shall be struck monthly on the last day of August, 1918, and on the last day of each calendar month thereafter, and the cash balance found on such adjustments to be due either party shall be then payable.

(b) Telephone operating expenses and rent deductions shall be allocated with reference to the time when incurred as between the periods prior and subsequent to midnight of July 31, 1918, and between the period of Federal control and the period subsequent thereto, in each instance in accordance with the present established accrual practices of the Bell System; telephone operating revenues and rent revenues shall be allocated as between the periods prior and subsequent to midnight of July 31, 1918, and as between the period of Federal control and the period subsequent thereto, in each instance in accordance with the present established accrual practices of the Bell System.

(c) Items included in accounts (1) number 129 Prepaid Rents, (2) number 130 Prepaid Taxes, (3) number 131 Prepaid Insurance, (4) number

132 Prepaid Directory Expense, and (5) number 133 Other Payments, which are sub-accounts of account number 128, as said accounts are described in Accounting Circular Number 8 of the American Company, shall be allocated as between the periods prior and subsequent to midnight of July 31, 1918, and as between the period of Federal control and the period subsequent thereto, in each instance in accordance with the present established practices of the Bell System.

(d) There may be used for additions to the Bell System property, approved by the Postmaster General, any of the materials and supplies taken over under paragraph (b) of Section 1 hereof, or purchased by him and held for use in connection with such property, insofar as in his judgment this may be done with due regard to his own requirements. Materials and supplies so furnished shall be charged to the proper Constituent Company at inventory prices in the case of those taken over and at cost in the case of those purchased.

(e) The Postmaster General shall pay, or save each Constituent Company harmless from, all expenses incident to or growing out of the possession, operation and use of the property taken over during the period of Federal control. He shall also pay or save each such Company harmless from all judgments or decrees that may be recovered or issued against, and all fines and penalties that may be imposed upon it by reason of any cause of action arising out of Federal control or of anything done or omitted in the possession, operation, use or control of its property during the period of Federal control, except judgments or decrees founded on obligations of such Company to the Postmaster General or the United States.

(f) The Postmaster General shall save each Constituent Company harmless from any and all liability, loss or expense resulting from or incident to any claim made against it growing out of anything done or omitted during the period of Federal control in connection with or incident to operation or existing contracts relating to operations, and shall do and perform so far as is requisite during the period of Federal control for the protection of such Company all and singular the things, of which he may have notice, necessary and appropriate to prevent, because of Federal control or by reason of anything done or omitted thereunder, the forfeiture or loss by such Company of any of its property rights, ordinance rights, or franchises, or of its connecting or other contracts involving a facility of operation. The Postmaster General shall also save each Constituent Company harmless from any and all claims for breach of covenant heretofore entered into by it or by any predecessor in title or interest in any mortgage or other instrument in respect of insurance against losses by fire.

Nothing in this or in the preceding paragraph shall be construed to be an assumption by the Postmaster General of, or to make him liable on, any obligation of any such Company to pay a debt secured by a mortgage.

(g) In carrying out the provisions of paragraph (a), (b) and (c) of this section, the Postmaster General shall not settle any claim by or against any Constituent Company against the objection in writing of the president or any other duly authorized officer of such Company.

The conduct of all litigation arising out of such disputed claims or out of operation prior to Federal control shall be in charge of the Bell System's legal force and the expense thereof shall be paid by the Bell System; but the Postmaster General shall render to the Bell System all reasonable assistance in the conduct of such litigation.

All controversies and litigations arising out of or affecting patent rights of the Bell System and the Western Electric Company Incorporated, shall be conducted by the American Company at its expense.

(h) The American Company shall have the right at all reasonable times to inspect the books and accounts kept by the Postmaster General relating to the property of the Bell System or to the operation thereof, and the Postmaster General shall during the period of Federal control furnish to it periodically copies of operating reports relating to the property of the Bell System and as soon as practicable after the end of each fiscal year, the statistical data for such year substantially as heretofore compiled.

(i) All payments to be made under this proposal which are not paid within five days after due shall draw interest from the date of their maturity until paid at the rate of five per cent. (5%) per annum.

SECTION 9. (a) At the end of the period of Federal control all the property described in paragraph (a) of section 1 hereof, and also all additions (including those by consolidations and purchases) to the property of the Bell System made during the period of Federal control out of surplus income of the Bell System out of its unexpended reserves, out of the proceeds of securities, or otherwise, together with all repairs, renewals, and replacements thereof, shall be returned to the respective Constituent Companies in a state of repair and in an operating condition equivalent to that of the Bell System's telephone system on July 31, 1918.

(b) At the end of the period of Federal control the Postmaster General shall return to each Constituent Company an equal quantity and quality of materials, and supplies of equal relative usefulness to that of the materials and supplies which he received, and to the extent that the Postmaster General does not return such materials and supplies he shall account to said Company for the same at prices prevailing at the end of the period of Federal control. To the extent that any Constituent Company may then receive materials and supplies in excess of those delivered by it to the Postmaster General, it shall account for the same at the prices prevailing at the end of the period of Federal control, and the balance shall be adjusted in cash.

SECTION 10. (a) At the end of the period of Federal control there shall be paid to each Constituent Company an amount of money equal to the cash working capital without interest received by the Postmaster General from it, and also an amount equal to any other cash and special deposits received by him from such company at the beginning of the period of Federal control and not theretofore accounted for by him, together with any unpaid interest which may have accrued upon the said other cash and deposits under this proposal. There shall be paid to the proper

Constituent Company any funds created under the provisions of this agreement except to the extent that such funds may have been properly used under this proposal.

SECTION 11. In this proposal, the words "Postmaster General" are used to designate Albert S. Burleson, or such other person as the President may from time to time appoint to exercise the powers conferred on him by law with reference to Federal control; the word "Commission" is used to designate the Interstate Commerce Commission; the words "American Company" are used to designate the American Telephone and Telegraph Company; and the words "Constituent Company" are used to designate each of the companies named in the attached list of Constituent Companies; the words "Bell System" are used to designate collectively the Constituent Companies now or hereafter joining in this proposal; and the word "addition" as used herein, shall be understood to mean additions, betterments or replacements as defined by the Commission's system of accounts, (including extensions and improvements made through consolidations and purchases), the net cost of which under such system of accounts is properly chargeable to fixed capital, that is to say, accounts number 100, Fixed Capital Installed Prior to January 1st, 1913, number 101, Fixed Capital Installed Since December 31, 1912, and number 104, Construction Work in Progress.

SECTION 12. This proposal is the proposal of the American Company and of those Constituent Companies, which, within twenty-five days hereafter, in writing indicate to the Postmaster General their purpose to join in it. If accepted it shall be effective on and from August 1, 1918.

Dated this 4th day of October, 1918.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
BY THEO. N. VAIL,
President.

LIST OF CONSTITUENT COMPANIES.

<u>Name of Company.</u>	<u>Incorporated Under the Laws of</u>
American Telephone and Telegraph Company	New York
New York Telephone Company	New York and New Jersey
The Delaware and Atlantic Telegraph and Telephone Company	New Jersey
The Bell Telephone Company of Pennsylvania	Pennsylvania
The Diamond State Telephone Company	Delaware
The Chesapeake and Potomac Telephone Company	New York

LIST OF CONSTITUENT COMPANIES, (Continued).

Name of Company.	Incorporated Under the Laws of
The Chesapeake and Potomac Telephone Company of Baltimore City	Maryland
The Chesapeake and Potomac Telephone Company of Virginia	Virginia
The Chesapeake and Potomac Telephone Company of West Virginia	West Virginia
The Cleveland Telephone Company	Ohio
Michigan State Telephone Company	Michigan
Wisconsin Telephone Company.	Wisconsin
Southern Bell Telephone and Telegraph Company. . .	New York
Cumberland Telephone & Telegraph Company, Incor- porated	Kentucky
Southern Bell Telephone and Telegraph Company of Kentucky, Incorporated	Kentucky
Southern Telephone Company of Indiana	Indiana
The Northwestern Telephone Exchange Company. . . .	Minnesota
Nebraska Telephone Company	Nebraska
Iowa Telephone Company	Iowa
Southwestern Bell Telephone Company	Missouri
Southwestern Bell Telephone Company	Illinois
Southwestern Bell Telephone Company	Oklahoma
The Southwestern Telegraph and Telephone Company .	New York
New England Telephone and Telegraph Company. . . .	New York
The New England Telephone and Telegraph Company of Massachusetts	Massachusetts
Providence Telephone Company	Rhode Island
Providence Telephone Company of Massachusetts. . . .	Massachusetts
The Southern Massachusetts Telephone Company	Massachusetts
Chicago Telephone Company	Illinois
The Mountain States Telephone & Telegraph Company.	Colorado
The Tri State Telephone Company.	Colorado
The Pacific Telephone and Telegraph Company.	California
Southern California Telephone Company	California
The Home Telephone and Telegraph Company of Spokane.	Washington
Bell Telephone Company of Nevada	Nevada
The Southern New England Telephone Company	Connecticut
The Cincinnati and Suburban Bell Telephone Company.	Ohio
Central Union Telephone Company, Messrs. David R. Forgan, Edgar S. Bloom and Frank F. Fowle, Receivers.	Illinois
American Telephone and Telegraph Company of Alabama.	Alabama
American Telephone and Telegraph Company of Arkansas	Arkansas
The Colorado and Eastern Telephone and Telegraph Company.	Colorado
American Telephone and Telegraph Company of Delaware	Delaware

LIST OF CONSTITUENT COMPANIES, (Continued).

Name of Company.	Incorporated Under the Laws of
American Telephone and Telegraph Company of Georgia	Georgia
The American Telephone and Telegraph Company of Illinois	Illinois
American Telephone and Telegraph Company of Indiana	Indiana
American Telephone and Telegraph Company of Iowa	Iowa
The Kansas Telephone and Telegraph Company	Kansas
American Telephone and Telegraph Company of Ken- tucky	Kentucky
American Telephone and Telegraph Company of Louisiana	Louisiana
American Telephone and Telegraph Company of Baltimore City	Maryland
American Telephone and Telegraph Company of Massachusetts	Massachusetts
American Telephone and Telegraph Company of Michigan	Michigan
American Telephone and Telegraph Company of Minnesota	Minnesota
American Telephone and Telegraph Company of Mississippi	Mississippi
American Telephone and Telegraph Company of Missouri	Missouri
American Telephone and Telegraph Company of Nebraska	Nebraska
American Telephone and Telegraph Company of New Jersey	New Jersey
American Telephone and Telegraph Company of North Carolina	North Carolina
The Ohio Telephone and Telegraph Company	Ohio
American Telephone and Telegraph Company of the Indian Territory	Indian Territory
The American Telegraph and Telephone Company of Pennsylvania	Pennsylvania
East Pittsburgh Telephone Company	Pennsylvania
American Telephone and Telegraph Company of Rhode Island	Rhode Island
Columbian Telephone and Telegraph Company of Rhode Island	Rhode Island
American Telephone and Telegraph Company of South Carolina	South Carolina
American Telephone and Telegraph Company of Tennessee	Tennessee
American Telephone and Telegraph Company of Virginia	Virginia
American Telephone and Telegraph Company of West Virginia	West Virginia
The American Telephone and Telegraph Company of Wisconsin	Wisconsin
American Telephone and Telegraph Company of Wyoming	Wyoming

NEW YORK, October 4, 1918.

MEMORANDUM for U. N. Bethell, Esq.,
First Vice President.

I herewith hand you drafts of four resolutions which I think should be adopted by the constituent companies which join in the proposal to the Postmaster General.

1. The one marked 1 is to grant authority to join in the proposal.

You will note that it provides that the president is authorized to sign. In the case of the New England company, this I think should be the first vice president.

2. By the terms of the proposal the American company undertakes various obligations which would primarily be those of the other companies. It pays all the taxes and makes the payments for material and labor and repays amounts contributed by the Postmaster General to the cost of additions approved by the American company.

The second resolution is intended to authorize the officers of the other companies to agree with the American company to save it harmless and to reimburse it.

3. The third resolution is designed to provide for the equitable distribution of the fund which the Postmaster General is required to set aside for the reserve for accrued depreciation.

4. The fourth resolution provides for the division of the just compensation among the companies of the Bell System by reference to the basis upon which it was determined.

The fifth resolution is drawn at your suggestion. It authorizes the officers of this company to pay to the other companies amounts which may be necessary in order to enable them to take care of their corporate expenses, including the expense of maintaining such organizations as may be necessary.

Yours very truly,
N. T. GUERNSEY
General Counsel.

Enclosures

(Enclosures)

There was presented to the meeting a copy of the proposal dated the 4th day of October, 1918, made to the United States by the AMERICAN TELEPHONE AND TELEGRAPH COMPANY in behalf of itself and of each Constituent Company of the Bell System joining therein, offering to accept a just compensation during the period of Federal control for the supervision, possession, control and operation of the telephone system of the Bell System taken by the President of the United States under a joint resolution of Congress, dated July 16, 1918, to be fixed as provided in said proposal; and after

consideration of the same it appearing that it is for the interest of this company to join in said proposal, the following resolution was duly adopted:-

RESOLVED: That the President of this Company be and he is hereby authorized and directed to immediately indicate in writing to the Postmaster General of the United States that it is the purpose of this Company to join in, and that it does join in, the proposal of the American Telephone and Telegraph Company, dated the 4th day of October, 1918, offering in behalf of itself and of each Constituent Company of the Bell System joining therein to accept a just compensation during the period of Federal control for the supervision, possession, control and operation of the telephone system of the Bell System taken by the President of the United States under a joint resolution of the Senate and House of Representatives, dated July 16, 1918, to be fixed as in detail provided in said proposal.

It appearing that by the terms of the proposal dated the 4th day of October, 1918, made by the AMERICAN TELEPHONE AND TELEGRAPH COMPANY to the United States offering a basis of compensation to be applied to the companies of the Bell System during the period of Federal control, the American Telephone and Telegraph Company has undertaken certain obligations which are primarily those of this Company, especially in reference to taxes and to payments for material and labor and to the repayment of amounts contributed by the Postmaster General to the cost of additions approved by the American Telephone and Telegraph Company;

RESOLVED: That this Company will protect and save the American Telephone and Telegraph Company harmless as against obligations assumed by the latter under said proposal which are primarily the obligations of this Company, and that the officers of this Company be and they are hereby authorized and directed to execute and deliver the agreement of this Company to so protect and save the American Telephone and Telegraph Company harmless, and to repay to it on demand the amounts of any expenses it may incur and of any payments it may make because of such obligations; the details of said contract to be adjusted by the officers of this Company and the American Telephone and Telegraph Company.

(Not to be passed)

In order to induce all of the licensee companies of the Bell System to join in the proposal, dated the 4th day of October, 1918, made by the AMERICAN TELEPHONE AND TELEGRAPH COMPANY to the United States offering a basis of compensation to be applied to the companies of the Bell System during the period of Federal control, be it and it is hereby

RESOLVED: That the officers of this Company be and they are hereby authorized and directed to enter into contracts with the other companies of the Bell System which join in such proposal, which shall provide for the distribution of the depreciation reserve to be set up by the Postmaster General in accordance with the terms of such proposal, among the various companies joining in such proposal in proportion to the amounts which they were severally setting aside and credited to their reserves for accrued depreciation immediately prior to July 31, 1918.

RESOLVED: That the officers of this Company be and they are hereby authorized to accept as this Company's just compensation during the period of Federal control for the supervision, possession, control and operation of its telephone system taken by the President of the United States under a joint resolution of Congress, dated July 16, 1918, a just and reasonable proportion of the just compensation fixed by the President of the United States through the acceptance of the proposal of the American Telephone and Telegraph Company in behalf of itself and of the Constituent Companies of the Bell System, dated the 4th day of October, 1918; the just and reasonable proportion of this Company to be determined by reference to the basis upon which such compensation to the Bell System has been so fixed.

RESOLVED: That to induce them to join in the proposal made to the Postmaster General by this Company, in behalf of itself and of the other constituent companies of the Bell System, fixing a basis of just compensation during Federal control, the officers of this Company be and they are hereby authorized to pay to the several constituent companies such amounts as may be required to enable them to provide for their necessary corporate expenses, including the expenses of maintaining so much of their organizations as may be reasonably necessary.

October 7, 1918

Telegram

to Mr. G. E. McFarland, President,
San Francisco, California.

Resolution marked four enclosed in my letter of October fifth relating to depreciation should not be passed. Plan contemplated by that resolution has been abandoned. The reserve for accrued depreciation of each company will be credited with five and seventy-two hundredths per cent. of its book value as stated in paragraph (b) section three of proposal.

Signed,
N. T. GUERNSEY

78 SOUTH PRYOR STREET
Atlanta, Ga.

October Seventh
Nineteen Eighteen

Personal

Dear Mr. Guernsey:

The newspapers this morning carry a resume of the contract between the American Tel. and Tel. Company and the Postmaster General, which

I have read with the greatest interest and pleasure.

It seems to me that this is a magnificent piece of work and a distinct triumph for Mr. Vail.

It occurs to me that it would be helpful both to the Alabama Commission and ourselves as well, to have the Commission refer to the Federal Government's approval of the $4\frac{1}{2}\%$ payment in their decision in the Birmingham Rate Case, which will be handed down some time this month. If you think well of this and can do so, I should be obliged if you would send me a copy of the contract as signed, so that I may show it to the members of the Commission.

This also applies to the clause of the contract relating to depreciation, which the papers state is to be figured at the rate of 5.72. We are claiming in the Birmingham Rate Case depreciation at the rate of 5.75%, while the City is claiming it should not be quite 4%, so you can see how helpful this contract would be.

Yours very truly,
Hunt Chipley

N. T. Guernsey, Esq.,
195 Broadway,
New York.

October 10, 1918

Personal

Dear Mr. Chipley:-

I have your personal letter of the 7th instant.

I entirely agree with you that the negotiation of this contract is a great achievement on the part of Mr. Vail.

I think it would be a good thing for the Alabama commission to refer to the government's approval of the $4\frac{1}{2}\%$ payment when it comes to write the decision in the Birmingham rate case.

Your company has already received a copy of the proposal in my letter to Mr. Gentry. The acceptance is by order of the Postmaster General No. 2085, of which a copy has gone to your company and I presume is available for you. I am enclosing a copy, however, herewith for your information. I am having the contract printed, and will send you a proof of it with this letter, if possible. This is substantially accurate, but I do not think it will do to say that it is absolute.

Yours sincerely,
(N. T. Guernsey)

Enclosures

Hunt Chipley, Esq.,
78 South Pryor Street,
Atlanta, Georgia.

RE- COMPENSATION FROM THE GOVERNMENT:

THE MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY
Office of the General Counsel
Suite 300 Wight Building

Denver, Colo., October 10, 1918.

N. T. GUERNSEY, ESQ.,
195 Broadway,
New York City,
New York.

Dear Mr. Guernsey:-

I have read your letter to Mr. Field of October 5th, your telegram of October 7th, and the proposals and accompanying forms of resolutions to be adopted. They arrived just an hour or two before the meeting of the board of directors on Tuesday, and hence were not acted upon last Tuesday. An adjournment of the meeting took place until next Tuesday, at which time all of the resolutions except No. 4 will be adopted.

I am deeply impressed with the proposals. You and those associated with you are to be congratulated upon the result.

Yours very truly,
Milton Smith
General Counsel.

Re. Proposal of the A. T. & T. Co. to
Postmaster General covering com-
pensation for Bell System.

THE MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY
1421 Champa Street

Denver, Colo. October 15th, 1918.

Theo. N. Vail, Esq., President,
American Telephone and Telegraph Company,
New York, N. Y.

Dear Mr. Vail:

In acknowledging receipt of your letter of October 5th, I beg to say that at a meeting of our Board of Directors held today, the Board ratified the agreement as sent to us by Mr. Guernsey, and the routine has been completed and returned to Mr. Guernsey as directed.

I think we have every reason to be satisfied with the arrangement made, and I doubt very much if such an arrangement could have been made so promptly but for the condition in which the American Telephone and Telegraph Company stood at the time of being taken over, which can be attributed to your own care and the personal supervision you have given to the System as a whole. As a matter of fairness and equity, you are certainly entitled to our warmest congratulations and thanks.

With kind regards, I am,

Yours truly,
E. B. Field
President.

THE NORTHWESTERN TELEPHONE EXCHANGE COMPANY
LEGAL DEPARTMENT

E. A. Prendergast,
General Counsel.

Minneapolis. October, 18, 1918.

Mr. N. T. Guernsey, General Counsel,
American Telephone and Telegraph Company,
195 Broadway, New York City, New York.

Dear Mr. Guernsey:

I thank you for your letter of October 14th enclosing me copy of our arrangement with the Government. Mr. Yost was here yesterday and expressed himself as delighted with the arrangement, and I believe

the officials of the company are to be congratulated upon having secured so fair an agreement. I have read section 4 in relation to the recognition of the $4\frac{1}{2}\%$ proposition. This should be of great weight with our commissions.

Our proposed trip to New York has been postponed for the reason that there is some doubt in the minds of our officials as to whether the Northwestern Company in view of the Postmaster General's attitude will continue the Minnesota rate case. As stated to you before, our commission has decided to go on with the investigation, and Mr. Yost is awaiting an answer from Mr. Kingsbury as to how far we will go in incurring joint expense on what may be termed the accounting end of the case. Mr. Yost believes we should continue to work jointly with the commission and he will later let me know the final decision, after which I shall again ask you for an appointment to meet the gentlemen referred to.

Sincerely yours,
E. A. Prendergast

THE MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY
Office of the General Counsel
Suite 300 Wight Building

Denver, Colo., October 19, 1918.

N. T. GUERNSEY, ESQ.,
195 Broadway,
New York City,
New York.

Dear Mr. Guernsey:-

I thank you very much for the five copies of the proposals covering the matter of compensation during federal control. They will be a most convenient "working tool", and I would appreciate it if you would send me five additional copies.

Yours very truly,
Milton Smith
General Counsel.

New York, November 15, 1918.

Memorandum for N. C. Kingsbury, Esq., Vice President.

You will recall that Judge Lamar suggested that the contract with the Bell System for compensation during federal control would be placed upon the President's docket and approved in accordance with their routine in connection with other matters submitted to him.

Will you follow this up so that we may be sure the matter is not neglected, and also so that we may complete our records here by a memorandum showing the approval and its date?

Yours very truly,
N. T. Guernsey,
General Counsel.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY
Telephone and Telegraph Building
195 Broadway

NEW YORK November 27, 1918

N. T. Guernsey, Esq., General Counsel.

Dear Sir:

In regard to your memorandum of November 15th, I took this matter up with Judge Lamar, and he advised me that when they had accumulated a sufficient number of compensation contracts they would be presented to the President for his signature.

Very truly yours,
N. C. Kingsbury
Vice President.

NEW YORK, November 29, 1918

Memorandum for N. C. Kingsbury, Esq., Vice President.

I have your note of the 27th instant with reference to the approval of the compensation contract by the President. For reasons that are obvious, I think that there ought to be no unnecessary delay in securing this approval.

Yours very truly,
N. T. Guernsey
General Counsel

MEMORANDUM

February 4, 1919.

MR. VAIL:

Mr. Barnard has just returned after three days in Washington and brings back some gossip which I think may be of interest to you.

He says that Lewis is definitely out, although not nominally. He has gone back to the Tariff Commission.

Lamar is swamped with work, has lost some of his people and consequently is unable to keep up with the work, either of the telephone end or of the regular work of the Postoffice Department.

Koons is keeping out of the telephone end of the work just as much as he possibly can.

The Independent Companies are sore and want their properties back. This is particularly true of the smaller companies which have not yet got compensation contracts. Koons is reported to have said that all over the country they hear three things:

- 1: That they have been swallowed up by the Bell System in this telephone business.
- 2: That they are paying a compensation which is a return on an excessive capitalization.
- 3: Criticism of the 4-1/2% arrangement.

Lamar recently came out of the Postmaster General's office with tears in his eyes and later told someone that the Postmaster General said "_____ you Bill Lamar- if you don't handle the business of this office, I will kick you out". Lamar's desk is buried with papers, some of them of great importance that are not receiving any attention.

Barnard says that they do not seem to understand why they are not earning the compensation and that Friday has been ordered to come up here this week and go into the figures and see if they can find out what the trouble is. Barnard seems to think that they are realizing that they have made a botch of the thing and that they are likely to turn on everyone who has had any connection with the matters of the compensation contract, rates or wages.

(in ink) If they get nasty and if Guernsey is right about the compensation not going over into an extension of the time without a new contract where will we land?

HBT (H. B. Thayer)

CHICAGO TELEPHONE COMPANY
WISCONSIN TELEPHONE COMPANY
THE CLEVELAND TELEPHONE COMPANY
MICHIGAN STATE TELEPHONE COMPANY

General Offices
212-230 West Washington Street

Chicago, February 6, 1919.

Mr. N. T. Guernsey, General Counsel,
American Telephone & Telegraph Co.,
New York City.

Dear Mr. Guernsey:-

On January 18th I asked you to send me some extra copies of the printed form of agreement in connection with the operation of the Bell System under Federal control, as between the A. T. & T. Company and the various Constituent Companies.

These copies arrived in due course and a great many of them have already been used up.

It develops that we are going to need a lot of these copies in connection with matters in court. I have just been talking the situation over with Mr. Wilson and would suggest that you send me fifty (50) more copies of this printed blank agreement.

Yours very truly,
W. I. Mizner
Secretary.

March 25, 1919

Mr. Guernsey

I hereby certify that the following is a true and correct copy of a resolution adopted by the Directors of the American Telephone and Telegraph Company at a meeting held March 25, 1919:

RESOLVED: that pending the payment in full by the Postmaster General of the compensation from time to time due under the agreement of October 4, 1918 with this Company, for the supervision, possession, control and operation of the telephone system of the Bell System, taken by the President of the United States, the officers of this Company be authorized to make advances, from time to time, to the associated companies on account of their respective proportions of said compensation fixed by their agreements with this Company entered into pursuant to the authorization of the Executive Committee's resolution of October 9, 1918.

A. A. MARSTERS.
Secretary.

October 4, 1919.

HONORABLE ALBERT S. BURLESON,
Postmaster General,
Washington, D. C.

Dear Sir:

Under the contract for just compensation to the American Telephone and Telegraph Company and the constituent companies constituting with it the Bell System, evidenced by the proposal of the American Telephone and Telegraph Company dated October 4, 1918, and the acceptance thereof, evidenced by Order No. 2085 signed by the Postmaster General, by direction of the President, October 5, 1918, the amount due and unpaid, as of August 1, 1919, to this Company in behalf of itself and the other constituent companies which indicated their purpose to join in said proposal, as provided therein, as shown by the books kept during the period of federal control and as set forth in the enclosed statement, is the sum of \$13,363,938.85.

In arriving at this amount the assessment of interest on delayed payments from one party to the other for taxes, receivables and payables (other than compensation due and unpaid) has been treated as waived and it has been assumed

- a) That the accounts receivable and accounts payable and other current assets and liabilities on the books of the said Companies as of midnight July 31, 1918 and such accounts on the books of the Postmaster General as of midnight July 31, 1919 shall be passed from one to the other at their face value.
- b) That the Balance Sheet of Accounts representing the cost of material and supplies on hand shall be settled on the basis of the inventory figures of August 1, 1918 (based on average cost prices of materials and supplies then on hand) and the actual cost of material and supplies on hand as shown in the Accounts of the Postmaster General as of July 31, 1919.
- c) That the so-called over lap items of revenue, expense and income encountered during the period of federal control, but applying to the period prior thereto, will be offset by similar items of federal revenue, expense and income encountered by the Companies subsequent to federal control.

These assumptions have been adopted because it is manifest that any differences which might be disclosed by a final accounting of these matters would be insignificant and much less than the expense to each party that such an accounting would entail. The delay that would be involved is also a serious consideration. Several years would necessarily elapse before such an accounting could be completed, and during this period both your organization and our organization would be disturbed, and neither could devote its whole energy to the service which it furnishes.

Our negotiations have developed two items in question involving the construction of the contract, which are:-

- a) Claimed duplication in the payment on account of our investment in instruments \$1,556,175.
- b) Claimed deduction on account of expenses of the constituent companies assignable to strictly corporate matters not properly chargeable to federal operation. \$991,203.

In making this contract and in carrying it out, the controlling purpose of the Bell System has been to render to the Government during the emergency created by the war, the most efficient service within its power.

For this reason, and because it is desirable that the questions arising under this contract be adjusted without the delay and expense, and other consequences which might result from controversy and possible litigation, the American Telephone and Telegraph Company proposes, in behalf of itself and each of the constituent companies under the said contract, to settle and compromise all claims of the American Telephone and Telegraph Company and its constituent companies under said contract, and to accept in full, complete and absolute satisfaction and discharge of said claims \$9,290,170.31, with interest thereon at 5% from August 1, 1919, until paid. This proposal is upon the express condition that said amount be actually paid within not less than one year from October 1, 1919.

This proposal involves our concession of each of said questioned items, with an additional item of \$276,390.54 on account of interest during the period of federal control on deferred compensation payments, and of a further lump sum of \$1,250,000.00, which we propose to yield as a fair estimate of the expense which would be avoided by this method of settlement.

Yours very truly,
T. N. Vail
Chairman.

Washington, October 31, 1919.

The proposition contained in the foregoing letter is hereby accepted; this acceptance, however, to be upon the express condition that if the Division of Accounting of the Wire Control Board, shall, after such an examination of the accounts as it deems necessary for that purpose, within 60 days hereafter, certify that the settlement proposed by the above proposition is less favorable to the Government than a settlement in accordance with the strict terms of the contract, then this acceptance may be withdrawn.

By direction of the President,
A. S. BURLERSON
Postmaster General.

BELL TELEPHONE SYSTEM.FEDERAL INCOME STATEMENT

(Before adjustment provided by letter of October 4,
see Statement No. A2.)

PERIOD OF FEDERAL CONTROL, AUGUST 1, 1918 TO JULY 31, 1919.

	Item	
1	Exchange Service Revenues	\$236,978,694.25
2	Toll Service Revenues	106,896,745.82
3	Miscellaneous Operating Revenues	4,112,341.54
4	Total Telephone Operating Revenues	347,987,781.61
5		0
6	Current Maintenance Expenses	49,199,890.72
7	Depreciation of Plant and Equipment	60,247,758.42
8	Traffic Expenses	96,774,360.65
9	Commercial Expenses	33,046,847.29
10	General and Miscellaneous Expenses	26,470,670.34
11	Total Telephone Operating Expenses	265,739,527.42
12	Net Telephone Operating Revenues (line 4 less line 11)	82,248,254.19
	<u>Add</u>	
13	Rent and Miscellaneous Income	2,260,170.95
14	Total (Lines 12 and 13)	84,508,425.14
	<u>Deduct</u>	
15	Uncollectible Operating Revenues	1,339,200.71
16	Taxes	22,925,133.36
17	Rent and Other Miscellaneous Deductions	5,754,214.00
18	Amortization of Intangible Capital (excluding Franchises and Patents) and Right of Way	1,173,521.62
19		0
20	Total Deductions (lines 15 to 19, inclusive)	31,192,069.89
21	Balance (before accrual of Fixed Charges under Section 7(a) of Contract) (line 14 less line 20)	53,316,355.25
22	Compensation as per Contract	66,403,903.56
23	Interest on unpaid balance of Compensation to July 31, 1919	276,390.54
24	Balance (Deficit) as of July 31, 1919	(13,363,938.85)

November 3, 1923.

Parenthesis denotes red figure.

BELL TELEPH.

FEDERAL INCORP.

PERIOD OF FEDERAL CONTROL, APRIL 1, 1918 TO

Item

1	Exchange Service Revenues
2	Toll Service Revenues
3	Miscellaneous Operating Revenues
4	Total Telephone Operating Revenues
5	
6	Current Maintenance Expenses
7	Depreciation of Plant and Equipment
8	Traffic Expenses
9	Commercial Expenses
10	General and Miscellaneous Expenses
11	Total Telephone Operating Expenses
12	Net Telephone Operating Revenue (line 4 less line 11)
	<u>Add</u>
13	Rent and Miscellaneous Income
14	Total (lines 12 and 13)
	<u>Deduct</u>
15	Uncollectible Operating Revenues
16	Taxes
17	Rent and Other Miscellaneous Deductions
18	Amortization of Intangible Capital (excluding Franchises and Patents) and Right of Way
19	
20	Total Deductions (lines 15 to 19, inclusive)
21	Balance (before accrual of Fixed Charges under Section 10 of Contract) (line 14 less line 20)
22	Compensation as per Contract
23	Interest on unpaid balance of Compensation to July 31, 1919
24	Balance (Deficit) as of July 31, 1919
	Less adjustment proposed in letter of October 1, 1919 to facilitate prompt and economical settlement

November 3, 1923.

Parentheses denote red figures.

5

Mo:

1918

August . . .
September . .
October . . .
November . . .
December . .

Total 5

1919

January . . .
February . . .
March
April
May
June
July

Total 7

Total 12

November 3, 1918

Companies	Proposed Distribution of Deficit to the Assoc. Cos.	Total Amounts to be Withdrawn from or Paid to Associated Companies	
		To be Withdrawn	To be Paid
New England Tel. and Tel. Co. . .	\$ (680,383.09)	232,022.57	0
Providence Telephone Company . .	(49,484.28)	100,768.65	0
New York Telephone Company . . .	(1,594,586.94)	4,361,880.59	0
Delaware and Atlantic Teleg. and Bell Tel. Co. of Pennsylvania . .	(45,506.32)	0	276,282.66
Diamond State Telephone Company	(535,189.62)	0	685,310.17
Chesapeake and Potomac Tel. Co.	(5,537.41)	43,698.48	0
Ches. and Pete. Tel. Co. of Balti	(113,562.95)	0	1,308,642.69
" " " " " " Virgi	(112,317.25)	0	167,357.01
" " " " " " West	(85,385.03)	0	586,439.51
	(47,506.03)	0	565,045.27
Chicago Telephone Company . . .	(580,285.49)	0	1,295,384.44
Cleveland Telephone Company . .	(83,955.45)	0	178,243.33
Michigan State Telephone Company	(223,325.75)	0	1,092,816.87
Wisconsin Telephone Company . .	(125,319.29)	321,262.91	0
	(226,874.60)	0	241,379.56
Southern Bell Tel. and Tel. Co.	(280,447.29)	0	259,157.19
Cumberland Tel. and Tel. Co. . .	(203.46)	0	1,894.10
Southern Bell Tel. and Tel. Co. of	(392.32)	16,154.10	0
Southern Bell Tel. Co. of Indiana			
	(214,065.13)	0	674,724.02
Northwestern Tel. Exchange Co. .	(132,348.14)	0	194,999.58
Nebraska Telephone Company . . .	(160,536.56)	247,059.72	0
Iowa Telephone Company			
	(305,134.34)	232,520.73	0
Southwestern Bell Tel. Co. (Mo.)	(6,968.19)	0	12,519.18
" " " " (Ill.)	(114,636.24)	95,182.68	0
" " " " (Okla.)	(186,825.98)	1,042,887.20	0
Southwestern Teleg. and Tel. Co.			
	(371,010.76)	0	284,923.87
Mountain States Tel. and Tel. Co.	(15,638.14)	0	76,033.98
Tri-State Telephone Company . .			
	(599,474.81)	0	275,603.44
Pacific Tel. and Tel. Co.	(31,101.45)	0	126,343.93
Home Tel. and Tel. Co. of Spokan	(63,091.96)	0	337,377.95
Southern California Tel. Co. . .	(4,562.12)	0	50,219.02
Bell Tel. Co. of Nevada			
	(134,938.89)	100,822.75	0
Southern New England Tel. Co. .	(141,237.25)	0	37,509.66
Cincinnati and Suburban Bell Tel	(426,408.32)	0	2,057,313.78
Central Union Tel. Co.	(7,698,240.83)	6,794,260.36	10,683,411.21
Total Associated Operating Compa	(1,591,929.48)	3,891,150.83	0
American Tel. and Tel. Co.			
Total Bell System	\$9,290,170.31	\$10,685,411.21	\$10,685,411.21

Parentheses denote red figure

DEFICIENCY APPROPRIATION, GOVERNMENT OPERATION OF
THE TELEGRAPH AND TELEPHONE SYSTEMS.

[Letter from The Secretary of the Treasury, transmitting supplemental estimate of appropriations required by the Post Office Department for deficiency in the operation of the telegraph and telephone systems under Government control. May 5, 1920.- Referred to the Committee on Appropriations and ordered to be printed. H. Doc. No. 753, 66th Cong., 2d sess.]

TREASURY DEPARTMENT,

Washington, May 3, 1920.

SIR: I have the honor to transmit herewith for the consideration of Congress copy of a communication from the Postmaster General of the 1st instant, submitting an estimate of appropriation, in the sum of \$14,005,565.84, to be immediately available and to remain available until expended, to cover the deficit in the operation of the telegraph and telephone systems during the period of Government control and to carry out the provisions of the joint resolution of July 16, 1918, and the act approved July 11, 1919, with reference to just compensation to the owners of the telegraph and telephone systems for the supervision, possession, control, and operation of their properties by the United States during the period beginning midnight July 31, 1918, and ending midnight July 31, 1919.

The necessity for the appropriation is fully set forth in the letter of the Postmaster General herewith.

Respectfully,

James H. Moyle,
Acting Secretary.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

OFFICE OF THE POSTMASTER GENERAL

HON. DAVID F. HOUSTON,
Secretary of the Treasury, Washington, D. C.

Washington, D. C., May 1, 1920.

My dear Mr. Secretary:

By direction of the President, I have the honor to submit herewith an estimate for an appropriation of the sum of \$14,005,565.84,

to be immediately available and to remain available until expended, to cover the deficit in the operation of the telegraph and telephone systems during the period of Government control and to carry out the provisions of the joint resolution of July 16, 1918, and the act approved July 11, 1919, with reference to just compensation to the owners of the telegraph and telephone systems for the supervision, possession, control, and operation of their properties by the United States during the period beginning midnight July 31, 1918, and ending midnight July 31, 1919. This estimate covers the following items:

(a) Amount due telegraph and telephone companies as of Aug. 1, 1919, accounts of which have been audited and with which terms of settlement have been agreed upon	\$11,455,565.84
(b) Estimated amount to cover settlement with the remaining telegraph and telephone companies.....	1,850,000.00
(c) Estimated amount to cover interest from Aug. 1, 1919, until paid on amount due to telegraph and telephone companies as of Aug. 1, 1919.....	<u>700,000.00</u>
Total.....	\$14,005,565.84

This deficit is the outcome of telegraph and telephone operations involving gross revenues of over \$600,000,000 during the period of Federal control, and therefore represents less than 2½ per cent of the total gross revenues.

The need for this appropriation is explained by the following statement:

Basis of compensation.— The joint resolution approved July 16, 1918, under authority of which the telegraph and telephone properties were taken over by the Government, provided that "just compensation" should be made for the use of the properties, to be determined by the President, but no method for determining "just compensation" was prescribed. With respect to the basis of compensation for the wire properties this joint resolution differed from the congressional act which authorized the President to undertake the operation and management of the railroads, in which latter case it was provided that the compensation to the railroads should be fixed at the average net operating income of the railroad companies for the three fiscal years 1915, 1916, and 1917, with a proportionate allowance for any increase in invested capital.

The vast number of telegraph and telephone companies whose properties were taken over under this joint resolution made impossible during the year of Federal control the investigation necessary to determine just compensation for most of them. However, during the period of Federal control compensation agreements were entered into with 108 of the larger telegraph and telephone companies, which owned and operated approximately 94 per cent of the telegraph and telephone properties in the United States.

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The basis of compensation agreed upon with these companies is fully discussed in the Postmaster General's report to the President of October 31, 1919. (S. Doc. No. 152, 66th Cong., 1st sess., pp. 13-17.) The compensation, including depreciation, allowed in these agreements was 93.82 per cent of the amount which would have been allowed had compensation been fixed on the basis fixed by the Congress for compensation to the railroads. In other words, the compensation fixed by the wire control board amounted to 93.82 per cent of the same percentage of return on the average fixed capital during the period of Federal control as the systems themselves actually earned on their average fixed capital during the years 1915, 1916, and 1917. This ascertainment having been reached, it was determined upon as the basis for settlement with the companies with which compensation agreements had not been entered into, and its justness was at once recognized, and it has been accepted by most of the companies, thus placing both the contract and noncontract companies upon the same basis. The above estimate for appropriation reflects settlements with contract and noncontract companies upon this basis, the agreed settlements representing about 90 per cent of the deficit.

Administration expenses.- One of the first steps in the administration of the telegraph and telephone systems after they were taken over by the Government was the appointment by the Postmaster General of a committee known as the wire control board, charged with full responsibility for the control and management of the wire properties taken over by the President under the terms of the joint resolution. The members of this board were allowed no compensation for their services in connection with the control and operation of the wires. The operating board, appointed by the Postmaster General December 13, 1918, which had direct charge of operation of the telegraph and telephone systems from January 1, 1919, until June 14, 1919, was composed of officials of the telegraph and telephone companies who were assigned to this duty. They were allowed no additional compensation as members of this board, their regular salaries continuing to be paid out of the operating revenues of the particular companies with which they were connected. The only expense incurred in the administration of the telegraph and telephone systems consisted primarily of the salaries and moderate traveling expense of three expert economists and statistical advisers, a consulting engineer and valuation expert, and a small accounting and auditing force for the audit and adjustment of accounts of the various companies. The entire expense of administration incurred up to this date has amounted to but \$125,000, paid out of the telegraph and telephone revenues, and \$12,000 allotted by the President from his general defense fund.

The entire properties controlled represented an investment of over one and one-half billion dollars. This total overhead expense of \$137,000 was but two one-hundredths of 1 per cent of the total operating revenues during the period of Federal control.

Deferred maintenance.- The contracts with the companies provided that the properties should be maintained by the Postmaster General up to a standard relatively equal to that on and prior to July 31, 1918, so that their state of repair and operating condition would be relatively the same at the expiration of the period of Federal control as at its

beginning. This obligation has been met to the satisfaction of the companies. The amounts necessary to cover such maintenance and depreciation are reflected in the figures herewith presented. There are therefore no deferred maintenance obligations.

Materials and supplies.- In the compensation contracts it was provided that at the end of the period of Federal control the Postmaster General should return to the owner an equal quantity and quality of materials and supplies of equal relative usefulness to that of the materials and supplies received by the Postmaster General, and that to the extent that such materials and supplies were not returned account should be made therefor at the same prevailing prices at the end of the period of Federal control, the owner of the system to account for any excess of materials and supplies over those delivered by it to the Postmaster General at the beginning of Federal control. Under settlement agreements with the companies all differences in materials and supplies at the beginning and end of Federal control have been adjusted on the basis of the cost figures at each period, without regard to the difference in quantities, qualities, or prices, thus leaving no claims on account of this item.

Interest.- The contracts with the owners of the properties provided for the payment of compensation in monthly installments and that all payments under the contracts not paid within five days after due should draw interest from the date of maturity until paid at the rate of 5 per cent per annum. In arriving at settlements with the various owners it was agreed that while the compensation agreements provide for certain monthly settlements and interest on delayed payments, all interest be waived, with the exception of interest from August 1, 1919, until paid on the net amount of compensation found to be due the companies.

In arriving at compensation agreements with the companies with which contracts were not made prior to the expiration of Federal control, it was the purpose, as heretofore stated, to accord to these companies the same relative treatment as was accorded to the companies with which contracts were made, and therefore provision is made for the payment of 5 per cent interest on the net amount of compensation due each of those companies also from August 1, 1919, until paid. An item covering interest on the amounts due the various companies as compensation is included in the above estimate.

Capital furnished companies.- The Government furnished no capital to any of the companies, but in accordance with the terms of the contracts the cost of new capital employed in extensions of property during the period of Federal control is reflected in the compensation allowed.

Judgments and decrees.- No provision was made by Congress for suits upon causes of action arising out of the operation of the wire systems by the Government, and while a number of damage suits have been filed against the wire companies or the Postmaster General, or both, the position has been taken and sustained by the courts that there is no liability upon the Government for the reason that the actions sounded in tort, and Congress never having consented

that the United States may be sued upon such causes, the actions could not be maintained against the United States; and that there is no liability upon the owners of the telegraph or telephone systems for the reason that their systems were actually being operated by the United States, and not by themselves, and therefore a judgment upon any cause of action arising out of the operation of the systems by the United States would deprive the owner of the system of his property without just compensation and without due process of law. No funds are provided in the foregoing estimate to settle judgments or decrees, and it is not anticipated that any will be necessary.

Cause of deficit.- Many of the properties at the time they were taken over were not making operating expenses and a fair return on the investment, due mainly to increased operating expenses, involving increased costs of labor and material, and these expenses continued to increase after the Government took control of the properties. Not only did the costs of materials and supplies continue to mount, but it became necessary to make substantial increases in wages in some localities. No appropriation having been made for operation of the properties and it being the policy of the Postmaster General to operate them within their revenues, it was found necessary to endeavor to meet these increasing costs of operation by increasing the telegraph and telephone rates. This course met with resistance in the courts by certain State utility commissions and many of the rates did not go into effect until shortly before the termination of Government control and after the decision of the Supreme Court of the United States on June 2, 1919, in the case of Dakota Central Telephone Co. v. State of South Dakota. Had it not been for these injunction suits, which postponed the effectiveness of the rate increases, or had the properties been operated by the Government a few months longer, as was pointed out to the Congress, there would have been no deficit from the operation of the wire systems, but on the contrary, the operating revenues would have met the expenses and would also have paid the just compensation to the owners of the systems for the use of their properties, and the appropriation by Congress of funds for this purpose would have been unnecessary.

Balances due Government.- The net revenues of some of the companies which entered into compensation agreements with the Government for the use of their properties were in excess of the amounts fixed in the contracts for compensation. These amounts have already been paid or the payments are ready to be made and are only awaiting final auditing of the accounts. Those balances in favor of the Government are reflected in the above deficiency estimate.

The Postmaster General was unable to enter into a compensation agreement with the Mackay companies for the use of their land lines, known as the Postal Telegraph System, embracing some 39 distinct telegraph companies. The amount of compensation contended for by the Mackay companies was considered excessive by the Postmaster General in view of their sworn reports to the Interstate Commerce Commission showing the capital invested and net revenues, and a compensation award was made to these companies of \$1,680,000 per annum for the use of this system. The facts in some detail with respect to the Mackay companies' compensation appear in Part I, pages 27-30, of the hearings on H. R. 368 before the Committee on the Post Office and Post Roads, House of

Representatives, Sixty-fifth Congress, third session, and in Part I, pages 6-9, and Part II, pages 199-201, of the hearings on H. R. 421 before the Committee on Interstate and Foreign Commerce, House of Representatives, Sixty-sixth Congress, first session; and in the Postmaster General's Report to the President on the Administration of the Wire Systems, pages 14-15. The award made to the Mackay companies was formally rejected by them, but they have thus far failed to enter suit for a judicial determination of the just compensation due them, as prescribed by the joint resolution under which the property was taken over by the Government.

The Mackay companies maintain that they are entitled as compensation to the entire net revenue arising from the operation of their land-line system during the period of Federal control, which amounted to \$3,803,392.56. The difference between this amount and that awarded by the Postmaster General as just compensation is \$2,123,392.56. This amount was demanded in writing from the Mackay companies, which demand was formally refused by them. Legal action against the Mackay companies will be instituted by the Government and whatever amount may be recovered therein will be covered into the Treasury. It will be some years before a final determination can be reached in the courts in this matter. In any event the constitutional obligations of the Government to pay just compensation for the use of the telegraph and telephone properties can not be contingent upon the final result in this suit, and in the present adjustment of the obligations of the Government with the other companies this controversy, it would seem, should have no part.

Necessity for an early appropriation.- The Government is obligated to pay interest from August 1, 1919, on all balances found due to the telegraph and telephone companies upon the return of their properties. It is therefore in the interest of economy that the money necessary to pay off these obligations be made available as soon as possible in order to stop the running of interest. Many of the companies are in need of money at this time and the prompt payment of these obligations will enable them better to furnish the facilities of communication which the public interests demand.

Return of properties.- The wire properties were promptly returned in accordance with the terms of the law passed by Congress. During the period of Government control the properties had been maintained to the entire satisfaction of the owners. The business of each company had been preserved intact and the management had been such during this period that the value of the properties had not been in the slightest impaired; on the contrary, the value of the properties had been materially enhanced. It is a source of great satisfaction to the wire control board that these facts are generally acknowledged by the companies whose properties were taken over by the Government including those which were at first most apprehensive and critical.

Respectfully,

A. S. BURLESON, Postmaster General.

NOTE.- Appropriation of \$14,000,000 was made in the third deficiency appropriation act for 1920 (41 Stat. 1021).

FINAL REPORT.

TELEGRAPH, TELEPHONE, AND CABLE PROPERTIES.

↳ /Message from the President of the United States, transmitting, pursuant to law, a communication from the Postmaster General submitting a supplementary report giving a final account of the financial operation of the telegraph and telephone systems by the United States during the period of Government control. February 24 (calendar day, Feb. 25), 1921.- Read, referred to the Committee on Post Offices and Post Roads, and ordered to be printed. (S. Doc. No. 415, 66th Cong., 3d sess.)]

TO THE SENATE AND HOUSE OF REPRESENTATIVES:

Pursuant to the provisions of an act of Congress entitled "An act to repeal the joint resolution entitled 'Joint resolution to authorize the President in time of war to supervise or take possession and assume control of any telegraph, telephone, marine cable, or radio system or systems or any part thereof, and to operate the same in such manner as may be needful or desirable for the duration of the war and to provide just compensation therefor,' approved July 16, 1918, and for other purposes," approved July 11, 1919, I am transmitting herewith a report made by Albert S. Burleson, Postmaster General of the United States, supplementing his report of October 31, 1919, and giving a final account and report of the financial operations of the telephone and telegraph systems by the United States during the period beginning August 1, 1918, and ending July 31, 1919, and of the expenditures from the appropriation in the act approved June 5, 1920, reading as follows:

"For payment of the deficit incurred in the operation of the telegraph and telephone systems during the period of Government control and to carry out the provisions of the joint resolution approved July 16, 1918, and the act approved July 11, 1919, with reference to just compensation to the owners of the telegraph and telephone systems for the supervision, possession, control, and operation of their properties by the United States during the period beginning midnight, July 31, 1918, and ending midnight, July 31, 1919, \$14,000,000, to remain available until June 30, 1921."

WOODROW WILSON.

THE WHITE HOUSE,
February 25, 1921.

FINAL REPORT OF THE POSTMASTER GENERAL ON THE SUPERVISION, POSSESSION, CONTROL, AND OPERATION OF THE TELEPHONE, TELEGRAPH, AND CABLE COMPANIES DURING THE PERIOD AUGUST 1, 1918, TO JULY 31, 1919.

POST OFFICE DEPARTMENT
OFFICE OF THE POSTMASTER GENERAL,
WASHINGTON, D. C.

February 23, 1921.

To the President:

Under date of October 31, 1919, a preliminary report covering the supervision, possession, control, and operation of the telephone, telegraph, and cable systems during the period of Federal control, from August 1, 1918, to July 31, 1919, was submitted (S. Doc. No. 152, 66th Cong., 1st sess.). This report covered the operating problems encountered, the administrative policy adopted, and the results attained from the operation of the properties, so far as was possible at that time. This preliminary report also contained an estimate of the financial results of such operation by the Government.

Subsequently thereto a revised estimate was made based upon later and more complete data, and, under date of May 1, 1920, a request was made on the Congress, through the Secretary of the Treasury, for an appropriation to cover the deficit resulting from Federal operations, estimated at that time to be \$14,005,565.84 (H. Doc. No. 753, 66th Cong., 2d sess.). An appropriation of \$14,000,000, or as much thereof as would be necessary to cover the deficit, was made by the Congress in the third deficiency act of 1919.

Immediately this appropriation became available, settlement with the various companies was begun and the amounts due were paid as rapidly as possible. The auditing of the accounts of the companies claiming compensation was diligently prosecuted, and as soon as an agreement was reached with each company upon the basis of the audited figures as to the amount which would constitute just compensation, the amount due was certified to the Auditor for the Post Office Department and by him in turn to the Treasurer of the United States, by whom the companies were paid. This work continued until December 31, 1920, at which date settlement had been made with all the telephone and telegraph companies except a very few of the smaller companies. Out of the 1,152 companies mentioned in my report of October 31, 1919, as companies for which the Government assumed some degree of operating responsibility on account of Federal control, but six companies have refused to accept the offers of compensation finally made to them. Awards of compensation have been made to each of these companies. At this date there are outstanding awards of compensation aggregating \$3,298.62 due six companies, and to whom payments will be made as the companies indicate their acceptance.

The companies having been paid the amounts due them under the agreements, awards having been fixed as to the remaining six companies, and the amounts due the Government having been collected or definitely ascertained, settlement figures are now available.

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No specific appropriation was made to cover the administrative expense of operating the telegraph and telephone systems. On October 8, 1918, the President allotted \$10,000 from the national security and defense fund for that purpose, and certain operating revenues amounting to \$200,000 were placed with the disbursing clerk of the Post Office Department subject to the order of the Postmaster General to meet the current expenses of the wire administration. Of these amounts the entire \$10,000 was expended, and \$166,586.96 of these operating funds have been expended to date, leaving \$33,613.04 which is accounted for as cash now on hand.

The Federal net earnings during the period were \$76,804,263.23, and the amount paid or awarded the companies as compensation and interest on deferred payments was \$89,724,394.05, which, with the administrative expense of \$176,386.96, resulted in a Federal deficit of \$13,096,517.78.

Statements covering the results of the operation of the wire systems, the compensation paid the owners of the properties, and disbursement of the appropriation of \$14,000,000 made by Congress to cover the deficit growing out of control and operation of the wires are attached hereto.

The compensation accounts of all companies have been finally audited and closed and settlements effected with all save a few small companies (involving less than \$85,000). These cases are in process of settlement, which it is believed will be finally consummated to the satisfaction of all parties in interest. No suit has been filed by any company against the Government or the Postmaster General, growing out of the fixing of the compensation allowed during the period of Government control and operation, and no suits have been filed by the Government or Postmaster General against any company growing out of action taken in fixing such compensation, save in one case. The one exception is the case of the Mackay companies operating in the name of the Postal Telegraph Co., and suit has been filed by the Government against this company, which is now pending in the southern district of New York, for the recovery of the amount due from said company to the Government, which amount accrued and became due and owing the Government during the period of its control and operation.

All properties of all wire companies taken over and operated by the Government during the period of its control have been returned to their respective owners and, with the one exception above noted, there has been action taken either by officers of said companies or by the national organizations of said companies indicating complete satisfaction with the management of said properties during Government control, and expressing gratification that their respective properties as going concerns had been returned to them with their values unimpaired.

No action has been taken in the matter of fixing compensation for the operation of cable companies, as there was a question of legal power raised within the Wire Control Board as to whether, under the terms of the joint resolution, the revenues arising from operation of said companies at the foreign end of such cables could be embraced within the

scope of the Postmaster General's authority, so the net revenues of such companies accruing during the period of Government operation is awarded to the respective companies as their full compensation for the period of Government control.

Respectfully,

A. S. BURLESON,
Postmaster General.

(Enclosures)

Results of operation of telephone and telegraph systems during the period of Federal control.* (Aug. 1, 1918, to July 31, 1919.)

Revenues.	\$493,202,880.90
Expenses:	
Maintenance	69,165,512.11
Depreciation.	73,869,936.50
Traffic (telephone)	111,140,134.37
Commercial (telephone).	36,689,113.60
Conducting operations (telegraph)	53,887,056.14
General and miscellaneous expenses.	42,908,462.29
Taxes	28,738,402.66
Total expenses.	<u>416,398,617.67</u>
Federal telephone and telegraph income.	<u>76,804,263.23</u>

SUMMARY.

Federal telephone and telegraph income.	\$ 76,804,263.23
Compensation due to companies for the use of their properties during the period of Federal control determined under compensation agreements and awards	<u>89,171,486.17</u>
Net amount due companies as of Aug. 1, 1919, being the difference between the Federal earnings retained by the companies and the amount of compensation.	\$ 12,367,222.94
Net amount of interest due to or by companies on balances as of Aug. 1, 1919, from that date until date of payment	<u>552,907.88</u>
Net amount paid or awarded companies for the supervision, possession, control, and operation of properties during Federal control	12,920,130.82
Administration expenses:	
From national security and defense fund. \$10,000.00	
From operating revenues.	<u>166,386.96</u>
	<u>176,386.96</u>
Federal deficit	13,096,517.78

* Does not include Postal Telegraph-Cable system.

STATEMENT OF CASH TRANSACTIONS.

Amount disbursed from appropriation by Treasury warrant, being the aggregate of the amounts due companies for compensation over and above Federal earnings retained by such companies, with interest thereon from Aug. 1, 1919, to the date paid.	\$13,212,351.80
Awards of compensation outstanding to be paid upon acceptance, with interest from Aug. 1, 1919	3,298.62
Amount allotted and expended from national security and defense fund.	<u>10,000.00</u>
Total	13,225,650.42

Amount remitted, or to be remitted, to Postmaster General by companies having Federal earnings over and above the compensation allowed, i. e., the excess of Federal earnings over compensation, with interest from Aug. 1, 1919, to date paid. *\$95,519.60	
Unused portion of \$200,000 withdrawn from operating revenues for administration expenses.	<u>33,613.04</u>
Total	<u>129,132.64</u>
Federal deficit	13,096,517.78

Appropriation \$14,000,000.00	
Amount of appropriation disbursed <u>13,212,351.80</u>	
Amount of appropriation unexpended.	787,648.20
Awards of compensation outstanding to be paid upon acceptance, with interest from Aug. 1, 1919	<u>3,298.62</u>
Balance	784,349.58

Cash on hand:	
Amount remitted, or to be remitted by companies *\$95,519.60	
Balance remaining in administration expense fund <u>33,613.04</u>	
Total cash on hand	<u>129,132.64</u>
Funds available Feb. 23, 1921	913,482.22

*Of this amount \$13,577.24 has not yet been remitted by the telephone company from whom due, owing to pending adjustment of taxes by the Bureau of Internal Revenue.



RETURN TO TREASURY OF UNEXPENDED BALANCES.

March 1, 1921.

Hon. David F. Houston,
Secretary of the Treasury.

Sir:

In the third deficiency appropriation bill for 1920, approved June 5, 1920, there was carried the following appropriation:

"For payment of the deficit incurred in the operation of the telegraph and telephone systems during the period of Government control and to carry out the provisions of the joint resolution approved July 16, 1918, and the act approved July 11, 1919, with reference to just compensation to the owners of the telegraph and telephone systems for the supervision, possession, control, and operation of their properties by the United States during the period beginning midnight, July 31, 1918, and ending midnight, July 31, 1919, \$14,000,000, to remain available until June 30, 1921."

Of the sum thus appropriated there has been expended to date \$13,212,351.80 in payment of the claims of telephone and telegraph companies throughout the country for just compensation under the acts of July 16, 1918, and July 11, 1919, on account of the supervision, possession, control, and operation of their properties by the United States during the period August 1, 1918, to July 31, 1919, inclusive. All such claims have been settled and paid with the exception of one company to which is due a balance of \$539.17, and the claims of six companies to which the total sum of \$3,298.62 has been awarded by the President. The amounts due these respective companies will be certified to your department for payment in due course. The total sum remaining to be paid is \$3,837.79, which, added to the disbursements already made of \$13,212,351.80, will make a total disbursement from this appropriation of \$13,216,189.59, thus leaving an unexpended balance of \$783,810.41.

I therefore have to request that this sum of \$3,837.79 yet to be paid be set aside for this purpose, and that the remaining unexpended balance of \$783,810.41 of the foregoing appropriation of \$14,000,000 in the third deficiency act for 1920, which will not be required, be carried to the surplus funds of the Treasury.

Respectfully,

A. S. BURLESON, Postmaster General.

Hon. David F. Houston,
Secretary of the Treasury.

March 1, 1921.

Sir:

In pursuance of those provisions of the joint resolution approved July 16, 1918, and the proclamation of the President of July 22, 1918, relating to the payment of just compensation to the owners of the telegraph and telephone properties which were controlled and operated by the United States during the period beginning August 1, 1918, and ending July 31, 1919, contracts were made with certain owners of the telegraph and telephone systems covering the amount to be paid by the United States as compensation for the use of the properties. The properties of a number of the telephone companies with whom such contracts were made earned more than was required to pay the operating expenses of the properties and the amount specified in the contracts to be paid the owners as just compensation, and in each instance such excess earnings, with interest thereon at the rate of 5 per cent per annum from the date due (Aug. 1, 1919) to the date of remittance, were forwarded to me. The sums so remitted aggregate \$81,942.36.

Of the sum of \$200,000 withdrawn from the operating revenues of the telephone companies to cover administration expenses there remains, exclusive of certain allotments, an unexpended balance on hand of \$25,621.08, which will not be required.

I therefore inclose herewith my check for \$107,563.44 covering both of the foregoing balances, with the request that this sum be covered into the Treasury as miscellaneous receipts.

Respectfully,

A. S. BURLESON, Postmaster General.

Section 5

Rate Increases under Federal Control.

Bulletin No. 5

Order No. 1931

August 28, 1918.

Owing to the necessity for conserving labor and material and to eliminate a cost which is now borne by the permanent user of the telephone, a readiness to serve or installation charge will be made on and after September 1, 1918, for all new installations; also a charge for all changes in location of telephones.

Installation charges to be as follows:

Where the rate is \$2.00 a month or less	\$5.00
Where the rate is more than \$2.00, but not exceeding \$4.00, a month	10.00
Where the rate is more than \$4.00 a month	15.00

The moving charge to the subscriber will be the actual cost of labor and material necessary for making the change.

In accordance with Bulletin No. 2, issued by me August 1, 1918, stating that "until further notice the telegraph and telephone companies shall continue operation in the ordinary course of business through regular channels," in all cases where rate adjustments are pending or immediately necessary, they should be taken up by the company involved through the usual channels and action obtained wherever possible. In all cases, however, where rates are changed, such changes should be submitted to me for approval before being placed in effect.

A. S. BURLESON,
Postmaster General.

Bulletin No. 8

September 14, 1918.

Order No. 1931, issued by me under date of August 28th, provided certain charges for all installations of telephones on and after September 1, 1918; also a charge for the "moving" of telephones. On account of the many inquiries regarding the order, the following instructions are issued:

1. Installation charges made effective by Order No. 1931 shall be referred to by telephone companies and collected from subscribers as "Service-Connection Charges" and shall be based on the minimum net rate charged to the subscriber. These service-connection charges shall be collected from all applicants for new or additional service at the time of application and before such new service or additional service is established.

2. In cases of "Changes of Name," or where no lapse of service occurs, the minimum charge of \$3.00 shall apply in all cases.

3. Service-connection charges do not apply to extension-bells, push-buttons, buzzers, or miscellaneous equipment of like character, nor to directory listings.

4. With the exceptions above noted the service-connection charge shall apply to each class of service and class of equipment furnished the applicant for which the company shall have a regular separate established rate and the amount of the service-connection charge shall be determined by the amount of the regular established rate, in accordance with the terms of Order No. 1931.

5. All subscribers who pay the service-connection charges established under Order No. 1931 shall be relieved of any other service-connection charges, cancellation charges, charges made in liquidation of damages on account of short terms and short-term rates, and the use of one year or any other period in excess of one month as a minimum contract period for telephone service.

6. The "Moving charge" referred to in Order No. 1931 applies only to changes in the location of equipment on the premises. Such changes are generally known as "Inside Moves." For purposes of economy in administration and for the convenience of the public the charge for moving a telephone set from one location to another on the same premises shall be \$3.00. The charge for moving all other equipment from one location to another on the same premises shall be based on the cost of labor and materials.

7. Order No. 1931 abolishes the distinction heretofore made by some companies between a new installation or a new service connection and an Outside Move; and all changes in the location of the subscriber which have heretofore been described as Outside Moves will hereafter be treated as new "Service connections" and subject to the service-connection charges of Order No. 1931 and of these instructions supplementary thereto.

8. Service-connection charges do not apply to the service known as "Service stations" or "Switching service," and they do not supersede special installation or construction charges or mileage charges of any kind.

A. S. BURLESON,
Postmaster General.

Bulletin No. 15

Order No. 2352

November 18, 1918.

Owing to the cessation of hostilities the necessity for conserving labor and material has been relieved to some extent, thereby enabling the Postmaster General to modify Order No. 1931, issued under date of August 28, 1918, fixing certain charges for the installation of telephone service, and Bulletin No. 8, issued September 14, 1918, explanatory thereof.

Experience and careful investigation of the entire subject has demonstrated the fact that certain service connection charges covering to some extent the average cost of the initial expense of establishing service for new subscribers and of furnishing additional facilities to old subscribers should be paid by such subscribers and should not be borne by the entire body of telephone users. Therefore, a uniform schedule has been prepared which embodies rates that should not retard telephone development in any section and will place upon subscribers responsible therefor a portion of the costs incident to such service connections, leaving the balance as a charge in the business generally. This schedule will become effective December 1, 1918, applies to all telephone systems under the control of the Postmaster General and is as follows:

- | | |
|---|--------|
| 1. For individual and party line service | \$3.50 |
| 2. For each extension station connected with any class of telephone service | 3.50 |
| 3. For private branch exchange service the charge for establishing service connection: | |
| (a) For each trunk line connecting the private branch exchange with a central office | 3.50 |
| (b) For each telephone connected to the private branch exchange, except operators' telephone sets | 3.50 |
| 4. To cover directory, account, circuit and switchboard expenses in cases where service is established by use of instrumentalities already in place in the subscriber's premises, and no change is made in the type or location of such instrumentalities | 1.50 |

5. Service connection charges not to supersede mileage charges, or installation charges and construction charges made because of unusual cost, but to apply in addition to such charges; however, in cases of special private branch exchange systems, not established under tariff rates but on a cost basis, installation charges may be applied to stations, and other equipment in lieu of the regular service connection charges prescribed herein for the stations connected.

6. Service connection charges not to apply to the service known as "service stations" or "switching service."

7. Service connection charges not to apply to "public telephones" or "public pay station" service established for the use of the public on the initiative of the wire service. The term "public pay station" as herein used not to be construed to cover service such as semipublic, guaranteed or rental pay stations.

8. Service connection charges not to apply to private line equipment, i.e., circuits and stations not connected with a central office for exchange or toll service; but installation charges may be applied in accordance with tariffs existing or hereafter established.

9. All charges herein described to be collected from all applicants for new service of the classes specified above at the time of application and prior to the establishment of such service, except that service may be established in advance of payment in the case of service connection charges for additions to the service of existing subscribers, and in the case of any service for Departments, Administrations and Agencies of the Federal, State, County, and Municipal Governments.

10. Section number 5, of Bulletin No. 8, dated September 14, 1918, is hereby revoked.

CHARGES FOR MOVES AND CHANGES

Order No. 1931, dated August 28, 1918, and Telegraph and Telephone Service Bulletin No. 8, dated September 14, 1918, so far as relates to prescribing changes of location, are hereby revoked.

1. Charges for changes of location of telephone equipment or wiring on the subscriber's premises on and after December 1, 1918, to be:

(a) For moving a telephone set from one location to another on same premises, a charge of \$3.00.

(b) For moving any other equipment or wiring from one location to another on the same premises, a charge based on the cost of labor and material.

2. Charges for changes other than moves, in wiring and equipment on the subscriber's premises, made on the initiative of the subscriber, to be:

(a) For change in type or style of telephone set, a charge of \$3.00.

(b) For other changes in equipment or wiring, a charge based on the cost of labor and material.

3. The charges specified above not to apply if the changes or moves are required for the proper maintenance of the equipment or service.

4. The charges specified above not to apply if the changes are required because of a change in class or grade of service.

5. The charges specified above in no case to exceed the service connection charge applicable to the entire service of the particular subscriber.

A. S. BURLESON,
Postmaster General.

Bulletin No. 22

Order No. 2495

December 13, 1918

There are many counties and districts in which a free toll service is granted the subscriber within such county or district, the exchange rates presumably having been made with a view to such free toll service. This order shall not be construed as requiring a discontinuance of these privileges pending a study and revision of these exchange rates.

Nothing in this order establishing toll rates shall be construed as changing rates made without reference to mileage now established for service within a certain county or other area when such rates are not in excess of ten cents but no further rates of this character shall be established without specific approval of the Postmaster General.

In competitive situations where the earning value of a property under Federal control would be unfavorably affected by the establishment of rates and charges herein ordered, an exception may be made by filing with the Postmaster General a statement to that effect with a proposal of modification from ordered rates and such modifications may go into effect unless vetoed or otherwise ordered by the Postmaster General within thirty days and during such thirty days existing rates may be continued.

I. CLASSIFICATION OF TOLL TELEPHONE SERVICE.

The following classes of telephone toll message service shall be established effective at 12.01 a.m., January 21, 1919.

1. Station-to-Station Messages. -- This service shall be defined by the following conditions:

(a) Orders for station-to-station service shall specify the telephone station called, either by telephone number, or by the name of the subscriber of the called station.

(b) Under this classification, orders will not be accepted to establish communication between particular persons.

(c) The measurement of the duration of a station-to-station message for purposes of the application of rates shall begin at the moment when telephonic communication is established between the called and the calling stations. The term "station" for the purpose of this clause is defined to include a private branch exchange switchboard operator, in those cases where private branch exchange systems are involved in station-to-station service.

(d) Station-to-station service may be operated as a Number Service, in which case the called station may be designated only by number, through A and B switchboards or through tandem operators, etc.; or it may be operated through toll switchboards, and technically known as an "AY" service, depending on the local circumstances as to operating conditions, plant conditions, and the circumstances as to directory distribution and areas; and the more economical method will be employed in each case. The choice of method of operating station-to-station service will be determined

solely as an operating arrangement, not in any way affecting rates or service; except that where the number method is employed it is required that orders be accepted stating only the telephone number of the called station.

(e) The charges for station-to-station messages shall not be "reversed," i.e., collected at the called station.

2. Person-to-Person Calls. -- This service shall be defined by the following conditions:

(a) Orders will be accepted to establish communication between specified persons.

(b) The measurement of the duration of a person-to-person message for the purpose of the application of rates shall begin at the moment when communication begins with or between the particular person or persons specified in the order; provided that certain report charges will be made under the conditions specified in the clause next below, where communication may not be established.

(c) Orders for person-to-person service are accepted only under the condition that a limited charge (to be known as "Report Charge") will be made in the following cases where it is impossible to establish communication between particular persons:

(1) When the order is to establish communication with a particular person in a given city, telephone address unknown, and the particular person can not be secured within one hour (exclusive of any time during which "no circuits" or other cause prevent communication of the order to the distant city or exchange, or its completion.)

(2) When the designated person called refuses to talk.

(3) When the report is returned that the designated person called is "out" or "out and will return at (specified time)" or "out and time of return unknown," "is absent from the city," and similar reports advising the calling subscriber of the facts ascertained when failure to complete the order is due solely to the circumstances of the called person or to fault in describing the location of the called person, and when all of the work preliminary to establishing communication with the called person is done.

(4) When communication between the designated persons can not be established because the designated person at the calling station is absent at the calling station; provided that no charge shall be made in such cases where the delay, if any, in establishing connection is greater than one hour.

(5) When the designated person at the calling station refuses to talk when the facilities for communication have been established.

3. Appointment Calls. -- Appointment calls are person-to-person calls, the order for which provides that communication is to be arranged for to take place at a specified time.

4. Messenger Calls. -- Messenger calls are person-to-person calls requiring the use of a messenger to secure attendance of a designated person at one of the public pay stations at the distant point.

5. Collect Calls. -- Collect calls are person-to-person calls, the charges for which are "reversed," i.e., to be collected from the subscriber of the distant station at which the call is to be completed.

II. STANDARD TOLL RATES FOR STATION-TO-STATION MESSAGES.

Effective 12.01 a.m. January 21, 1919, the following initial period rates are made standard throughout the United States for station-to-station toll messages, where the distance between the exchanges, or toll points, does not exceed 40 miles by direct air line measurement:

<u>For distances more than --</u>	<u>But not more than --</u>	<u>Initial rate is --</u>
0 miles	6 miles	\$0.05
6 "	12 "	.10
12 "	18 "	.15
18 "	24 "	.20
24 "	32 "	.25
32 "	40 "	.30

The following initial period rates are made standard for station-to-station toll messages for all distances in excess of 40 miles by direct air line measurement:

<u>For distances more than --</u>	<u>But not more than --</u>	<u>Initial rate is --</u>
40 miles	48 miles	\$0.35
48 "	56 "	.40

For each additional 8 miles or fraction thereof, 5 cents additional.

For the purpose of applying standard rates where the direct air line distance between points is in excess of 40 miles, distance shall be determined as the air line distance between the centers of blocks 7 miles square, within which the points of communication are located, and where the distance is in excess of 350 miles by the air line distance between the centers of sections 35 miles square.

The block and section scaling system for purposes of measuring toll rate distance between points more than 40 miles distant by direct measurement, shall consist of a grid containing sections 35 miles square, each section subdivided into 25 blocks seven miles square, so placed on a polyconic projection of a Government survey map of the United States that section lines coincide with a line drawn approximately north and south through the center of the United States and with a line at right angles thereto passing through the northwestern point of the International boundary line in the Strait of Georgia.

III. STANDARD TOLL RATES FOR OTHER CLASSES OF TOLL CALLS.

Effective 12.01 a.m. January 21, 1919, the following toll message rates are established for person-to-person calls, appointment calls, and messenger calls:

1. The initial period rates for person-to-person calls shall be approximately 25 per cent. in addition to the station-to-station rates between the same points, in accordance with the Schedule of Computed Rates for Person-to-Person, Appointment and Messenger Toll Calls, attached hereto, and hereby made a part of this order; but no person-to-person rate shall be less than 20 cents.

2. In those cases where person-to-person calls are not completed and a report is made or the conditions are such as described in paragraph 1, 2 (c), of this order, a report charge shall be made of approximately one-fourth the initial rate for station-to-station messages between the same points, in accordance with the Schedule of Computed Rates for Person-to-Person, Appointment and Messenger Toll Calls, attached hereto and hereby made a part of this order; but no report charge shall be less than 10 cents for any one call, nor more than \$2.00.

3. The rates for appointment calls shall be approximately 50 per cent. in addition to the rates for station-to-station messages between the same points in accordance with the Schedule of Computed Rates for Person-to-Person, Appointment and Messenger Toll Call, hereto attached and hereby made a part of this order; but in the case of any appointment call order, where the distant station is reached, whether the appointment be made or not, the Report Charge applicable in case of person-to-person calls between the same points shall be made. No appointment calls shall be accepted where the station-to-station rate is less than 15 cents.

4. The rates for messenger calls shall be the same as applied to appointment calls, between the same points, plus any charges that may be required for the service of messengers. No messenger calls shall be accepted where the station-to-station rate is less than 15 cents.

IV. STANDARD TOLL NIGHT RATES.

Effective 12.01 a.m., January 21, 1919, the following reductions shall be made in the rates and charges for station-to-station messages only, between the hours of 8.30 p.m. and 4.30 a.m.

1. Between the hours of 8.30 p.m. and 12 midnight, the night rates for station-to-station messages shall be approximately 50 per cent. less than the regular day rates, in accordance with the Schedule of Computed Night Rates attached hereto and hereby made a part of this order, but no night rate shall be less than 25 cents.

2. Between the hours of 12 midnight and 4.30 a.m., the night rates shall be approximately 75 per cent. less than the established day rates, in accordance with the Schedule of Computed Night Rates attached hereto, and hereby made a part of this order; but no night rate shall be less than 25 cents.

3. For the purpose of applying night rates, the time of day at the point at which a station-to-station message originates shall be used.

4. Day rates only shall be employed between the hours of 4.30 a.m. and 8.30 p.m.

V. STANDARD INITIAL PERIODS, OVERTIME PERIODS, AND OVERTIME RATES.

Effective 12.01 a.m., January 21, 1919, the following initial periods, overtime periods and overtime rates are made standard in connection with all toll calls and messages made at standard initial toll rates:

1. Standard initial period and overtime period:

<u>Where the initial</u> <u>rate is --</u>	<u>The initial period</u> <u>is --</u>	<u>The overtime</u> <u>period is --</u>
\$0.05	5 minutes	5 minutes
.10	5 "	3 "
.15	5 "	2 "
.20	5 "	2 "
.25	5 "	1 "
.30	3 "	1 "
.35	3 "	1 "
All other rates.	3 "	1 "

Where person-to-person calls are accepted at the above initial rates the initial period is three minutes and the overtime period is one minute.

2. Standard overtime rates are as follows:

Where the initial rate is—	The overtime rate is—
\$0.05	\$0.05
.10	.05
.15	.05
.20	.05
.25	.05
.30	.10
.35	.10

and thereafter approximately one-third of the initial rate, and in no case more than one-third of the initial rate, in accordance with the Table of Computed Overtime Charges hereto attached and hereby made a part of this order.

A. S. BURLESON,
Postmaster General.

Schedule of Computed Overtime Charges.

Where the initial rate is—	The initial period is—	The overtime rate is—	The computed charges are for—						
			4 mins.	5 mins.	6 mins.	7 mins.	8 mins.	9 mins.	10 mins.
\$0.05	5 minutes	\$0.05	\$0.05	\$0.05	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
.10	5 "	.05	.10	.10	.15	.15	.15	.20	.20
.15	5 "	.05	.15	.15	.20	.20	.25	.25	.30
.20*	5 "	.05	.20	.20	.25	.25	.30	.30	.35
.25*	5 "	.05	.25	.25	.30	.35	.40	.45	.50
.30	3 "	.10	.40	.50	.60	.70	.80	.90	1.00
.35	3 "	.10	.45	.55	.65	.75	.85	.95	1.05
.40	3 "	.10	.50	.60	.70	.80	.90	1.00	1.10
.45	3 "	.15	.60	.75	.90	1.05	1.20	1.35	1.50
.50	3 "	.15	.65	.80	.95	1.10	1.25	1.40	1.55
.55	3 "	.15	.70	.85	1.00	1.15	1.30	1.45	1.60
.60	3 "	.20	.80	1.00	1.20	1.40	1.60	1.80	2.00
.65	3 "	.20	.85	1.05	1.25	1.45	1.65	1.85	2.05
.70	3 "	.20	.90	1.10	1.30	1.50	1.70	1.90	2.10
.75	3 "	.25	1.00	1.25	1.50	1.75	2.00	2.25	2.50
.80	3 "	.25	1.05	1.30	1.55	1.80	2.05	2.30	2.55
.85	3 "	.25	1.10	1.35	1.60	1.85	2.10	2.35	2.60
.90	3 "	.30	1.20	1.50	1.80	2.10	2.40	2.70	3.00
.95	3 "	.30	1.25	1.55	1.85	2.15	2.45	2.75	3.05
1.00	3 "	.30	1.30	1.60	1.90	2.20	2.50	2.80	3.10
and thereafter increasing in 5-cent steps.	and thereafter 3 minutes for all rates.	and thereafter one-third the initial rate to the nearest multiple of 5 cents, but not more than one-third the initial rate.	and thereafter in accordance with the above-applied system of computation for each higher rate and for each additional overtime period or fraction thereof.						

* Where person-to-person calls are accepted at these rates, the initial period is three minutes and the overtime period is one minute.

Schedule of Computed Rates For Person-to-Person.—Appointment and Messenger Toll Calls.

When the station-to-station day rate is—	The completed person-to-person rate is—	The completed appointment and messenger rate is—	The report charge is—
\$0.05	Not quoted	Not quoted	Not quoted
.10	Not quoted	Not quoted	Not quoted
.15	\$0.20	\$0.25	\$0.10
.20	.25	.30	.10
.25	.30	.35	.10
.30	.40	.45	.10
.35	.45	.50	.10
.40	.50	.60	.10
.45	.55	.65	.15
.50	.60	.75	.15
.55	.65	.80	.15
.60	.75	.90	.15
.65	.80	.95	.20
.70	.85	1.05	.20
.75	.90	1.10	.20
.80	1.00	1.20	.20
.85	1.05	1.25	.25
.90	1.10	1.35	.25
.95	1.15	1.40	.25
1.00	1.25	1.50	.25
1.05	1.30	1.55	.30
1.10	1.35	1.65	.30
1.15	1.40	1.70	.30
1.20	1.50	1.80	.30
1.25	1.55	1.85	.35
1.30	1.60	1.95	.35
1.35	1.65	2.00	.35
1.40	1.75	2.10	.35
1.45	1.80	2.15	.40
1.50	1.85	2.25	.40
1.55	1.90	2.30	.40
1.60	2.00	2.40	.40
1.65	2.05	2.45	.45
1.70	2.10	2.55	.45
1.75	2.15	2.60	.45
1.80	2.25	2.70	.45
1.85	2.30	2.75	.50
1.90	2.35	2.85	.50
1.95	2.40	2.90	.50
2.00	2.50	3.00	.50
and thereafter increasing in 5-cent steps.	and thereafter 25 per cent in addition to the station-to-station day rate. When the station-to-station day rate is not evenly divisible by 4, 25 per cent in addition to the station-to-station day rate, computed to the next lower multiple of 5 cents.	and thereafter 50 per cent in addition to the station-to-station day rate. When the station-to-station day rate is not evenly divisible by 2, 50 per cent in addition to the station-to-station day rate, computed to the next lower multiple of 5 cents.	and thereafter one-fourth the station-to-station day rate. When the station-to-station day rate is not evenly divisible by 4, one-fourth the station-to-station day rate computed to the next higher multiple of 5 cents, but no report charge will exceed \$2.00.

**Schedule of Computed Night Rates for Station-to-Station
Toll Messages.**

When the day rate is—	The rate between 8.30 p.m. and 12 midnight is—	The rate between 12 midnight and 6.30 a.m. is—
\$0.05	Day rate.	Day rate.
.10	" "	" "
.15	" "	" "
.20	" "	" "
.25	" "	" "
.30	\$0.25	\$0.25
.35	.25	.25
.40	.25	.25
.45	.25	.25
.50	.25	.25
.55	.30	.25
.60	.30	.25
.65	.35	.25
.70	.35	.25
.75	.40	.25
.80	.40	.25
.85	.45	.25
.90	.45	.25
.95	.50	.25
1.00	.50	.25
1.05	.55	.30
1.10	.55	.30
1.15	.60	.30
1.20	.60	.30
1.25	.65	.35
1.30	.65	.35
1.35	.70	.35
1.40	.70	.35
1.45	.75	.40
1.50	.75	.40
1.55	.80	.40
1.60	.80	.40
1.65	.85	.45
1.70	.85	.45
1.75	.90	.45
1.80	.90	.45
1.85	.95	.50
1.90	.95	.50
1.95	1.00	.50
2.00	1.00	.50
and thereafter increasing in 5-cent steps.	and thereafter one-half the day rate. When the day rate is not evenly divisible by 2, one-half the day rate, com- puted to the next higher multi- ple of 5 cents.	and thereafter one-fourth the day rate. When the day rate is not evenly divisible by 4, one- fourth the day rate, computed to the next higher multiple of 5 cents.

Order No. 2517

December 19, 1918.

The operating committee appointed by me under Order No. 2479, dated December 13, 1918, of which Union N. Bethell is chairman, is hereby directed to make a complete survey of all land line telegraph and telephone systems and parts thereof, the supervision, possession, control and operation of which were taken over and assumed by the President in his Proclamation of July 22, 1918; and in connection with the operation of said systems to report from time to time to the Postmaster General as to what changes in the method of operation and in the personnel will result in increased efficiency and economies.

A. S. BURLESON,
Postmaster General.

Order No. 2797

February 17, 1919.

Order No. 2495 issued by me on December 13, 1918, provided certain charges for classes of telephone toll service to be effective January 21, 1919.

1. To meet public demand for particular-person, messenger and appointment calls on short-haul toll messages and which in the interest of the public service it is desirable to furnish, the following schedule will become effective February 21, 1919, by all companies furnishing telephone toll service to the public.

For distances of twelve miles or less:

Station-to-station rate is	\$0.10
The completed person-to-person rate is	.15
The completed appointment and messenger rate is	.20
The report charge is	.05

The initial period for person-to-person messages at an initial rate of 15 cents will be three minutes and the overtime rate will be 5 cents for each additional minute.

In the case of those routes where the companies, prior to January 21, 1919, provided station-to-station or two-number service exclusively, this practice shall be continued hereafter, where the distance is twelve miles or less, at the rates prescribed and under the conditions in Order No. 2495.

In the case of those routes where there were in effect, prior to January 21, 1919, station-to-station or two-number rates of 5 cents for distances not to exceed six miles, the rate of 5 cents shall be continued.

2. In cases where it has been and is impracticable or impossible to build direct toll lines between communities on account of natural barriers, such as mountains, waterways, etc., or in other extraordinary or exceptional cases, the Operating Board is authorized to suspend in part or entirely Order No. 2495 and to restore in whole or in part the rates in effect immediately prior to January 21, 1919. Where such suspensions are made, the Operating Board shall make report of each case to me and such suspensions shall continue in effect until otherwise ordered by the Operating Board or the Postmaster General.

3. Nothing in Order No. 2495 or this bulletin shall be construed as affecting arrangements or basis of settlements between connecting companies in effect on January 20, 1919.

A. S. BURLERSON,
Postmaster General.

SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY

CUMBERLAND TELEPHONE & TELEGRAPH COMPANY
INCORPORATED

LEGAL DEPARTMENT

ATLANTA Sunday - Aug. 4th

Dear Mr. Guernsey:

Webster, Rate Expert of the Georgia Commission, tells me this:

That he and three or four others, members of different State Commissions, called on Burleson on Tuesday of last week. Burleson told them that he proposed to make all rates and would expect the State Commissions to cooperate by formally promulgating all intra-state rates. That he expected to have standard rates for cities of relatively same size.

Lewis said he expected to utilize the Federal buildings in many cities, and eventually the postmasters would be the local managers of telephone & telegraph.

The spokesman for this committee of State Commissions told Burleson that the States were not satisfied with the way McAdoo had acted in his rate matters, etc. Burleson warmly defended McAdoo, and Webster understands that Burleson will pay but scant attention to the commissions.

This committee saw Burleson the day after Mr. Vail saw him. Webster says a lot of independent telephone people saw Burleson on the same day.

Webster came south on the train with me. He also says he is going to leave the commission as there is nothing for them to do. That other utilities will be taken over by the Government.

Sincerely yours,
Hunt Chipley

SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY

CUMBERLAND TELEPHONE & TELEGRAPH COMPANY
INCORPORATED

LEGAL DEPARTMENT

N. T. Guernsey, Esq., General Counsel, ATLANTA August 17, 1918
American Telephone and Telegraph Company,
195 Broadway, New York.

Dear Mr. Guernsey:

After talking with Mr. Kingsbury, Mr. Gentry was desirous of taking up certain applications for rate increases which were pending before the

different Commissions, when the President's proclamation was issued, and accordingly, we had an interview with Mr. Candler of the Georgia Commission this morning.

We called Mr. Candler's attention to the bulletin issued by the Postmaster General dated August 7th, also the circular issued from the Office of Information of the Post Office Department August 15, 1918, and asked Mr. Candler if he would now entertain rate cases.

Mr. Candler said that they have had nothing from the Postmaster General direct, were entirely at sea as to what was expected of them, and would prefer not to even set a case for hearing until they had definite and direct information from the department; also, that he had so advised several other telephone companies throughout the State.

Mr. Gentry has written Mr. Kingsbury today, giving him this information.

My own impression is that most, if not all of our Commissions, will take this attitude, and further, that when they hear directly from the Postmaster General, they will be glad to carry out any of his wishes, including increases in rates and approval of consolidations. So that if the Postmaster General would so advise them, it would greatly expedite and simplify matters.

Yours very truly,
Hunt Chipley

NEW YORK, August 19, 1918.

MEMORANDUM for Mr. U. N. Bethell,
First Vice President.

I attach copy of letter which I have received from Colonel Chipley. This tends to confirm the conclusion which I have already expressed to you that we shall not make any substantial progress in our rate matters until the Postmaster General has acted in a more authoritative way.

My information is that the commissions generally feel that they have been treated with little consideration by the representatives of the Director General of the railroads, and also that they feel that the railroad officials in going to the commissions for the orders required by the Director General's administration, have manifested an undue and irritating satisfaction in substantially compelling the commissions to do what, prior to Government administration, these same officials had not been able to induce them to do.

While the representatives of our companies should, of course, and will without question, do, everything in their power to carry out the orders and policies of the Postmaster General, I think it extremely important that

they should do everything possible to create and maintain cordial relations with the commissions, and to avoid everything which might have a tendency to create a feeling of irritation or hostility on the part of the commissions.

N. T. GUERNSEY

September 6, 1918

Mr. U. N. Bethel, Chairman Board of Directors, [sic]
Southern Bell Telephone and Telegraph Company,
195 Broadway,
New York, N. Y.

My dear Mr. Bethel:

I have your telegram of the 9th instant, referring to the order of the Postmaster General covering installation and change in location charges and have received a copy of the same from Mr. Kingsbury, also Mr. Kingsbury's subsequent telegram advising that we file the same with the State Commissions and secure their approval.

We shall, of course, comply with these instructions, and I am very glad that this course was finally adopted.

I feel that I should tell you that from talks we have had with numbers [sic] of several commissions that the Commissions all feel that these charges, as well as any other changes in rates, which are intrastate in their nature, should first receive the approval of the Commission before becoming effective; also that the Commissions are prepared to approve and make effective all changes in rates which may be desired by the Postmaster General.

With reference to changes in intrastate rates for railroads as far as we can learn, the uniform practice of the roads has been to submit the rates named by the United States Railroad Administration to the various State Commissions, and, in each instance, the State Commissions have approved the same, whereupon they became effective.

We hope very much that we will be allowed to follow a similar course in all rate changes in this territory, appreciating as we do the utmost importance of fully recognizing the Commission in all such matters as far as possible.

With reference to the proposed changes in our exchange and intrastate toll rates I strongly recommend that, if it be possible, the following course be adopted:

That we first submit to the Postmaster General all proposed changes in rates for his approval and then submit the same to the State Commissions, with the statement that the Postmaster General is familiar with and has

approved the proposed rates, asking the Commissions to approve the same and authorize them to become effective without delay.

We understand from the Bulletin issued by the Postmaster General that all changes in rates must first have his approval before becoming effective, and if we can secure his approval before submitting the rates to the Commissions, I think, I am safe in saying that the Commissions' approval will follow, as a matter of course.

While, on the other hand, if we must first submit these rates to the Commissions, the first question will be if they have received the approval of the Postmaster General, and we must answer "no". We are then placed in the position of acting for our principal in a matter, the details of which have not received the principal's approval.

Also, we believe that there would be a less doubt of the action of the Commission if we would go to them with the Postmaster General's approval of the rates, rather than secure their approval and leave it to the Postmaster General later to approve or disapprove the rates which they had authorized. In other words, while the Commissions would, unquestionably, approve any rate which the Postmaster General desired to become effective, they would hesitate to approve rates which subsequently might be disapproved by the Postmaster General, leaving the Commissions in an anomalous and undesirable situation.

If, however, we cannot state to the Commissions that the rates asked for have received the approval of the Postmaster General, we do not see how any Commission could act without making a full investigation of the facts in each case, which would consume more or less time.

In urging this plan we sincerely and earnestly feel that it would avoid any question of the right to fix the rates, and that we would speedily secure the additional revenue desired by the Postmaster General.

Mr. Brown will be in a position within the next few days to furnish a complete list of all rates proposed to be increased so that they might be submitted to the Postmaster General for his approval, in the event of which we believe the Commissions would act without delay and without any special inquiry into the facts.

Pending your reply we shall proceed diligently in this work and be prepared to take up with the Commissions, following whatever plan may be decided, the matter of securing additional revenue for our exchange and toll service throughout the territory, without delay.

Yours very truly,
W. T. Gentry
President.

SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY
CUMBERLAND TELEPHONE & TELEGRAPH COMPANY
INCORPORATED
LEGAL DEPARTMENT

ATLANTA September 7, 1918.

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N. T. Guernsey, Esq., General Counsel,
American Telephone and Telegraph Company,
195 Broadway,
New York City.

Dear Mr. Guernsey:

The enclosed letter from Mr. Gentry to Mr. Bethell was prepared by Mr. J. Epps Brown and myself, at Mr. Gentry's request, and correctly states the views of Mr. Candler of the Georgia Commission, and Mr. Kennedy of the Alabama Commission, we having gone fully over this matter with them; and, from what we can learn from reliable sources, correctly states the views of the other Commissions in this territory.

Summed up, the attitude of the Commissions in this part of the country is, that the Federal authorities operating the railroads and telephones, respectively, should be allowed to charge whatever rates they think should be charged; that no Commission has raised the issue of the right of the Federal authorities to promulgate any schedule of charges, nor will any Commission deny that right. At the same time, they feel that the Federal authorities should take the responsibility for promulgating any schedule of charges which they desire to become effective.

And that any schedule of charges for telephone service which is presented to the Commission, with the statement that they have been approved by the Postmaster General, if the Commission should not see its way clear to approve them, they would not deny the petition, nor raise the issue as to the right of the Postmaster General to promulgate the schedules, but would allow the same to become effective without question.

On the other hand, if we presented to the Commission a schedule of charges which has not been seen, or approved by the Postmaster General, the Commissions would require the usual hearing, which would be more or less extended and expensive, and Mr. Candler feels, that even then, he would probably wish to know the Postmaster General's views of the rates under consideration before acting.

I hope you will not think I am too insistent in this matter, or that I am an obstructionist, because I believe that the plan which we are advocating will accomplish two things without undue delay - first, secure additional revenue, and next avoid any question of issue as to the right of the Postmaster General to promulgate rates under present conditions.

Mr. Candler again went at length into the manner in which the Railroad Administration are conducting their affairs with relation to Commissions, and cautioned Mr. Brown and myself upon the vital importance to us of preserving our relations with the Commissions and the public, so that in the future when the properties are restored to the company's control and management we may again have the cordial support of the public authorities and the public.

My two letters to you during the latter part of August covered this feature of the matter.

I should add that when we filed with the Commission the proposed installation charges and new rules for charging for removal of telephones, Mr. Candler said that he would lay it before the Commission, and if they did not approve it they would not deny it, and in the meantime he saw there was nothing for us to do but to charge those rates named in Bulletin 5 by the Postmaster General. We are not authorized to quote Mr. Candler to anyone except our own officials.

Yours very truly,
Hunt Chipley

September 9, 1918

Hunt Chipley, Esq., General Counsel,
Southern Bell Telephone and Telegraph Company,
78 South Pryor Street,
Atlanta, Georgia.

Dear Mr. Chipley:-

Thank you for yours of the 7th instant, enclosing copy of a letter from Mr. Gentry to Mr. Bethell.

I entirely agree with you as to the situation and hope that the matter will develop along the lines which you suggest. I have advocated it quite persistently.

Yours very truly,
N. T. GUERNSEY

October 22, 1918.

MR. W. T. GENTRY, President,
Southern Bell Telephone and Telegraph Company,
Cumberland Telephone and Telegraph Company,
Atlanta, Georgia.

Dear Sir:

With reference to my letters of September 24th and October 1st, slight changes have been made with the consent of the Postmaster General and I will, therefore, below give you the complete revision which you may act upon, cancelling the two letters above referred to:

1. Where negotiations for changes in rates were pending August 1st, 1918, or have since been instituted or may hereafter be instituted for changes immediately necessary, you should proceed with such negotiations and upon their completion submit the changes agreed upon to the Postmaster General for approval before putting them into effect.

2. When the Postmaster General fixes or changes rates in the first instance, the rates or changes must be enforced from the date designated by the Postmaster General, regardless of any State law applicable prior to August 1st, 1918, forbidding and providing penalties for imposing rates before filing them with the State Commission or within a prescribed period thereafter. As soon as practicable, such rates or changes should be filed with the Commission or other local authority, if any there be, which had jurisdiction over rates prior to August 1st, 1918. If definite action of disapproval is taken in any case, the matter must be submitted for the information of the Postmaster General.

3. Where there is no Commission which, prior to August 1st, 1918, had jurisdiction over telephone rates or where for any other reason the telephone management was free to fix or change rates, you should proceed on your own judgment, as heretofore, not conceding jurisdiction to any local authority.

Authority in advance to make such changes in rates is not necessary but any changes made should be reported for the information of the Postmaster General.

4. Where, prior to August 1st, 1918, telephone companies were free to file new rates or changes in rates, which became effective after a specified period if not objected to, you should file such new rates or changes in rates as in your judgment may seem reasonable and proper, as heretofore. If, however, any rates or changes so filed are objected to and after negotiations are approved, with or without modification or qualification, you should submit them for the approval of the Postmaster General.

5. When in any negotiation for a change in rates you are unable to reach a definite agreement within a reasonable time, you should submit the matter for the consideration of the Postmaster General in order that he may fix and determine the rates if he deems it advisable to do so.

6. Where the Telephone Company is empowered to put rates into effect which remain in effect unless after objection to the Commission, the Commission rules against them, you should proceed as heretofore, not conceding jurisdiction to any local authority and put into effect, such rates as in your own judgment are proper. If thereafter these rates should be cancelled by the Commission, the scale of rates should be referred to the Postmaster General for such action as he may order.

7. All communications with the Postmaster General should be made through this office.

Yours very truly,
T. N. Vail
President.

Circular letter to all Presidents and N. C. Kingsbury.

November 23, 1918

Hon. A. S. Burleson,
Postmaster General,
Washington, D. C.

Dear Mr. Burleson:

I beg leave to submit for your consideration the following discussion of telephone charges:

For years until the beginning of the past three years which may be called the "war period," telephone rates showed a steady average decrease, although the service as to economic and social advantage, quality and scope had greatly increased, and also notwithstanding the fact that there had been steady increases in wages and in the working conditions and beneficial provision for employees. That this was so, was largely due to the improvements in the service, methods and apparatus introduced by our engineering and experimental and research departments.

As improvement progresses, the rate of progress naturally decreases, so that at the beginning of the "war period" the rate of increase in wages and in working conditions and material, had overtaken the rate of decrease due to improved methods and apparatus.

As it is, the average rate is low and as a great majority of the users pay less than the average rate the telephone service is within the reach of everyone. The average is largely increased by the very large use which some in the conduct of their business find it profitable and economical to make of the telephone service.

All know the tremendous increase which has taken place in wages and material, and also the decrease in supply of first-class employees due to the large remuneration in other lines of employment. On the other hand, to meet these increased charges there has been a general increase in the rates charged for every other class of utility service, and of every variety of industrial production and of every commodity ranging from 50 to 300%, while the increase in the average charge for telephone service has been almost negligible.

Anticipating however the necessity of an increase in rates to meet the increasing pressure in the demand for increased wages and on account of the cost of material, the Bell System inaugurated in 1917 a campaign for rate readjustment, not general but confined to places and sections where it was necessary to bring rates nearer to a general standard.

The increase asked for was about 10% on our total revenue which was inconsiderable when compared to the increases made in the charges in other lines.

This campaign was well under way and because of either actual or authorized increases or in the recognition of the necessity of such increases by the various bodies of control and regulation, which would in due course materialize, there was reasonable assurance that the increases necessary to meet the increases in wages, etc., would be obtained.

When the telephone service passed to the control of the Post Office Department, although the campaign was continued, this movement ceased to be effective - the various bodies of control and regulation awaiting the declaration and action of the Government on rate questions - and also because an impression prevailed that there would be a general reduction in rates, the public ignoring the fact that telephone rates had been practically cut in two or relatively reduced one half by the increase in cost of service not met by increased rates.

In the discussion of compensation, the actual results of the years 1915, 1916 and 1917 and the first half of 1918 (obtained from the files of the Interstate Commerce Commission and those submitted by us) and our estimates for the second six months of 1918 and the year 1919, were used. Our estimates for 1919 were based on an increase in wages equal to that of the past year and an increase in the revenue of 10%, the increase expected and which we had every reason to expect would be granted by the State Commissions, or which would be inaugurated under Government control.

On behalf of the Government, studies of our estimates made by the eminent experts retained were made, a copy of which submitted to us September 5, 1918, is hereto appended.

In these studies, the first is the estimate made by the Bell System, followed by three studies, one with no increase in revenue and the normal increase in wages, another with no increase in revenue but an additional 10% increase in wages, and a third with a 10% increase in revenue and an additional 10% in wages.

So far as we can judge, the estimates or studies would under the conditions prescribed in each case be very closely realized.

It will be seen therefore that immediate action in rate questions is necessary, if the equilibrium between revenue and expenses is to be maintained.

Again referring to the reduction in charges for telephone service which have been promised under Government operation, attention is called to the fact that the increase in revenue proposed was to be only 10% as against a far greater increase in every item that constitutes cost. This in itself clearly establishes a reduction in rates far greater than any ever suggested by the most optimistic advocate of Government operation.

Respectfully submitted,
(T. N. Vail)
President

Enclosure
1 sheet

(Enclosure)

HYPOTHETICAL INCOME ACCOUNT OF BELL TELEPHONE SYSTEM
FOR YEAR ENDING DECEMBER 31, 1919

(Prepared by Prof. H. C. Adams and David Friday for the Postmaster
General and handed to the Bell officials September 5, 1918.)

	Income account prepared by Company	Income account excluding rate increases assumed by Company	Income account excluding rate increases and assuming increase of 10% in wages	Income account assuming rate increases and assuming an increase of 10% in wages
	(1)	(2)	(3)	(4)
Telephone Operating Revenues	375,525,000	344,750,000	344,750,000	375,525,000
Telephone Operating Expense	244,710,000	244,710,000	260,210,000	260,210,000
A.T.&T. General Expense	8,000,000	8,000,000	8,000,000	8,000,000
Uncollectible Revenues	1,577,000	1,577,000	1,577,000	1,577,000
Taxes	22,000,000	22,000,000	22,000,000	22,000,000
	276,287,000	276,287,000	291,787,000	291,787,000
Operating Income . .	99,238,000	68,463,000	52,963,000	83,738,000
Add Rent Revenues less rent expense.	470,000	470,000	470,000	470,000
	99,708,000	68,933,000	53,433,000	84,208,000
Less Rent deductions	3,748,000	3,748,000	3,748,000	3,748,000
Balance estimated of government revenue	95,960,000	65,185,000	49,685,000	80,460,000
Interest payments . .	30,000,000	30,000,000	30,000,000	30,000,000
Available for stock	65,960,000	35,185,000	19,685,000	50,460,000
% on \$500,000,000 of Capital Stock . . .	13.192%	7.037%	3.937%	10.092%
8% dividends on \$500,000,000 of Capital Stock . . .	40,000,000	40,000,000	40,000,000	40,000,000

January 20, 1919

Hunt Chipley, Esq., General Counsel,
Southern Bell Telephone and Telegraph Company,
78 South Pryor Street,
Atlanta, Georgia.

Dear Mr. Chipley:

I sent you a Morse message today with reference to the conduct of suits assailing rates established by the Postmaster General.

This was sent out after a conference with Judge Lamar.

He concurs with me in the conclusion that the direction and control of the litigation should be in the attorneys for the company. When I called his attention to it, he appreciated the necessity for having someone in control of the litigation and responsible for it. At the same time he is very anxious that the matter be handled tactfully so as to avoid any conflict with the attorney general's department. I told him he could rely upon our counsel to do this.

The brief in the Nebraska case was prepared by Mr. Bracelen whom you knew in this office. It accurately and forcefully sets out the theory upon which the Postmaster General wishes to have the defense to these suits rest.

I hope that you will go over the briefs thoroughly and be prepared to promptly take up anything of this kind that may arise in your territory.

Yours very truly,
N. T. GUERNSEY
General Counsel.

This letter sent to:-

Frank
Heintzman
Jones
Moran
Morsman
Parrish
Pillsbury
Prendergast
Smith
Swayze
Tolles
Wilson

January 20, 1919

Hunt Chipley, Esq., General Counsel,
Southern Bell Telephone and Telegraph Company,
78 South Pryor Street,
Atlanta, Georgia.

Dear Mr. Chipley:

I am handing you herewith a copy of the brief of the defendants in Nebraska State Railway Commission v. Lincoln Telephone and Telegraph Company and others. For your general information in this connection, I call your attention to a copy of a telegram addressed by the Postmaster General to Mr. U. N. Bethell, Chairman, as follows:

"Referring to your inquiry. You are advised that the brief on behalf of the defendant in the case of the Nebraska Railway Commission against the Lincoln Telephone and Telegraph Company, copy of which was furnished you by the Solicitor for this Department, presents my views with respect to the power of the Postmaster General to fix rates, and the officials operating the properties under Government Control should guide themselves accordingly."

Enclosure.

Yours very truly,
N. T. GUERNSEY

POSTMASTER GENERAL'S TOLL RATES.

NEW YORK, January 20, 1919.

MEMORANDUM for Mr. H. B. Thayer,
Vice President.

In Florida, application was made to the Federal court for an injunction, which the court denied, not finally disposing of the matter.

In Illinois, the commission has issued an order suspending the rates.

In Indiana, the Federal court has enjoined this company from putting the rates into effect.

In Louisiana, application pending in court for an injunction.

In Michigan, application pending in court for an injunction.

In Minnesota, application pending in court for an injunction.

In Mississippi, a restraining order granted by Supreme Court: matter will shortly come up on a motion to dissolve this order.

In Nebraska, petition for an injunction pending in court.

In North Dakota, petition for an injunction pending in court.

In Ohio, the commission has handed down an order rejecting the new schedule.

In Wisconsin, the commission has set the new rates down for hearing.

In Colorado the Supreme Court has decided that the commission has no jurisdiction to fix rates for Denver; a petition for rehearing will be filed.

In Arkansas the Federal court has sustained the increase in rates at Fayetteville.

N. T. GUERNSEY

January 20, 1919. New York.

Telegram

To Mr. J. W. Heintzman, Cincinnati, Ohio.
E. S. Wilson, Chicago, Illinois.
D. A. Frank, St. Louis, Missouri.
J. L. Parrish, Des Moines, Iowa.

You are expected to take charge of the defense of suits brought to question the validity of rates established by the Postmaster General. The various United States District Attorneys in your territory have been requested to co-operate with you in the defense of these suits, and you will please put yourself in touch with them, and if suits are brought call upon them for such assistance as they may be able to render you. Handle this tactfully.

Where the Postmaster General is a party to the suit, it will probably be advisable to arrange for the United States Attorney to appear for the Postmaster General, and for yourself to make the appearance for the company and the other individual defendants.

Each United States Attorney has been furnished a copy of the brief prepared by the Postoffice Department in the Nebraska case. This brief outlines correctly the position of the Postoffice Department. Your disposition of the matter should be upon the lines indicated by this brief. I am mailing you a copy of it today.

Upon bringing of any suit please advise me immediately by wire, giving its general scope, and following this with copies of all papers as soon as possible.

N. T. GUERNSEY

January 23, 1919.

Dear Sir:-

In view of the somewhat complicated situation now existing since the putting into effect of Mr. Burleson's Order No. 2495, and the resulting actions on the part of various commissions and courts, I wish to recapitulate, for your information, the position of this Company which has been taken with the approval of the Postmaster General's office:

1. As regards interstate rates, the jurisdiction of the Postmaster General is complete and exclusive. For this reason the interstate rates as prescribed by Order No. 2495 have been put into effect and are to be continued regardless of any action taken by any commission or court. The basis of this decision is that as to interstate rates there cannot possibly be any question as to the jurisdiction of the Postmaster General.

2. With regard to intrastate rates, there exists, as you know, a controversy as to the jurisdiction of the Postmaster General. He claims just as complete jurisdiction over intrastate rates as he has over interstate rates. His position in this regard, however, is questioned by most of the state commissions.

Under these circumstances, the instructions from Washington are that this Company is to enforce the intrastate rates prescribed by the Postmaster General regardless of any action taken by any of the commissions. But where a court (state or federal) at the request of any commission, or at the request of anyone else, issues an injunction restraining the enforcement of the Postmaster General's new schedules, this Company is to obey that injunction and carry out its mandate.

In this connection, there is another phase which I wish to call to your attention. It may happen, and in fact it has happened, that the court will issue an injunction suspending the new rates, but the order will be directed at only one of the Bell Companies. In such circumstances we have instructions from the Postmaster General that where such an injunction is issued all the Bell Companies who quote rates within the territory affected by the injunction are to obey the court order, even though not specifically mentioned therein. It would obviously be undesirable for one Bell Company to charge the old rate and for another Bell Company in the same territory to charge the Postmaster General's rate.

Instructions along these lines have been issued to the various Long Lines Departments in the field, from New York here, so that it will not be necessary for you to give any informal orders to the people in the field, but I think you ought to be posted on the policy of this Company in case anyone should ask you for instructions.

Yours very truly,
C. M. Bracelen
Attorney.

The above letter sent this day to:

Mr. P. B. Behr, St. Louis, Missouri.
Mr. D. H. Frapwell, New York, N. Y.
Mr. D. F. Hall, Chicago, Illinois.
Mr. W. H. Lawson, Jr., Atlanta, Georgia.

January 27, 1919.

Telegram

W. H. Lamar, Solicitor, Post Office Department, Washington, D. C.

As the litigation over toll rates is developing, it seems to me clear that a test case should be presented to United States supreme court just as soon as possible. My impression is that this can be most promptly accomplished by disregarding some order of a state court and then when the employee is brought up for contempt, obtaining a writ of habeas corpus under section seven fifty-three.

I should like to have a conference with you about this as soon as possible, and believe it would be a material benefit for Mr. Bracelen to be present. Can you arrange for him to go directly from Indianapolis to Washington so that we can take this matter up not later than Thursday of this week?

There are one or two other matters I should like to take up with you at the same time. Please wire me as soon as you can whether you can arrange this for Thursday.

N. T. GUERNSEY

NEW YORK, January 28, 1919

MEMORANDUM for H. B. Thayer, Esq.,
Vice President.

I attach a memorandum showing the situation with reference to suits to enjoin the toll rates. The development of these suits has been the salient thing in the legal department during the last week.

The Brorein case in Florida is a suit against an independent. We are giving them considerable assistance.

The Indiana case is being argued today by Mr. Bracelen in Indianapolis.

I have arranged for a conference with Judge Lamar to be had on Thursday looking to a test case to be promptly submitted to the supreme court of the United States in order to authoritatively clean up this situation.

Yours very truly,
N. T. GUERNSEY
General Counsel

Enclosure

(Excerpt from Enclosure)

MEMORANDUM AS TO HABEAS CORPUS IN STATE
COURT CASES INVOLVING THE NEW TOLL
RATES.

The basis for the argument that habeas corpus will lie in the federal courts in favor of an employee of a telephone company under punishment for contempt for violating an injunction of a state court, is as follows:-

1. The federal government, through the joint resolution of July 16th, 1918, took over the telephone systems and vested in the President power of supervision, possession, control and operation, which power the President is exercising through Albert S. Burleson, Postmaster General.

2. This action of the federal government was within its powers under the federal constitution as a war measure.

3. The power to operate conferred by this resolution necessarily carries with it the power to fix rates, and this power is not left in the states by the proviso in the resolution.

4. Article VI of the constitution of the United States provides:-

"This constitution and the laws of the United States which shall be made in pursuance thereof * * * * * shall be the supreme law of the land; and the judges in every state shall be bound thereby, anything in the constitution or laws of any state to the contrary notwithstanding."

Consequently, this action of the United States taken in the exercise of its war powers, which vested in the President the power to operate these telephone systems, with the power to establish their rates, supersedes for the time being, any state legislation bearing upon the same subject, which might interfere with the exercise of these powers.

5. In charging the rates established by the Postmaster General, the companies and their employees are engaged in the internal administration of a federal agency, and no state legislature has the constitutional power to interfere with the management which Congress has provided for this agency.

6. Consequently, any officer or employee punished as for contempt is entitled to a writ of habeas corpus and to be discharged.

February 6, 1919

D. A. Frank, Esq., General Counsel,
Southwestern Bell Telephone System,
Boatmen's Bank Building,
St. Louis, Missouri

Dear Mr. Frank:-

I have your letter of the 3rd instant.

I think that in filing rates and other like matters with the commissions, we should avoid anything looking like a direct recognition of any authority of the commissions in the premises. At the same time, as you know, I personally would like to have the commissions approve these rates. I should hesitate about saying that they are merely filed as a matter of courtesy, but I should tell the commission that it was done as a matter of courtesy and in the hope that they would be disposed to approve them.

Yours very truly,
N. T. GUERNSEY

THE MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY
OFFICE OF THE GENERAL COUNSEL
Suite 300 Wight Building

DENVER, COLO., February 10, 1919.

M
N. T. GUERNSEY, ESQ.,
195 Broadway,
New York City.

Dear Mr. Guernsey:-

I am advised that the executives here will take up with Mr. Bethell's Operating Board the question of a complete revision of the exchange rates in our territory so that there shall be a decided increase in the revenue. The idea is to put into effect a schedule of rates which will make the lines of this company self-sustaining, and enable the Postmaster General to pay the rental in full from the revenues of this company. Such schedule of rates, of course, would necessarily have to be prescribed by the Postmaster General. If such orders are made, it will probably mean more or less of litigation in this territory. As you know, I have eight states, and I would have to get in touch with the attorneys in the eight states, and furnish them with data and information, so that they could be fully prepared for any litigation which might hurriedly come up. Accordingly I propose to have at hand such data, documents, briefs, forms, &c., as I can get together, in order to if necessary hurriedly send them into the field to the local attorneys. This will take at least ten copies of such papers as I conclude to send out.

I notice that some of the documents which you have recently sent me are in printed form, and I thought perhaps you might have a number of copies, and if so it would save me a great deal of typewriting. I am going to ask you, therefore, to send me, if you have them in printed form, the following:

1. Ten copies of brief for defendants by Mr. Bracelen, in the case of Nebraska State Railway Commission v. Lincoln Telephone and Telegraph Company et al., together with ten copies of his answer.
2. Ten copies of Judge Shepard's opinion in State of Florida v. Burleson et al. If the answer and supporting affidavits in this case are in printed form, please send them to me.
3. Ten copies of oral argument of Judge Dille.
4. Ten copies of memorandum in regard to an opinion of Judge Kinkead in the Ohio Case.
5. Ten Copies of petition for writ of habeas corpus, prepared for emergency use by Mr. Bracelen in the Minnesota case.

6. Ten copies of the opinion in the case of Barber v. Burleson et al., in New Jersey.
7. Ten copies of the proposal of the American Company and the order of the Postmaster General constituting the rental contract.

It is quite likely that you also have in your office in printed form the papers in the Louisiana case, consisting of the petition for and the writ of prohibition, the opinion or other papers in the Mississippi case, and the opinion in the Indianapolis case, wherein Judge Anderson refused an injunction.

It is likewise possible that you have a number of copies of "Memorandum as to Habeas Corpus in State Court cases involving the new Toll Rates," prepared by Mr. Bracelen.

If you have any of this last batch of documents in printed form, please send me ten copies of each. If there are not any printed copies, send me what you have, and I will have copies made.

This is asking for a great many printed pages of matter; but I am sure that you will realize if the proposed order is entered, I will need to get it out hastily to the attorneys in the various states.

Yours very truly,
Milton Smith
General Counsel.

SOUTHWESTERN BELL TELEPHONE SYSTEM
Boatmen's Bank Building. 314 N. Broadway.

St. Louis

February 13th, 1919.

Mr. N. T. Guernsey, General Counsel,
American Telephone and Telegraph Co.,
New York, N. Y.

Dear Mr. Guernsey:

I have your letter of the 6th instant, relative to procedure before commissions in filing applications for rate changes.

I think it is going to be rather a difficult matter to file an application for a rate change before a commission without conceding some authority in the commission to pass on the rates.

I assume that what you have in mind is that we should make a statement at the time of filing the rate schedule that these are the rates promulgated by the Postmaster General, and filed with the Commission upon behalf of the Postmaster General, for its information.

If we use some such language as this, it will not be a recognition of the commission's authority, nor will it be a direct challenge to its jurisdiction. What will probably happen in such a case will be that the commission will refuse to allow us to file the rates, which has been done, under similar circumstances, so I am informed.

Yours very truly,
D. A. Frank

OFFICE OF THE POSTMASTER GENERAL
Washington, D. C.

February 18, 1919.

Mr. Union N. Bethell, Chairman,
U. S. Telegraph & Telephone Operating Board,
195 Broadway,
New York, N. Y.

Dear Sir:

In order to have a uniform procedure and the advice and co-operation of the state commissions wherever possible, it is my desire that, in the matter of adjustments of rates for telegraph and telephone service, companies operating the systems for Government account should observe the following routine:

1. Changes in rates and service regulations, such as were made prior to Federal Control, in the usual and ordinary course of business, by the Boards of Directors, Receivers, and officials of the several companies, without the prior approval of any public authority, may hereafter be made by such Boards of Directors, Receivers, and officials and submitted to the Operating Board.

2. All other proposed changes in rates and service regulations shall be submitted by the Companies, through the regular channels, to the Operating Board or be originated by the Operating Board on its own motion. The Operating Board, after considering the proposed changes, shall submit them to the Postmaster General with its recommendation. If approved by the Postmaster General, the Operating Board will advise the Company concerned, and the changes will be put in effect at the date specified by the Postmaster General, or, if no date is specified, at such time and in such manner as the Operating Board or the officials of such Company may, in their discretion, determine.

Where it has been customary to file such changes in rates with a state public service commission, they should be so filed for such action as the commission may see fit in the premises, and such proceedings before commissions shall be reported promptly through the regular channels to the Operating Board and by it to the Postmaster General.

3. When the proposed changes do not involve any departure from established principles and are local in scope, the Operating Board, after reviewing the proposals, may in its discretion, approve them, but in such cases the Board, in due course, shall report its action to the Postmaster General.

4. Each letter from the Operating Board transmitting applications for changes in rates or transmitting a report as to the action of the Operating Board relative to rates, rules or regulations shall state whether the recommendation made or the action taken by the Operating Board relative thereto, is unanimous, or if there is a division of opinion, the minority as well as the majority views should be given. If any member of the board does not participate in the action taken, it shall be so stated. Such letter or report shall also show the following facts:

- (a) Value of property used and useful in service of the public.
- (b) Earnings.
- (c) Expenses.
- (d) Return on value of property.
- (e) Franchise condition or rate regulatory situation in territory involved.
- (f) Reasons for recommendations.

The Operating Board should be prepared to supply upon request the underlying detailed data showing how each of the above items was derived.

Respectfully,
A. S. BURLESON,
Postmaster General

Excerpt from minutes of a meeting of the United States Telegraph and Telephone Administration, Operating Board, on February 20, 1919, typifying the procedure in approving rate increases according to paragraph (1) of the Postmaster General's letter of February 18, 1919:

"An application from the Receivers of the Central Union Telephone Company for increased rate schedule at Vandalia, Ill., and Springfield, Ohio, as follows:

Vandalia, Ill.

	<u>Present Rate</u>	<u>Proposed Rate</u>
Business - direct line	\$ 2.50	\$ 3.00
Business - party line	2.00	2.50
Residence - direct line	1.50	1.75
Residence - party line	1.25	1.50

Springfield, Ohio

Residence - direct line	24.00	27.00
Residence - party line	18.00	21.00

"On motion, it was unanimously

"VOTED: that the Board, finding that the proposed changes do not involve any departure from the established principles, and are local in scope, approve the proposed rates, this action to be reported, in due course, to the Postmaster General."

POST OFFICE DEPARTMENT
Office of the Solicitor
Washington

February 20, 1919.

Mr. Union N. Bethell, Chairman,
U. S. Telegraph and Telephone Operating Board,
195 Broadway, New York, N. Y.

My dear Mr. Bethell:

The Postmaster General has approved your report of February 13, 1919, recommending adjustment of telephone rates at Gilman, Harristown, Herscher, Momence, and Seneca, Illinois, by the Receivers of the Central Union Telephone Company, as per the carbon sheet herewith returned.

Very truly yours,
W. H. Lamar
Solicitor.

Enclosure

U. S. TELEGRAPH AND TELEPHONE ADMINISTRATION
Operating Department
Bell Telephone Lines
195 Broadway

New York February 20, 1919

Mr. U. N. Bethell, Chairman,
Operating Board,
U. S. Telegraph and Telephone Administration,
195 Broadway, New York City.

Dear Mr. Bethell:

The Illinois Public Utility Commission has approved increased rates asked for by the Receivers of the Central Union Telephone Company at Vandalia, as per details on sheet attached. It is recommended that the Operating Board approve these rates to be effective February 1, 1919.

Yours very truly,
Ben S. Read

Unanimously approved by the Operating Board on 20th day of February 1919.

ATTEST:

James Robb
Secretary.

U. N. Bethell
Chairman.

A. S. Burleson
Postmaster General.

2-26-19 BOSTON MASS

TELEGRAM

H S TENNEY
CARE N T GUERNSEY
NEW YORK N Y

ASK MISS RIGGS TO SEND WHAT I QUOTE BELOW TO THE LIST OF ATTORNEYS IN THE P M G RATE CASES, AND ALSO TO HOLD CUTTING & SIDLEY. SEND IT BY MORSE TO D A FRANK, MORSEMAN, AND HORACE PILLSBURY AND BY LETTER TO THE REST.

ASK FRANK TO GIVE IT SPECIAL CONSIDERATION IN CONNECTION WITH OKLAHOMA WHAT I WISH TO HAVE SENT IS AS FOLLOWS.

(QUOTE) THE RESOLUTION OF JULY 16TH, PROVIDES THAT ITS EFFECT SHALL NOT BE TO IMPAIR THE POLICE REGULATIONS OF THE STATES.

POLICE REGULATIONS ARE LAWS OR RULES ADOPTED BY THE STATES IN THE EXERCISE OF THEIR POLICE POWERS.

POLICE POWERS IN THE BROAD SENSE INCLUDE RATE MAKING, AND SO THE LAW ESTABLISHING COMMISSIONS AND PROVIDING FOR RATE REGULATION ARE IN THIS BROAD SENSE POLICE REGULATIONS.

IN THE NARROW SENSE POLICE POWER EMBRACES ONLY MATTERS GOING TO THE PUBLIC HEALTH, SAFETY AND MORALS, AND IN THIS SENSE COMMISSION LAWS, WHICH DO NOT RELATE TO HEALTH, SAFETY OR MORALS, BUT COME UNDER THE BROADER TERM, PUBLIC WELFARE, ARE NOT POLICE REGULATIONS.

IN EVERY CASE INVOLVING THE POSTMASTER GENERALS RATES IT HAS BEEN CONTENTED BY THE STATE THAT IN INTERPRETING THIS RESOLUTION THE POLICE POWER SHOULD BE CONSTRUED BROADLY AS INCLUDING THE POWER TO MAKE RATES, WHILE THE POSTMASTER GENERAL AND THE COMPANY ASSERT THAT IT SHOULD BE CONSTRUED NARROWLY AS NOT INCLUDING RATE MAKING.

IT IS EXTREMELY IMPORTANT TO HAVE IN MIND IN ALL THESE CASES, INCLUDING HABEAS CORPUS CASES, THAT EVEN IF THIS QUESTION IS DECIDED AGAINST US IT DOES NOT MEAN THAT THE POSTMASTER GENERALS RATES ARE ILLEGAL. FIRST: NOTE THAT THE LANGUAGE OF THE RESOLUTION IS POLICE REGULATIONS, NOT POLICE POWER. IT IS THE POLICE REGULATIONS, THAT IS, THE RULES OR LAWS ENACTED IN THE EXERCISE OF THE POLICE POWER, THAT ARE NOT TO BE IMPAIRED.

SECOND: NO STATE HAS ATTEMPTED TO ENACT ANY POLICE REGULATION APPLYING TO THE GOVERNMENT WHEN OPERATING TELEPHONES.

EXAMINE THE STATE LAW IN QUESTION AND CONSIDER (1) WHETHER BY ITS TERMS IT PURPORTS TO GIVE THE COMMISSION AUTHORITY OVER THE UNITED STATES AS A TELEPHONE OPERATOR, (2) WHAT PENALTIES IT PROVIDES FOR VIOLATIONS AND WHETHER THE LEGISLATURE INTENDS TO SUBJECT THE UNITED STATES TO FINES OR IMPRISONMENT AND HOW IT WOULD ENFORCE SUCH PENALTIES. (3) HOW DO THE STATES ACQUIRE ANY POWER TO REGULATE THE UNITED STATES IN DOING SOMETHING IT HAS A RIGHT TO DO UNDER THE CONSTITUTION IN CARRYING ON WAR. SUCH CONSIDERATION WILL, I THINK, CONVINCED YOU THAT THE STATE IN QUESTION DID NOT INTEND, WHEN IT ENACTED ITS COMMISSION LAW AS A POLICE REGULATION TO PROVIDE FOR REGULATING THE UNITED STATES, AND THAT THIS LAW DOES NOT COVER SUCH A CASE.

CONSEQUENTLY, EVEN IF IT WERE CONCEDED, THAT POLICE POWER IS TO BE CONSTRUED BROADLY AND THAT THE RESOLUTION LEFT IN THE STATES THE POWER TO MAKE REGULATIONS COVERING FEDERAL OPERATION NO STATE HAS YET ATTEMPTED TO DO THIS. UNTIL THE STATE PASSES A LAW WHICH ATTEMPTS TO AUTHORIZE THE COMMISSION TO FIX RATES TO BE CHARGED BY THE UNITED STATES, THE STATES CASE FAILS BECAUSE THERE IS NO RATE PRESCRIBED BY STATE AUTHORITY WHICH THE STATE LAW REQUIRES THE UNITED STATES TO CHARGE.

THE PRESENT COMMISSION LAWS DO NOT AUTHORIZE SUCH RATES, THEREFORE, RATES FIXED UNDER THEM DO NOT APPLY TO FEDERAL OPERATION. THEREFORE, THE STATE FAILS TO SUSTAIN ITS FUNDAMENTAL ALLEGATION THAT THE OLD RATES ARE RATES BY LAW MADE APPLICABLE TO FEDERAL OPERATION AND THEREFORE IT FAILS IN ITS CONCLUSION THAT THE FEDERAL OPERATION IS CHARGING ILLEGAL RATES.

THE FUNDAMENTAL THING IS THAT NO STATE EVER CONTEMPLATED WHEN ENACTING ITS COMMISSION LAW THAT THERE WOULD EVER BE FEDERAL OPERATION, AND NEVER INTENDED BY SUCH LAWS TO VEST IN ITS COMMISSIONS POWER OVER THE UNITED STATES AS A TELEPHONE OPERATOR.

THEREFORE, THERE ARE NO POLICE REGULATIONS COVERING THE SITUATION, AND ALL OF THESE CASES WHICH ARE BASED FUNDAMENTALLY ON THE CHARGE THAT THE POSTMASTER GENERAL IS VIOLATING A POLICE REGULATION MUST FAIL. AND THIS IS SO, WHETHER THE STATES HAVE POWER TO ENACT SUCH REGULATIONS OR NOT.

IF THEY HAVE THE POWER TO REGULATE THE UNITED STATES THEY HAVE NEVER ENACTED ANY REGULATIONS UNDER IT AND HAVE NEVER EXERCISED SUCH POWER. THIS ARGUMENT, OF COURSE, MAKES IT NECESSARY TO SHARPLY BRING OUT THE

FACT THAT THE PRESENT OPERATION IS FEDERAL, AND NOT OPERATION BY THE COMPANIES WHICH ARE MERELY FEDERAL INSTRUMENTALITIES. IT IS A MISTAKE TO ASSUME THAT LAWS WHICH APPLY TO THE COMPANIES OPERATING FOR THEMSELVES WERE INTENDED /SIC/ TO, OR DO APPLY TO THE COMPANIES WHEN ACTING AS MERELY FEDERAL AGENCIES. (END OF QUOTE)

N T GUERNSEY

March 4, 1919

Leo M. Butzel, Esq.,
Ford Building,
Detroit, Michigan.

Dear Mr. Butzel:-

The supreme court of Louisiana has just handed down a decision in the toll rate case there, deciding the case in our favor. This is the first decision on the merits by a state supreme court. The injunction was refused upon the following grounds:-

1. That the United States is a party in interest and cannot be sued without its consent.
2. That the President under his powers as commander-in-chief, took over the property as a war measure and the courts cannot interfere with his control.
3. That the fixing of rates was an act of discretion, not a ministerial act.
4. That the constitution of Louisiana creating the railroad commission, gave it no authority or control over the operation of a utility controlled and operated by the government.

I have asked to have the opinion telegraphed to me, and will send you a copy of it as soon as it can be printed.

Yours very truly,
N. T. GUERNSEY

March 14, 1919

Honorable W. H. Lamar, Solicitor,
Post Office Department,
Washington, D. C.

Dear Judge Lamar:-

5 I have been thinking of the situation which may arise if and when an attempt is made to put into effect the new schedule of exchange rates now under consideration. I think we may anticipate that efforts will be made to enjoin these rates, just as efforts were made to enjoin the toll rates.

Under these circumstances, it seems to me that the thing for us to do is to advise our companies to keep in close touch with the situation, and where it is such that they have reason to believe that the state authorities propose to bring suits in the state courts to enjoin these rates, then our people should be advised to anticipate this by bringing actions in the federal court in the name of Mr. Burleson and of the local companies, as we did in Indianapolis.

I am writing to our people, suggesting this idea to them so that they may be doing the preliminary work upon it, but have told them not to commence any suits until notified by me that this course is approved by you.

Yours very truly,
N. T. GUERNSEY

Excerpt from Minutes of Meeting of United States Telegraph and
Telephone Administration -- Operating Board, March 17, 1919:

"A special meeting of the Operating Board was held at 195 Broadway, New York, at 12:00 o'clock noon on Monday, March 17th, 1919.

"There were present, Messrs. U. N. Bethell, Chairman, A. F. Adams, F. A. Stevenson and G. M. Yorke. Mr. B. S. Read was also in attendance.

"The proposed rate changes in the various divisions comprising the Bell System, presented and discussed at the meetings on March 6th, 7th and 13th, were further considered.

"Whereupon, it was unanimously

VOTED - That the proposed rate changes be referred to the Postmaster General with the recommendation that they be approved."

THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY

New Haven, Conn., March 18, 1919

N. T. Guernsey, Esq., General Counsel.
American Telephone and Telegraph Company.
New York City.

Dear Mr. Guernsey:-

I beg to acknowledge receipt of yours under date of the 15th inst., stating that it is anticipated that the Postmaster General will very soon approve a schedule of exchange rates covering exchange rates throughout the country and will order them put into effect and that, as they will involve increases, objections to them may be expected similar to those made to the toll rates; also advising a course of action to enjoin the state authorities from interfering with these rates. We cannot arrive at any judgment as to the probabilities in Connecticut until we have had an opportunity to know in a general way the effect the new rates will have upon our general rate schedule in Connecticut. Mr. Knight is going to New York within the next day or two and after he has familiarized himself as far as possible with the new situation we will then be able to decide on the wisest course to follow in Connecticut.

Yours very truly,
James T. Moran
President & Gen'l Attorney.

Excerpt from letter dated March 19, 1919 from H. B. Thayer to T. N. Vail:

5
"The Operating Board has been summoned to Washington and is there to-day. Some of their people were there yesterday in regard to proposed rate changes. They are putting up to the Postmaster General a scheme for an increase of exchange rates which would amount to about \$20,000,000 gross and \$16,000,000 net and they are also saying that further wage increases may be necessary amounting to approximately \$6,000,000 per annum, of which something over \$3,000,000 might come in on this year. I understand that the proposal is to get a general approval on the rates, but with an understanding that they shall not be put in all at once and only as local conditions may make it seem desirable and feasible. I enclose a copy which you may want to look over of a letter which they propose to use with the submission of these rates."

OFFICE OF THE POSTMASTER GENERAL
Washington, D. C.

March 19, 1919.

Mr. Union N. Bethell, Chairman,
U. S. Telegraph and Telephone Operating Board,
195 Broadway, New York, N. Y.

My dear Mr. Bethell:

I have duly considered and hereby approve the unanimous report of your Board dated March 17, 1919, recommending a comprehensive scheme of changes in the local exchange rates for the properties of the various operating companies of the Bell System, which said changes are set forth in voluminous detail in specific rate schedules for each of said operating companies and attached to the said report of your Board.

In this connection I desire to call your particular attention to the fact that, owing to the prevailing high costs of labor and material, the deficit from operation is growing daily, and to meet this condition every effort should be taken to insure the Government against loss from operation during the period of Federal control. To this end, your Board is hereby authorized and directed to make these new schedules effective in the order and at the earliest practicable dates which your Board may deem consistent with the exercise of good judgment.

Respectfully,
A. S. Burleson
Postmaster General.

NEW YORK, March 31, 1919.

MEMORANDUM for U. N. Bethell, Esq.,
Chairman, Operating Board.

Basing my conclusions upon the action which has already been taken by the state authorities with reference to the toll rates established by order of the Postmaster General, I think that we are bound to assume that when an attempt is made to put into effect the exchange rates recently ordered by the Postmaster General, we may confidently anticipate that efforts will be made to prevent their enforcement by suits in the state courts in the following states:-

Florida	Missouri
Indiana	Nebraska
Illinois	Ohio
Michigan	Pennsylvania
Minnesota	South Dakota

In each of these states injunctions or restraining orders granted by the state courts are now in force, preventing the enforcement of the toll rates.

It is perhaps probable, but less certain, that when these exchange rates are made effective, like attempts will be made to prevent their enforcement in the following states:-

Arizona	New Jersey
Alabama	New York
California	North Dakota
Georgia	Oklahoma
Kansas	Texas
Mississippi	Wisconsin

In each of these states the local authorities have disapproved of the toll rates and in almost all of them there has been litigation over such rates.

It is estimated that the increased revenue from the proposed exchange rates will, in the list of states first given above, amount to _____ dollars per annum, and that in the second list, it will amount to _____ dollars per annum.

My recommendation is that the counsel for the companies in the various states be instructed in connection with putting the exchange rates into effect, to bring suits in the federal court to enjoin the state authorities from interfering with them, such suits to be brought before the institution of injunction suits by the state authorities in the state courts. This would vest the jurisdiction over the matter in the federal courts, and I think would probably result in the enforcement of the rates in all of the states without exception. To this end, there should be close co-operation between the legal departments and the commercial departments when these rates are being put into effect.

These suits should be brought in the name of the Postmaster General, who can bring a single suit covering an entire state and

covering it for both Bell and Independent companies, and not in the names of the companies.

I am recommending this course to Judge Lamar, and am preparing a draft of a bill such as I should suggest filing in these cases, subject of course to modifications to adjust it to local conditions, and also a memorandum covering particularly some of the points of practice involved, which I expect to send out to the various counsel. I will let you know what Judge Lamar's conclusion is as to my recommendation.

Yours very truly,
N. T. GUERNSEY
General Counsel.

Excerpt from the NEW YORK WORLD, April 7, 1919

HE WILL APOLOGIZE FOR INTRODUCING WIRE CONTROL LAW

Aswell Says He Was Given to
Understand Rates Would Be
Lowered Under Measure—20
Per Cent. Raise Amazes Him.

CONGRESS STORM GROWS,
WITH BURLESON AS CENTRE.

Even Hitchcock Declares Post-
master General's Seizure of
Ocean Cables Was "a High-
Handed Outrage."

(Special to The World.)
WASHINGTON, April 6.—Representative James B. Aswell, Democrat, of Louisiana intends to apologize to the House of Representatives for initiating the legislation that led to taking over the wires and cables, he announced today. He introduced the resolution that resulted in the act signed by President Wilson July 16, 1918.

Mr. Aswell is thoroughly disappointed over the results. He declares that at several conferences with officials held last year before he introduced his resolution the understanding was that the rates were to be reduced, some one-third and some one-half. He was amazed, therefore, when a 20 per cent. increase was ordered.

Knell of National Control.

"I am the author," said Mr. Aswell in his statement, "of the resolution that was made the basis of existing law taking over the control of the telegraph and telephone wires for the duration of the war. I believed in it heartily and worked for it faithfully, but I am very frank to state that I am greatly disappointed and discouraged to note the increase of 20 per cent. ordered on telegraph rates. I am not yet ready to admit that any such increase is justifiable or necessary.

"This means the death knell to Government control or ownership of telegraph, telephone and railroad lines. I owe it to my people and to Congress to apologize for my resolution if Government control means increase in rates.

"I think Mr. Burleson is doing his best. I am Burleson's friend and believe he is doing honestly all he can do, but I think his advisers are bad. I am willing to take the onus of the criticism of Burleson in connection with this resolution.

"When the investigation has been completed it will be found that the majority of the men in high position in all Government departments who are responsible for all the mistakes that are made are thoroughbred Republicans kept in office by the Democratic Administration. To my thinking that condition is largely responsible for the failures."

Congress to Act Quickly.

The revolt against the dictatorship of Postmaster General Burleson has crystallized in a determination to take the wire and cable companies away from him at the earliest possible day and restore them to private ownership.

Congress has never ceased to resent the seizure of these utilities and the evident purpose to force Government

(Continued on Sixth Page.)

THE WORLD: MONDAY, APRIL 7, 1919.

HE WILL APOLOGIZE FOR HIS WIRE LAW

(Continued from First Page.)

ownership, and the course of the Postmaster General since he has had control has accentuated the resentment. If there was ever a chance to get Congressional countenance for Government ownership of the wire lines it has been killed by the feeling that the first result of Federal operation has been favoritism for one corporation at the expense of another.

Mr. Burleson's only hope of stemming the tide, once the new Congress is in session, lies in the President's getting behind him and making the fight to retain the wires an Administration battle. But there is a very general idea that the President will decline this position, for it is believed that he consented to the Burleson programme without any great enthusiasm, and on the representation that a test would show such economies and service betterments under the Government that the people would never agree to go back to the old system. In the face of higher rates and worse service, the scandals and dissatisfaction, it is hardly conceivable that the President will care to add this issue to those on which he cannot avoid battling with a hostile Congress.

Democrats Save Over Whipping.

Moreover, it will be almost impossible to whip the Democrats into line to sustain Burleson, in view of the definite charges and concrete examples of inefficiency the Republicans are amassing. The Democrats did not go with particular grace into all the legislation they adopted during the war. It took all the influence and persuasion of the President to get a number of them to vote for the Lever Food Bill, the Overman bill and various others and against such measures as the naming of a committee to advise, if not to supervise the conduct of the war.

Burleson, unfortunately for himself, was the instrument employed to drive them where they did not want to go, and he was not over tactful in the process. It was impossible to refuse anything the Administration wanted while the war spirit was on, and the Postmaster General did not take the trouble to hide his whip when he showed such Democrats as doubted the wisdom of some of the Administration measures into the corral.

There are several who will welcome the opportunity of crossing Mr. Burleson in the near future, in part payment for the smarting they suffered at his hands. Various influential Democrats are already on record against the Burleson policies, and these have not hesitated to express their sentiments of the Postmaster General incidentally to their opposition to what he sought to accomplish.

Senator Hitchcock is among the staunchest supporters of the President. As near as a Senator can be he

is the representative of the President's League of Nations policy and is one of the few persons in this country with whom the President has kept up communication during his absence in France, but that is not going to help Burleson with him. During the Senatorial debate over the failure of the Post Office Department in handling the mail for the soldiers overseas, Hitchcock has made clear his opinion of Burleson and Burleson methods.

He gave his approval to remarks of Senator Smith of Michigan, who had said: The country has little confidence in Mr. Burleson's plans and purposes. His retirement from office is fondly anticipated, and will be hailed with real satisfaction by his countrymen.

Mr. Hitchcock then described Mr. Burleson's action as "reaching out at this time to control the business activities that Congress did not intend to put into his hands."

"A High Handed Outrage."

"I think," he continued, "the seizure of the cables was an utterly unjustified proceeding. I go so far as to say that it smacks of bad faith when after the war has closed in fact, if not in law, the Postmaster General took possession of the cables, not only those crossing the Atlantic Ocean to countries with which we were associated in the war but also across the Pacific Ocean, which had no possible relation to the case. I think it was a high handed outrage.

"Congress deliberately put the power into the hands of the Administration for war purposes; but after the war is over it has been used to gratify the personal convictions, personal opinions and personal wishes of the Postmaster General."

The issue of the cables is a sore point with Congress. It will race with the question of the land lines for the honor of being taken out of Burleson's hands. If the two do not figure in the same bill. In the debates the matter was frequently referred to as an example of breaking faith with Congress.

Senator Kellogg of Minnesota made this reference to it:

"The law authorized the President to take over the cables and telegraph lines as a war necessity, and not a Senator on this floor or anywhere else ever dreamed that we were giving the Postmaster General power to force on this country Government ownership whether the people wanted it or not."

The Postmaster General seems bewildered by the attacks that have been made upon him. He has not yet replied to Clarence Mackay's announcement that the recent raise of 20 per cent. in the telegraph rates, which will cost the people of this country \$18,000,000, was unnecessary and uncalled for and was done for the purpose of enabling the Postmaster General to pay the Western Union Company the compensation he had agreed to. The Postal Mr. Mackay says, earned as much in six months as the Government allowed it for the entire year, and he is perfectly willing to go on doing business at the old rate if Mr. Burleson will only let it run its own business.

It is as certain as that Mr. Burleson is as popular as a case of smallpox with the Congressmen that he will have to answer that statement of Mr. Mackay, unless he is prepared to let his whole case go by default when Congress gets a chance at him.

Just as when he cracked the whip over the Congressmen, he loves to think of his authority as absolute and unquestioned, but there are not lack-

ing indications that he is already casting around for a method of replying to Mackay's challenge. Possibly the delay is because he is not able to think of an explanation offhand for saddling the people with this enormous extra expenditure, when one of the companies offers, without reservation, to give the same service at the old price and produces the figures to show it would make money doing it.

Cabinet Not With Him.

It is a curious sidelight on the whole situation that Mr. Burleson finds no sympathy in his plight. His fellow Cabinet members, though the ethics of their jobs forbid public expression of their attitude, privately are far from unhappy because he is in hot water. He has been a good deal of an affliction to them with his assumption of being always the President's mouthpiece, and his political advantages have embraced them more than once.

The President's campaign letter, credit for which is given him, though various of his fellow Cabinet members pointed out its two-edged quality, is a case in point. Some of the politicians insist that this piece of political strategy was responsible for the Democratic Congressional defeat last fall, and whatever unhappiness comes to the Administration by reason of the presence of a hostile Congress, they will lay at his door.

OPERATORS SCORE BURLESON'S MOVE

Washington Union Voting Strike Says Incompetence, Not Higher Wage, Led to Rate Raise.

(Special to The World.)

WASHINGTON, April 6.—The commercial telegraphers of Washington met this afternoon and denounced the Postmaster General for saying he had to raise telegraph rates to meet increased pay to employees. They adopted a resolution saying:

"The necessity for increasing telegraph rates, if it exists, can and must be charged directly and solely to inefficiency of operation, intensified as a result of controversy between Government departmental supervision of the wire systems and a cleverly concealed intrigue having for its purpose the elimination of competition on the one hand, and on the other, the persistent harassed efforts of the smaller company to save its organization and property from absorption or destruction.

The telegraphers of Washington, D. C., employed in and thoroughly familiar with conditions prevailing in the telegraph service now and previous to the declaration of war, condemn the action of Postmaster General Burleson in increasing telegraph rates as an outrage and an unwarranted imposition of excess tax on the business interests of the country and an insult to the intelligence of the workers in the telegraph service at whose door he lays the responsibility."

The union here voted to-day unanimously to strike. Their action is part of a Nation-wide vote conducted from Chicago.

April 5, 1919

Honorable W. H. Lamar, Solicitor,
Post Office Department,
Washington, D. C.

My dear Judge:-

I have asked Mr. Bracelen to take up with you again the question of injunction suits where they may be necessary in order to protect the exchange rates authorized by the Postmaster General.

What I strongly advise with reference to the matter is that we be authorized to bring such suits in the name of the Postmaster General in those states where we have reason to believe that when the rates are put into effect the state authorities will attempt by litigation to interfere with their enforcement.

There are ten or more states where the state authorities have now in effect injunctions enjoining the toll rates, or the installation charges, or both. In most, if not all, of these states, I think it is absolutely certain that when the new exchange rates are made effective, suits will be brought by the state authorities in the state courts to enjoin their enforcement, unless we anticipate such action by suits in the federal courts in the name of the Postmaster General to enjoin the state authorities from interfering with the enforcement of these exchange rates.

We therefore have a situation where, if I am right, litigation is inevitable and where, if we wait for the state authorities to act, we may anticipate, in some of the states at least, a number of suits, as we now have in Ohio and in Indiana.

We may anticipate, if these injunction suits are brought by the state authorities in the state courts, a substantial loss of revenue. I hope that Mr. Bracelen will be able to have a somewhat definite estimate of this when he presents this letter to you.

I have looked into the questions involved with considerable thoroughness, and I am entirely satisfied that actions in the name of the Postmaster General can be maintained in the various federal courts to enjoin the state authorities from interfering by suit or otherwise with the enforcement of these rates. They will save money and will also result in fewer suits than the other plan.

If the plan that I propose is to be adopted, I ought to have definite authority with reference to it without delay. The counsel for our companies are writing to me and have been for some time, asking for definite instructions. If this plan is to be made effective, they must be in a position to act promptly when the situation develops and I must be in a position to give them their instructions. My idea has been to direct them not to bring the suits unless they had reason to believe that suits were to be brought in the state courts, but if they have reason to believe this, to bring their suits before the other suits are commenced.

Yours very truly,
N. T. GUERNSEY

NEW YORK, April 7, 1919.

MEMORANDUM for U. N. Bethell, Esq.,
Chairman, Operating Board.

I have been unable to see you with Mr. Bracelen as to the policy to be pursued in connection with litigation over the proposed exchange rates, and therefore have asked him to see you without me as I am leaving for Chicago this afternoon.

I have asked Mr. Bracelen to obtain from Judge Lamar authority to institute suits in the name of the Postmaster General in those states where we have reason to believe that litigation is inevitable and that suits will be brought in the state court to enjoin the rates if the Postmaster General does not anticipate them by suits in the federal court to enjoin the state authorities from interfering with the rates.

Mr. Bracelen took this up with Judge Lamar, who did not dispose of the matter and who indicated to Mr. Bracelen that his understanding with you was distinctly that the companies were to apply to the commissions for the approval of these rates in the ordinary course. What Mr. Bracelen reported to me does not accord with my understanding of what the Operating Board is proposing to do through the local companies, and I therefore wanted Mr. Bracelen to himself tell you just what his conversation with Judge Lamar was so that if there is a misunderstanding between you and Judge Lamar, you may have an opportunity to straighten it out.

I think that the action of the states with reference to the telegraph rates has demonstrated the soundness of our plan with reference to the exchange rates, and I hope that now Judge Lamar will approve it. I am asking Mr. Bracelen to take it up with him again.

I do not think that the telephone exchange rates should be filed with the commissions or that the commissions should be asked to approve them as we were accustomed to file rates and ask for their approval prior to federal control. I think to do this formally might embarrass us in an effort to enjoin action by the commissions, if such action were deemed advisable.

Yours very truly,
N. T. GUERNSEY
General Counsel.

Telegram

April 11, 1919

The Operating Board has authorized me to advise you that it is directed to protect the proposed exchange rates by injunction suits where it appears that such suits are necessary in order to secure the enforcement of these rates. I have already communicated with you in a preliminary way upon this subject.

In these suits,

First. The plaintiff should be Albert S. Burleson, Postmaster General. No company should be joined with him. The defendants should be the commission and its members and the attorney-general of the state, or the other law officer of the commission or of the state who would be apt to bring suits in the state court to enjoin the enforcement of the new rates.

Bringing the suit in this way the Postmaster General can sue as the person operating all of the telephone systems in the state operated by him, and so cover everything by one suit.

Second. The suits should include the telephone toll rates and installation charges covered by earlier orders of the Postmaster General unless there is a suit pending in a state court to which he is a party involving these rates.

Third. The bill should be presented to a single judge and he should be asked for a restraining order and to order a hearing before three judges as provided by section 266 of the federal judicial code.

Fourth. A single suit brought as above contemplated will cover an entire state. A suit should not be brought in states where there is no reason to believe that the state authorities intend to institute suits in the state courts to enjoin the rates. You should exercise diligence in keeping in touch with the purpose of the state authorities. Such suits as we have in mind to be effective must anticipate like suits by the state authorities in the state courts.

Fifth. You must determine, in conference with the officers of your company, whether or not it is necessary to bring this suit in any state, and in case of doubt I should resolve the doubt in favor of bringing the suit. You must be prepared to act very promptly upon the announcement by your company that the changes are to be made. I understand there will be a general announcement here about the fifteenth of April.

The Postmaster General on April 9th issued order 2930 authorizing companies whose gross revenues do not exceed \$10,000 per annum, for which no form of accounts has been prescribed by the Interstate Commerce Commission, that is, class D companies, I.C.C. classification, to operate and manage their properties free from direct federal supervision, under license, upon certain conditions, which are (1) no duplicate plant to be constructed without the approval of the Postmaster General, (2) each of these companies shall continue to collect the charges specified in order 1931 as modified by order 2352, and the toll rates specified in order 2495 as modified by order 2797, (3) it shall comply with further orders of the Postmaster General, (4) it shall be entitled to its revenues and pay its operating expenses, (5) the companies shall waive any claim for compensation under the joint resolution of July 16th, (6) any Class D company desiring to continue to be operated by Postmaster General may request this, (7) when a Class D company's gross revenues exceed \$10,000 it shall notify the Postmaster General.

Order 2980 above referred to authorizes these released Class D companies to operate free from direct federal supervision, under license, upon the conditions above stated.

I hope to be able to mail to you tomorrow a draft of a bill and a brief prepared here covering some questions of practice which may arise in these cases. Of course, such suits as you may institute should be brought in the Federal courts.

N. T. GUERNSEY

The above telegram sent to each of the following:

E. S. Wilson, Hunt Chipley, Milton Smith, H. D. Pillsbury, D. A. Frank,
E. M. Morsman, E. A. Prendergast, Leo M. Butzel, S. H. Tolles.

U. S. TELEGRAPH AND TELEPHONE ADMINISTRATION
OPERATING BOARD
195 Broadway

NEW YORK April 16th, 1919.

Mr. N. T. Guernsey,
General Counsel,
Bell Telephone System.

Dear Sir:

Judge Lamar, Solicitor, Post Office Department, directs that no injunctions are to be applied for to restrain State Officials from interfering with placing into effect any of the telephone or telegraph rate increases of any nature which have been approved by the Postmaster General.

Very truly yours,
U. N. Bethell
Chairman.

April 16, 1919.

U. N. Bethell, Esq., Chairman,
United States Telegraph and Telephone Administration
Operating Board.

Dear Sir:-

This is to acknowledge receipt of your letter addressed to Mr. Guernsey, stating that Judge Lamar has directed that no injunctions are to be applied for to restrain state officials from interfering with placing in effect any of the telephone or telegraph rate increases of any nature which have been approved by the Postmaster General.

In accordance with your letter, telegrams have been sent as per the attached copy, to the General Counsels and Attorneys to whom Mr. Guernsey had issued instructions relative to bringing the proposed suits.

Yours very truly,
Neal Monroe.

Enclosure.

h

New York, April 16, 1919.

Telegram

M. B. Jones,	Boston, Massachusetts.
Leo M. Butzel,	Ford Building, Detroit, Michigan.
E. A. Prendergast,	Minneapolis, Minnesota.
Milton Smith,	Denver, Colorado.
H. D. Pillsbury,	San Francisco, California.
E. M. Morsman, Jr.,	Omaha, Nebraska.
E. S. Wilson	Chicago, Illinois.
D. A. Frank,	St. Louis, Missouri.
Hunt Chipley,	Atlanta, Georgia.
James T. Moran,	New Haven, Connecticut.
J. W. Heintzman,	Cincinnati, Ohio.
S. H. Tolles,	Cleveland, Ohio.

Judge Lamar, Solicitor Postoffice Department, directs that no injunctions are to be applied for to restrain state officials from interfering with placing in effect any of the telephone or telegraph rate increases of any nature which have been approved by the Postmaster General. No conferences should be held with Federal attorneys. Please acknowledge receipt of this telegram.

N. T. GUERNSEY.

Telegram.

4-23-19 ATLANTA

N T GUERNSEY GENL COUNSEL
AMN TEL AND TEL CO
195 BROADWAY NEW YORK

WE UNDERSTAND THAT MR. ELMQUIST HAS CALLED A MEETING OF A REPRESENTATIVE FROM EACH STATE COMMISSION TO BE HELD IN CHICAGO APRIL 26TH TO

CONSIDER ATTITUDE COMMISSIONS WILL TAKE WITH REGARD TO INTRA-STATE RATES PROMULGATED BY POSTMASTER GENERAL. WE UNDERSTAND ALSO THAT THERE WILL BE A MEETING AT THE SAME PLACE AND TIME OF THE ATTORNEY GENERALS OF A NUMBER OF THE STATES TO CONSIDER ALL PENDING LITIGATION GROWING OUT OF THE SAME SUBJECT.

HUNT CHIPLEY

Telegram.

April 24, 1919

To Mr. D. A. Frank, St. Louis, Missouri.

In general, the situation in litigation affecting Postmaster General's power to fix rates is as follows:

The supreme courts of Alabama, Louisiana, Mississippi, Massachusetts, Oklahoma and South Dakota have rendered decisions. Alabama, Mississippi and South Dakota against this authority. Massachusetts and Oklahoma holding the suit could not be maintained against him. You have copies of all these decisions.

Injunctions restraining the Postmaster General have been granted by nisi prius courts after argument in Florida, Illinois, Indiana, Michigan, Minnesota, Missouri, Ohio and Pennsylvania.

Injunctions have been refused in nisi prius federal courts in California, Florida, Indiana, Nebraska, New Jersey, North Dakota and Texas.

In cases involving the recent increases in telegraph rates, restraining orders were granted by United States court in suits instituted by Postmaster General against the public service commissions in Illinois and Pennsylvania.

Statement covering this matter fully was mailed you Monday night. Ten copies of Oklahoma decision are mailed to you today.

The cases in United States supreme court have been advanced and are set for argument on May 5th. If your case is a forlorn hope, why not try to arrange to continue it to await the decision of the supreme court.

N. T. GUERNSEY

ESTIMATE

	Localized Changes 8-1-18 to 4-30-19		Service Connect Total		E
	Toll	Exchange	9-1-1918	12-1-1918	
	(a)				
NEW ENGLAND					
New Eng. Tel. & Tel. Co.	\$60,450	\$1,800,000	\$ 644,000	\$ 297,000	
Providence Tel. Co.	-	200,000	95,000	45,000	
Total	\$60,450	\$2,000,000	\$ 739,000	342,000	
EASTERN					
New York Telephone Co.	\$ 3,577	\$50,173	\$1,800,000	\$ 970,000	
Bell Tel. Co. of Penn'a.	-	-	770,000	385,000	
Ches. & Pot. Tel. Co.	16,000	17,000	198,800	93,200	
Total	\$19,577	\$67,173	\$2,768,800	\$1,448,200	
CENTRAL					
Chicago Telephone Co.	-	-	\$650,000	\$500,000	
Cleveland Telephone Co.	-	-	82,658	105,000	
Michigan State Tel. Co.	-	1,250,000	242,358	149,000	
Wisconsin Telephone Co.	-	-	132,275	87,725	
Total	-	\$1,250,000	\$1,107,291	\$841,725	
SOUTHERN					
So. Bell Tel. & Tel. Co.	-	\$30,000	\$208,000	\$95,700	
Cumb. Tel. & Tel. Co.	-	8,975	262,000	120,300	
Total	-	\$38,975	\$470,000	\$216,000	
NORTHWESTERN					
N. W. Tel. Exch. Co.	-	\$ 350	\$150,000	\$160,000	\$1
Nebraska Telephone Co.	-	200,000	100,000	100,000	
Iowa Telephone Co.	-	515,000	120,000	130,000	
Total	-	\$715,850	\$370,000	\$390,000	\$1
SOUTHEASTERN					
S. Bell Tel. Co. (MO.)	\$265,000	\$105,300	\$332,000	\$132,000	
S. Bell Tel. Co. (Okla.)	-	250,000	150,000	65,000	
S. W. Tel. & Tel. Co. (N.Y.)	-	240,500	154,000	14,000	
Total	\$265,000	\$595,800	\$636,000	\$211,000	
MOUNTAIN					
Mtn. States Tel. & Tel. Co.	-	\$ 41,360	\$134,080	\$99,500	
PACIFIC					
Pacific Tel. & Tel. Co.	-	\$735,720	\$756,274	\$386,450	
So. New Eng. Tel. Co.	-	702,266	\$140,000	\$62,000	
Cinn. & Sub. Bell Tel. Co.	-	\$278,550	\$93,500	\$35,500	
Central Union Tel. Co.	-	\$348,323	\$325,000	\$225,000	
Total Asso. Oper. Cos.	\$345,027	\$6,774,017	7,539,945	\$4,257,375	\$1
LONG LINES					
A. T. & T. Co. Long Lines	\$2,100	-	-	-	
Total	\$347,127	\$6,774,017	-	-	
Less Mich. Tel. Co. Enjoined	-	1,250,000	-	-	
Total Bell Operating Cos.	\$347,127	\$5,524,017	\$7,539,945	\$4,257,375	\$1

(a) The following amounts included in this column (in addition to amounts approved 3-19-19) were effective May 1, 1919 and were approved by the General to effect increased wages - - - New Eng. Tel. & Tel. Co. \$1, Providence Tel. Co. So. New Eng. Tel. Co.

TOTAL.....\$2,

(b) Service Connection Charges have been enjoined in the State of Minnesota

(c) The figures reported in this column do not include the additional revenue and credited to expense. Such credits to expense are estimated to be

(d) Toll rates Postmaster General's Order No. 2495 have been enjoined in Florida, Indiana, Illinois, Michigan, Minnesota, Mississippi Missouri, Nebraska, New York, Ohio, Pennsylvania and South Dakota

(e) Exchange rates Postmaster General's Approval of March 19, 1919 have been enjoined in Alabama, Idaho, Illinois (Cent. Union & Chicago Tel. Cos.), Indiana, Minnesota, Mississippi, New York, Ohio (Ches. & Pot. Tel. Co.) and

(f) Telephone Company has stipulated that if courts hold that the Postmaster exchange rate charges collected will be refunded in the states of Arizona, the Court has ruled that the Company shall refund additional amounts found to be unlawful.

The following tabulation indicates the estimated annual value of tolls in the following states:

Arizona	\$46,747	Virginia	\$454,000
Florida	128,376	West Virginia	187,000
Maryland	429,000	TOTAL\$1,245,123

(g) Excludes \$1,250,000 Detroit, Michigan, exchange rate increase approved

(h) As to \$300,000 (New York State) it has been stipulated that additional

(i) As to \$200,000 (New York State) it has been stipulated that additional

Telegram

W. H. Lamar, Post Office Department, Washington, D.C.

April 29, 1919

Colonel Chipley advises me that he understands that Alabama, Florida, Mississippi and South Carolina will attempt to enjoin the new exchange rates. I have advised Colonel Chipley that I do not understand that he is authorized to bring suits to enjoin the state authorities from taking these steps without express authority from the Postmaster General. If it is desired that he bring such suits, please advise him immediately and also have the department of justice wire instructions to all district attorneys, instructing them to appear for the Postmaster General and co-operate with the company's counsel.

N. T. GUERNSEY

NEW YORK, April 30, 1919

Honorable W. H. Lamar,
Solicitor for the Post Office Department,
Washington, D. C.

Dear Sir:

Pursuant to telephone conversation with you this afternoon, I have caused to be sent to Mr. Chipley the following telegram:

"Impossible to get instructions to United States District Attorneys to cooperate with your counsel, as requested. You and other Company counsel are authorized to defend for Postmaster General and telephone companies. Supreme Court will hear arguments in Massachusetts and South Dakota cases Monday and early decision is expected. Will not Georgia and South Carolina authorities consent to withhold action pending this decision, upon agreement of Postmaster General, which you are authorized to make, that excess will be refunded to patrons in event of decision against Postmaster General?"

Yours very truly,
C. M. Bracelen.

January 29, 1919

T. H. Null, Esq.,
Null and Royhl,
Huron, South Dakota.

My dear Sir:-

I have received your telegram with reference to the removal of the South Dakota case.

I am going to Washington this afternoon to have a conference with Judge Lamar tomorrow as to these matters and after this conference shall be able to talk about them more definitely.

My own impressions have been against removals. I do not know just how that will strike him.

Yours very truly,
N. T. GUERNSEY

Telegram

N T GUERNSEY, GEN COUNSEL, AT & T CO, NEW YORK

1-29-19 OMAHA

DAKOTA CENTRAL FEELS THAT REMOVAL AT REFUSAL TO OBTAIN SPEEDY DECISION BY SUBMISSION TO STATE SUPREME COURT AND ERROR PROCEEDINGS TO UNITED STATES SUPREME COURT WILL PREJUDICE RELATIONS WITH RAILWAY COMMISSION.

E M MORSMAN

Telegram

E. M. Morsman, Jr., Omaha, Nebraska.

February 1, 1919

I do not think that any effort should be made to remove South Dakota case to federal court.

N T GUERNSEY

Telegram

February 1, 1919

C. M. Bracelen, Post Office Department, Washington, D. C.

Mr. Morsman is here and will be in Washington Monday. I have asked him to call on you. I have approved plan for final submission of South Dakota case upon petition and answer at an early date, probably a week from Monday.

Will you please draft an answer so that Mr. Morsman may take it with him when he leaves Washington. Will you also please determine whether you wish to have bill amended and Postmaster General made a party, and advise Mr. Morsman.

I am anxious to have you draft answer because it is believed that the court will decide this case within a week or two after its submission, giving a final decree from which, if adverse to us, an appeal will lie to supreme court of United States.

N. T. GUERNSEY

Telegram

March 27, 1919

W. H. Lamar, Post Office Department, Washington, D. C.

I have just read the South Dakota opinion. The majority opinion decides just two questions, first, that the proviso is based upon the broad construction of police powers so that Congress by the resolution expressly authorized the states to fix the intrastate rates, and second, that the suit is not a suit against the government.

I think that an effort should be made to get this case into the supreme court for this term. Each of the points decided involves a federal question, the first being the construction of the joint resolution of July 16th and the second that the suit is not a suit against the government.

This was a suit against the companies by the state. The Postmaster General is not a party. If this is a suit which under your practice the solicitor general would take charge of, I think that he should immediately prepare the papers looking to bringing it to the supreme court. Probably the quickest way to do this would be for him to prepare what he requires and send it to us and let us send it to our people in South Dakota and have it completed and the records certified.

If this is not such a case as he would handle under your practice, advise me and I will immediately proceed to do this, with the assistance of Mr. Bracelen.

I think that the records should be immediately prepared and filed and printed, and that our briefs should also be immediately prepared, printed and filed and served on the other side, and that with the papers there should be filed an application to advance the case. In this application we should of course induce the local people to join if they will.

I am mailing you today two copies of the opinion.

Mr. Bracelen is here while I am dictating this and concurs in it.

N. T. GUERNSEY

POST OFFICE DEPARTMENT
Office of the Solicitor
Washington

March 29, 1919.

Mr. N. T. Guernsey,
General Counsel,
American T & T CO.,
Care, Law Department,
Chicago Bell Telephone Co.,
Chicago, Illinois.

My dear Mr. Guernsey:

I am sending you copy of some papers which I am sending direct to Judge Tolles.

I failed to get you on the 'phone today. I desired to talk to you with respect to the South Dakota case. I submitted your telegram of yesterday to Assistant Attorney General King and he advised me that while he would expect to look after the litigation when it reaches the Supreme Court, in the meantime he would like for you to proceed as suggested in your telegram and have the case prepared for the Supreme Court. He also advised me that he had telegraphed the District Attorney to continue to cooperate with your counsel in the preparation of the case, but he was relying on you to look after that end of the line.

Mr. King also suggested that there was a question as to whether certiorari would not be the proper remedy, and thought possibly steps might be taken in that direction directly here before the Supreme Court and that we might proceed both ways at the same time, but did not want this suggestion to interfere with the prompt preparation of the papers in the writ of error case.

Very truly yours,
W. H. Lamar
Solicitor.

Encs.

NEBRASKA TELEPHONE COMPANY

Mr. N. T. Guernsey,
General Counsel,
195 Broadway,
New York, N. Y.

Omaha, Nebraska, March 29, 1919.

My dear Mr. Guernsey:

Upon my return to the city I find copy of the opinion of the South Dakota Supreme Court, copy of which my stenographer mailed you

yesterday. The majority opinion holds squarely that the proviso gives to the Railway Commission power to prescribe intrastate rates. The minority opinion holds squarely that operation of the property for war purposes gives the Postmaster discretion and therefore this discretion cannot be controlled in any respect.

In February I wrote you concerning the procedure in taking this case to the Supreme Court at Washington and asked whether it should be through writ of error or certiorari and you replied that you thought appeal was the proper remedy. As I read the statute (Barnes Federal Code, Par. 1002) appeal from the State Court to the Supreme Court of the United States is not recognized but there is always some question in cases of this character as to whether the procedure should be by writ of error or by certiorari. When I was in Washington, Mr. Bracelen and I called upon the Solicitor General in reference to the answer in this case and during the conversation he said he usually went to the Supreme Court of the United States by both routes in order to avoid the possibility of taking the wrong one.

In addition to this question of procedure, another matter needs consideration. Is there any objection to having the four defendant companies join or should each one separately perfect a writ of error or sue out a writ of certiorari?

Very truly yours,
Edgar M. Morsman, Jr.

Honorable W. H. Lamar, Solicitor
Post Office Department,
Washington, D. C.

March 31, 1919

Dear Judge Lamar:-

I have yours of the 29th instant.

I note that we are to proceed to perfect the writ of error in the South Dakota case, and will push it vigorously. It is already under way.

I have realized that there might be a question as to whether we should not resort to a certiorari, and had in mind to suggest that if Mr. King considered this a real question, we proceed in both ways at the same time. I think, however, that the first thing to do is to perfect the writ of error. The brief in that case would make the basis for a petition for a writ of certiorari.

Yours very truly,
N. T. GUERNSEY

SUPREME COURT OF THE UNITED STATES.

Dakota Central Telephone Company, et al., Plaintiffs in Error, vs.
State of South Dakota, ex rel. Byron S. Payne, Attorney General, et al.,
250 U. S. 163 (June 2, 1919)

Mr. Chief Justice White delivered the opinion of the court.

Involving as this case does the existence of state power to regulate, without the consent of the United States, telephone rates for business done wholly within the State over lines taken over into the possession of the United States and which by the exercise of its governmental authority it operates and controls, it does not in principle differ from the North Dakota case just announced where it was decided that under like conditions the State had no such power as to railroad rates. We consider this case as far as may be necessary, by a separate opinion, however, because the authority under which the control was exerted is distinct and because of the assumption in argument that this distinction begets a difference in the principles applicable.

In January, 1919, the State of South Dakota on the relation of its Attorney General and Railroad Commissioners sued the Dakota Central and other telephone companies doing business within the State to enjoin them from putting in effect a schedule of rates as to local business which it was alleged had been prepared by the Postmaster General and which it was averred the telephone companies were about to apply and enforce. It was charged that such rates were higher than those fixed by state authority and that the proposed action of the companies would be violative of state law, since the companies were under the duty to disregard the action of the Postmaster General and apply only the lawful state rates. The duty of the relators, as state officers, to prevent such wrong was alleged, -- a duty in which, it was further asserted, the State had a pecuniary interest springing from the expenditure which it was obliged to make for telephone services.

The companies answered, disclaiming all interest in the controversy on the ground that by contract, a copy of which with one of the defendant companies was annexed, their telephone lines and everything appurtenant thereto had passed into the possession and control of the United States and were being operated by it as a governmental agency. The answer also alleged that any connection of the companies through their officials or employees with the business was solely because of employment by the United States. The purpose to enforce the rates fixed by the Postmaster General was admitted and it was averred that the suit was one over which the court had no jurisdiction because it was against the United States.

The case was heard on the bill, answer, exhibits and an admission by all the parties that the contract annexed to the answer was accurate and that a similar one had been made with all the other defendants.

Assuming that Congress had power to take over the telephone lines; that it had conferred that power upon the President; that the power had by the President been called into play conformably to the authority granted,

and that the telephone lines were under the complete control of the United States, the court yet held that the State had the power to fix the local rates. In reaching this conclusion the court, assuming argumentatively that the right which the United States possessed gave at least the implied authority to fix all rates, nevertheless held that such power did not embrace intrastate rates because they had been carved out of the grant of power by Congress in conferring authority on the President. It was therefore decided that the President, the Postmaster General and those operating the telephone service under his authority were mere wrongdoers in giving effect to the rates fixed by the Postmaster General and in refusing to enforce the conflicting intrastate rates made lawful by state law. The proceedings to prevent this wrong, it was held, did not constitute a suit against the United States and the injunction prayed was granted.

The appellees do not confine their contention to the question of statutory construction below decided. On the contrary, they press questions of power which the court below assumed and did not pass upon and insist upon a construction of the statute contrary to that which the court below took for granted as a prelude to the question of construction upon which it based its conclusion.

We must dispose of the issues thus insisted upon before testing the soundness of the interpretation of the statute upon which the court below acted, and for the purpose of considering them as well as the question of construction which the court below expressly decided, we state the case.

On the 16th of July, 1918, Congress adopted a joint resolution (40 Stat. 904, Ch. 154), providing:

"That the President during the continuance of the present war is authorized and empowered, whenever he shall deem it necessary for the national security or defense, to supervise or to take possession and assume control of any telegraph, telephone, marine cable, or radio system or systems, or any part thereof, and to operate the same in such manner as may be needful or desirable for the duration of the war, which supervision, possession, control, or operation shall not extend beyond the date of the proclamation by the President of the exchange of ratifications of the treaty of peace: Provided, That just compensation shall be made for such supervision, possession, control, or operation, to be determined by the President;

. . . Provided further, That nothing in this Act shall be construed to amend, repeal, impair, or effect existing laws or powers of the States in relation to taxation or the lawful police regulations of the several States, except wherein such laws, powers, or regulations may effect the transmission of Government communications, or the issue of stocks and bonds by such system or systems."

Six days thereafter, on the 22nd of July, the President exerted the power thus given. Its exercise was manifested by a proclamation which after reciting the resolution of Congress declared:

"It is deemed necessary for the national security and defense to supervise and take possession and assume control of all telegraph and telephone systems and to operate the same in such manner as may be needful or desirable;

Now, Therefore, I, Woodrow Wilson, President of the United States, under and by virtue of the powers vested in me by the foregoing resolution, and by virtue of all other powers thereto me enabling, do hereby take possession and assume control and supervision of each and every telegraph and telephone system, and every part thereof, within the jurisdiction of the United States, including all equipment thereof and appurtenances thereto whatsoever and all materials and supplies.

It is hereby directed that the supervision, possession, control, and operation of such telegraph and telephone systems hereby by me undertaken shall be exercised by and through the Postmaster General. . . ."

The proclamation gave to the Postmaster General plenary power to exert his authority to the extent he might deem desirable through the existing owners, managers, directors or officers of the telegraph or telephone lines, and it was provided that their services might continue as permitted by general or special orders of the Postmaster General. It was declared that "from and after twelve o'clock midnight on the 31st day of July, 1918, all telegraph and telephone systems included in this order and proclamation shall conclusively be deemed within the possession and control and under the supervision of said Postmaster General without further act or notice."

Under this authority the Postmaster General assumed possession and control of the telephone lines and operated the same. On the 31st day of October, 1918, the President through the Postmaster General, in the exertion of the duty imposed upon him by the resolution of Congress to make compensation, concluded a contract with the telephone companies of the most comprehensive character covering the whole field while the possession, control and operation by the United States continued. By its terms stipulated amounts were to be paid as consideration for the possession, control and operation by the United States and the earnings resulting from such operation became the property of the United States. Although concluded in October, 1918, by stipulation the contract related back to the time when the President took over the property.

Following this, by authority of the President, the Postmaster General fixed a general schedule of rates and it was the order to put this schedule in effect which gave rise to the suit, the trial, and the resulting judgment which we have now under consideration.

That under its war power Congress possessed the right to confer upon the President the authority which it gave him we think needs nothing here but statement, as we have disposed of that subject in the North Dakota railroad rate case. And the completeness of the war power under which the authority was exerted and by which completeness its exercise is to be tested suffices, we think, to dispose of the many other contentions urged as to the want of power in Congress to confer upon the President the authority which it gave him.

The proposition that the President in exercising the power exceeded the authority given him is based upon two considerations. First, because there was nothing in the conditions at the time the power was exercised which justified the calling into play of the authority; indeed, the contention goes further and assails the motives which it is asserted induced the exercise of the power. But as the contention at best concerns not a want of power, but a mere excess or abuse of discretion in exerting a power given, it is clear that it involves considerations which are beyond the reach of judicial power. This must be since, as this court has often pointed out, the judicial may not invade the legislative or executive departments so as to correct alleged mistakes or wrongs arising from asserted abuse of discretion.

The second contention, although it apparently rests upon the assertion that there was an absence of power in the President to exert the authority to the extent to which he did exert it, when it is correctly understood amounts only to an asserted limitation on the power granted based upon a plain misconception of the terms of the resolution of Congress by which the power was given. In other words, it assumed that by the resolution only a limited power as to the telephone lines was conferred upon the President, and hence that the assumption by him of complete possession and control was beyond the authority possessed. But although it may be conceded that there is some ground for contending, in view of the elements of authority enumerated in the resolution of Congress, that there was power given to take less than the whole if the President deemed it best to do so, we are of opinion that authority was conferred as to all the enumerated elements and that there was hence a right in the President to take complete possession and control to enable the full operation of the lines embraced in the authority. The contemporaneous official steps taken to give effect to the resolution, the proclamation of the President, the action of the Postmaster General under the authority of the President, the contracts made with the telephone companies in pursuance of authority to fix their compensation, all establish the accuracy of this view, since they all make it clear that it was assumed that power to take full control was conferred and that it was exerted so as to embrace the entire business and the right to the entire revenues to arise from the act of the United States in carrying it out. Indeed, Congress in subsequently dealing with the situation thus produced would seem to have entertained the same conception as to the scope of the power conveyed by the resolution and dealt with it from that point of view. (Act of Oct. 30, 1918; 40 Stat. 1017).

This brings us to the proposition upon which the court based its conclusion, that is, that although complete possession, exclusive control, and the right to all the revenues derived from the operation of the business were in the United States as the result of the resolution, the proclamation, and the contracts, yet as to intrastate earnings, the state power remained to "encumber" the authority of the United States, because that situation necessarily resulted from the terms of the Congressional resolution.

This superficially was based on an interpretation of the resolution, but in substance was caused by the application to the clause of the resolution interpreted, of the erroneous presumption as to the continuance of state power dealt with in the North Dakota case.

Let us see if this is not necessarily so. The provision dealt with was the proviso of the resolution which in the first place saved "the lawful police regulations of the several states" and therefore subjected the control of the United States to the operation of such power; and in the second place prohibited the states during the United States control from exerting authority as to the issue of stocks and bonds.

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It was conceded that the words "police power" were susceptible of two significations, a comprehensive one embracing in substance the whole field of state authority and the other a narrower one including only state power to deal with the health, safety and morals of the people. Although it was admitted that the reservation, considered intrinsically, was not susceptible of being interpreted in the broader of the two lights, it was held that it was necessary to so interpret it because of the clause of the proviso prohibiting the States from legislating concerning the issue of stocks and bonds by the companies during the United States control. The reasoning was this: It was inconceivable, it was said, that the subject, stocks and bonds, should have been withdrawn from state control by an express prohibition unless that subject would have been under state control in the absence of the prohibition, a result which could only exist by giving the saving clause as to police power its widest significance. But the fact that the rule of construction applied had the result of incorporating in the act of Congress unlimited state authority merely as the result of a prohibition by Congress against the exertion of state power in a specific instance, in and of itself admonishes of the incorrectness of the rule. But its want of foundation is established by two further considerations: (1) because it causes the provision as to stocks and bonds, which was plainly enacted to preserve the financial control of the United States over the corporations, to limit if not destroy such control; (2) because by converting the prohibition against state power into an affirmative and comprehensive grant of that power, it so interprets the act as to limit the grant of authority which the act beyond doubt gave to the United States. These considerations not only show the mistake of the interpretation, but also point out the confusion and conflict which must necessarily arise from giving effect to the mistaken presumption of the continuance of state power to which we have previously referred.

Inherently the power of a State to fix rates to be charged for intrastate carriage or transmission is in its nature but derivative, since it arises from and depends upon the duty of those engaged in intrastate commerce to charge only reasonable rates for the services by them rendered, and the authority possessed by the State to exact a compliance with that duty. Conceding that it was within the power of Congress, subject to constitutional limitations, to transplant the state power as to intrastate rates into a sphere where it, Congress, had complete control over telephone lines because it had taken possession of them and was operating them as a governmental agency, it must follow that in such sphere there would be nothing upon which the state power could be exerted except upon the power of the United States, that is, its authority to fix rates for the services which it was rendering through its governmental agencies. The anomaly resulting from such conditions adds cogency to the reasons by which the North Dakota case the error in presuming the continuance of state power in such a situation was pointed out and makes it certain that such a result could be brought about only by clear expression or at least from the most convincing implication.

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This disposes of the case, but before leaving it we observe that we have not overlooked in its consideration the references made to proceedings in Congress concerning the resolution at the time of its passage, and further, that we have also considered all the suggestions made in the many and voluminous briefs filed on behalf of various state authorities and individuals having interests in suits pending elsewhere, concerning the construction of the resolution. In saying this, however, we must except suggestions as to want of wisdom or necessity for conferring the power given, or as to the precipitate or uncalled for exertion of the power as conferred, from all of which we have turned aside because the right to consider them was wholly beyond the sphere of judicial authority.

In view of our conclusion we shall in this case, as we did in the previous one and for the reasons therein stated, content ourselves with reversing the judgment below upon the merits with directions for such further proceedings as may be not inconsistent with this opinion.

And it is so ordered.

Mr. Justice Brandeis dissents.

A true copy.

Test:

Clerk Supreme Court, U. S.

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY
Legal Department

SAN FRANCISCO, June 3, 1919.

C. M. Bracelen, Esq.,
195 Broadway,
New York City.

My dear Bracelen:

While you were deprived of the chance to argue the telephone case before the Supreme Court, I consider that you are entitled to much of the credit for the outcome, as it was your work all along the line which laid the foundation for the decision. Please accept my hearty congratulations on the result. The only unfortunate part is that we will now not have any ruling on the motion to remand the case which we removed from the state to the federal court.

In going over my files I find that the only copy I had of your brief on the question "Has the Postmaster General the Power to Fix Local Telephone Rates" has been lost somewhere in the shuffle, probably the attorneys in the South have it. In order that my file may be complete, will you please send me another copy. I am also anxious, if possible, to get hold of the briefs which were filed in the Supreme Court. Can you get me a copy of these?

With kind regards,

Yours very truly,
H. D. Pillsbury

June 9, 1919

H. D. Pillsbury, Esq., General Attorney,
The Pacific Telephone and Telegraph Company,
Standard Oil Building,
San Francisco, California.

Dear Mr. Pillsbury:-

I have yours of the 3rd instant with reference to the supreme court decision. By this time, I presume you have received the printed copies of the opinion. The printed copies which I sent you were prepared before certified copies were available from the clerk. They have been compared with the official copies, and you may rely upon them as accurate.

Mr. Bracelen did some very good work in these cases, and I think is entitled to the credit for developing them along lines that resulted in success.

Yours very truly,
N. T. GUERNSEY

June 16, 1919

Horace D. Pillsbury, Esq., General Attorney,
The Pacific Telephone and Telegraph Company,
San Francisco, California.

Dear Sir:

I have your letter of the 3rd instant and am sending you under separate cover, copy of my brief on the Postmaster General's rate power as requested.

I am sorry I cannot furnish you with the briefs filed in the supreme court. I was able to get only a few extra copies and have disposed of all of them. I might get other copies but do not like to ask for them. I have no doubt you can get copies by writing the attorneys direct and thinking you may wish to do that, I am appending hereto the names and addresses of counsel who filed briefs in the case.

Thank you very much for your congratulations on the result.

Yours very truly,
C. M. Bracelen

Enclosure

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY
LEGAL DEPARTMENT

San Francisco, June 3, 1919

N. T. Guernsey, Esq.,
General Counsel, American T. and T. Co.,
195 Broadway,
New York City.

My dear Mr. Guernsey:

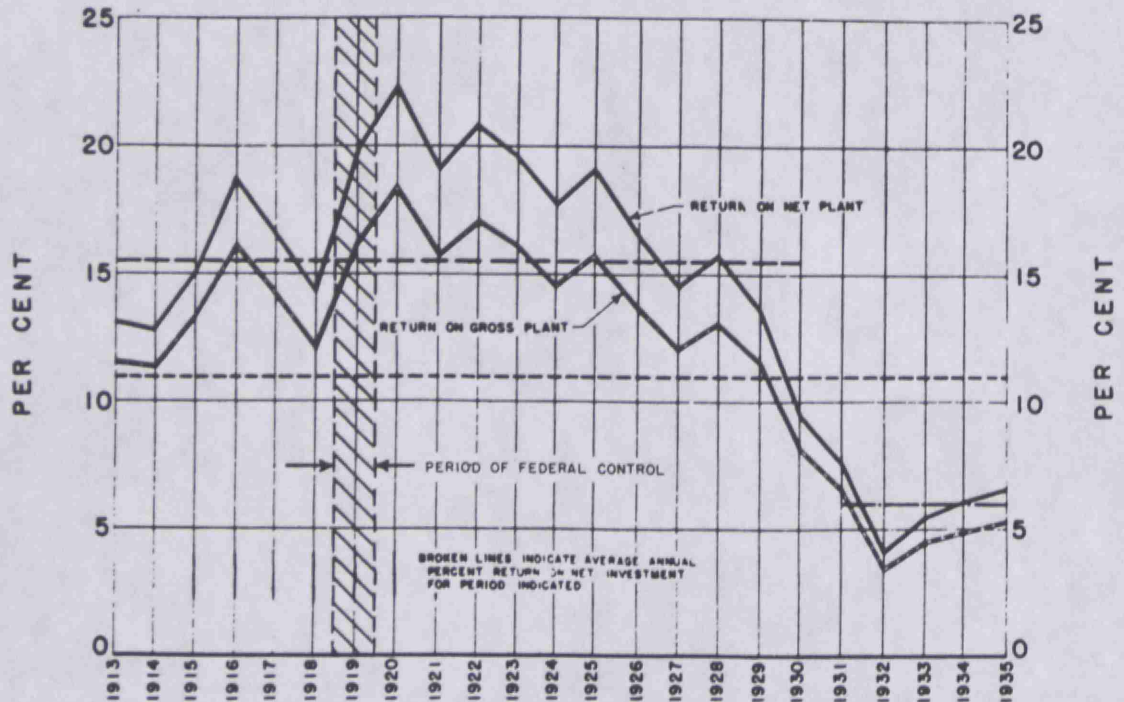
I thank you for your telegram of yesterday advising me as to the scope of the decision by the Supreme Court as it was reported to you by telephone. It certainly is very satisfactory.

You may be interested in knowing that the members of the Railroad Commission seem as pleased over the decision as we are. I expect that they will dismiss the two cases which are now pending in the Federal Court in a few days.

Please accept my hearty congratulations on the outcome of the litigation.

Yours very truly,
H. D. Pillsbury

PER CENT RETURN ON AVERAGE TELEPHONE PLANT IN SERVICE
BOOK COSTS, EXCLUDING CONSTRUCTION WORK IN PROGRESS

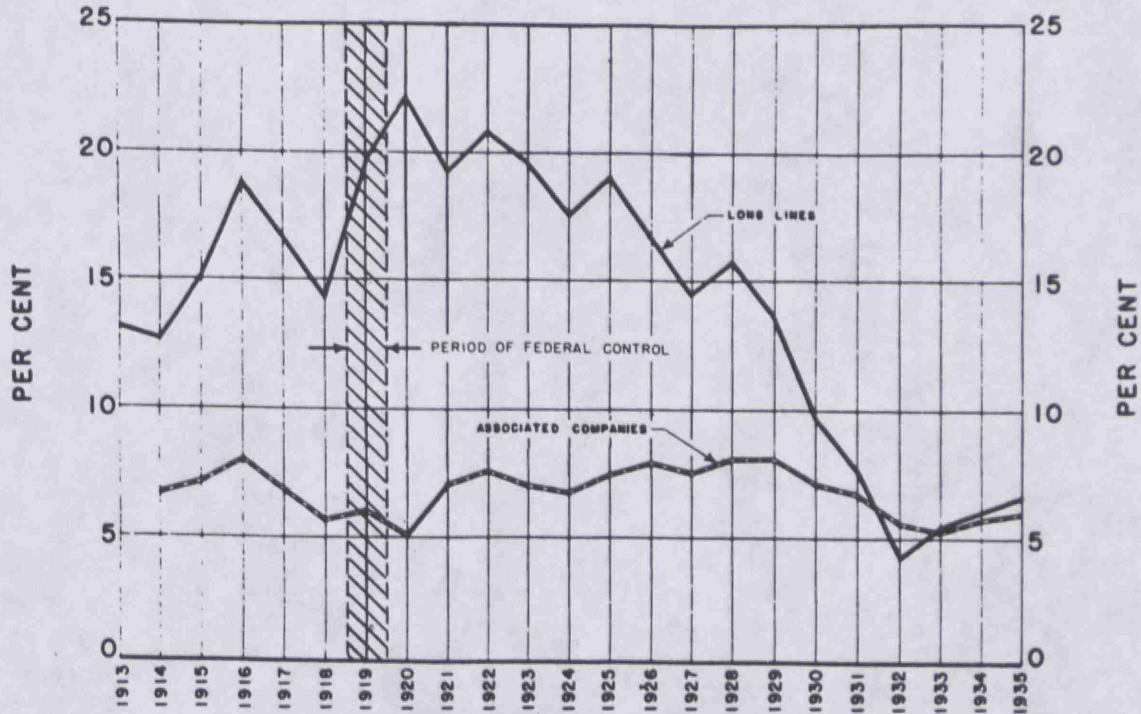


TELEPHONE PLANT AND RETURN -- LONG LINES DEPARTMENT
(Amounts in Dollars)

Year (a)	Average Telephone Plant Gross Book Cost* (b)	Average Depreciation Reserve (c)	Average Telephone Plant Net Book Cost* (d)	Net Telephone Earnings (e)	Per Cent Return on Gross Book Net Book Cost (f) (g)	
1913	47,871,923	5,273,831	42,598,092	5,541,378	11.58%	13.01%
1914	48,918,491	5,661,279	43,257,212	5,527,555	11.30	12.78
1915	49,284,120	6,274,139	43,009,981	6,530,916	13.25	15.18
1916	50,353,759	7,069,148	43,284,611	8,107,147	16.10	18.73
1917	55,593,451	8,534,936	47,058,515	7,851,210	14.12	16.68
1918	64,881,258	10,391,497	54,489,761	7,834,721	12.08	14.38
1919	73,769,305	12,638,689	61,130,616	12,068,977	16.36	19.74
1920	81,901,604	14,820,704	67,080,900	14,954,188	18.26	22.29
1921	91,518,627	16,363,172	75,155,455	14,437,728	15.78	19.21
1922	100,903,232	18,094,132	82,809,100	17,248,824	17.09	20.83
1923	111,925,345	20,465,143	91,460,202	17,979,630	16.06	19.66
1924	126,476,640	22,924,736	103,551,904	18,314,694	14.48	17.69
1925	141,416,129	24,871,264	116,544,865	22,237,453	15.72	19.08
1926	161,485,883	28,009,842	133,476,041	22,158,827	13.72	16.60
1927	188,592,115	32,330,495	156,261,620	22,664,376	12.02	14.50
1928	223,582,024	37,908,667	185,673,357	29,187,459	13.05	15.72
1929	281,906,945	45,415,387	236,491,558	32,339,490	11.47	13.67
1930	357,714,168	53,470,454	304,243,714	29,202,362	8.16	9.60
1931	409,347,333	60,643,380	348,703,953	26,501,240	6.47	7.60
1932	429,330,471	63,679,308	365,651,163	15,037,550	3.50	4.11
1933	435,951,820	69,743,559	366,208,261	20,191,664	4.63	5.51
1934	435,713,826	81,339,174	354,374,652	21,476,758	4.93	6.06
1935	433,340,470	90,612,354	342,728,116	23,024,020	5.31	6.72

Source - Schedules 1 and 22
*Excluding Construction Work in Progress

PER CENT RETURN ON AVERAGE NET PLANT
ASSOCIATED COMPANIES AND LONG LINES DEPARTMENT



TELEPHONE PLANT AND RETURN -- ASSOCIATED BELL TELEPHONE COMPANIES
(Amounts in Dollars)

Year (a)	Average Telephone Plant Gross Book Cost* (b)	Average Depreciation Reserve (c)	Average Telephone Plant Net Book Cost* (d)	Net Telephone Earnings (e)	Per Cent Return on Gross Book Cost (f)	Per Cent Return on Net Book Cost (g)
1914	757,876,223	102,351,557	655,524,666	43,441,621	5.73%	6.63%
1915	800,808,412	118,865,728	681,942,684	48,909,205	6.11	7.17
1916	846,244,522	140,087,284	706,157,238	55,985,835	6.62	7.93
1917	925,452,332	166,941,933	758,510,399	52,099,852	5.63	6.87
1918	1,012,186,482	197,815,691	814,370,791	46,222,235	4.57	5.68
1919	1,079,331,376	262,388,175	816,943,201	48,600,992	4.50	5.95
1920	1,166,005,160	266,399,186	899,605,974	45,103,799	3.87	5.01
1921	1,294,639,195	300,904,934	993,734,261	69,751,171	5.39	7.02
1922	1,446,290,990	340,911,067	1,105,379,923	83,155,067	5.75	7.52
1923	1,637,305,035	383,437,519	1,253,867,516	88,086,131	5.38	7.03
1924	1,888,921,742	424,389,202	1,464,532,540	99,119,925	5.25	6.77
1925	2,171,650,049	464,221,866	1,707,428,183	126,770,605	5.84	7.42
1926	2,437,509,345	504,586,992	1,932,922,353	151,032,363	6.20	7.81
1927	2,666,549,759	545,082,272	2,121,467,487	160,935,086	6.04	7.59
1928	2,907,192,949	587,220,795	2,319,972,154	185,071,610	6.37	7.98
1929	3,162,238,295	628,856,921	2,533,381,374	202,754,604	6.41	8.00
1930	3,476,776,142	665,452,970	2,811,323,172	199,720,405	5.74	7.10
1931	3,686,835,402	703,008,018	2,983,827,384	202,256,360	5.49	6.78
1932	3,782,719,493	740,018,898	3,042,700,595	169,130,783	4.47	5.56
1933	3,762,683,615	785,336,731	2,977,346,884	157,119,835	4.18	5.28
1934	3,761,903,943	847,571,912	2,914,332,031	164,395,941	4.37	5.64
1935	3,784,987,402	923,206,443	2,861,780,959	171,155,475	4.52	5.98

Source - Company's reports
*Excludes Construction Work in Progress and Intangible Capital

Section 6 .

Relinquishment of Federal Control.

February 17, 1919.

PERSONAL (Note: Prepared by and sent out by Mr. Thayer in Mr. Vail's name, to all Presidents of the Subsidiary Co.)

Dear Mr. Field:

I have been informed that some of our people have the impression that an extension of the period of Federal control means a step toward Government ownership.

As my views are exactly to the contrary, I am writing to you personally in order that, as you may find the opportunity, you may pass them along to the people in your organization.

At the present time, there does not seem to be any appreciable sentiment toward Government ownership, but there is a lively sense of the fact that some correction should be made in the conditions affecting private ownership and operation. It is important to the public and to us that the action [sic] toward such correction should be along well considered lines, so that when the properties are returned, they may be operated in a way to give a maximum of service and under intelligent regulation, as otherwise dissatisfaction will be inevitable, which will probably and almost surely end in Government ownership.

Furthermore, in the absence of some legislation, the property would come back to us with largely increased expenses more or less fixed but with rates established by Federal authority which might be automatically set aside by State authorities.

You will, I think, realize that it is of fundamental importance that these matters be carefully considered and that a reasonable time in which to so consider and act upon them is vitally necessary. It is for these reasons that I have been urging an extension of time.

There has not been in the past and there probably will not be for a generation in the future, a time as favorable as the present for a sound adjustment of the relation between the Government, the public and the utilities, and we should address ourselves to it with all of our energies.

There is a much better prospect of getting the necessary consideration and action now than after the properties are turned back. Now it is a concrete question. Then it will be an abstract question.

Yours very truly,
Theo. N. Vail

(Copy of first draft of Public Utilities and Public Relations of Mr. Vail, and copy of first draft of proposed "Bill" sent to Executive Committee with this letter.)

May 3, 1919.

47
Charles Francis Adams, Esq.,
Boston, Massachusetts.

Dear Mr. Adams:

The enclosed is an attempt to show the fallacy of undertaking to regulate a utility system by a multiplicity of bodies, particularly where no one body has authority over the whole system or over the completed service of any system.

It commits the company to nothing it is not already committed to.

It also attempts to show the inefficacy of attempts to do by indirection that which must be directly done to make the investment sufficiently attractive to provide necessary funds.

Unless the Executive Committee objects, it is intended, at a conference of the executives of the Bell System called for Wednesday, to decide on the best method of getting our views before Congress.

We have tried in this to preserve the State commission so far as it does not interfere with the authority of the United States.

Please consider these papers before the meeting of Wednesday.

Sincerely yours,
T. N. Vail

May 15, 1919.

Mr. J. T. Moran, President,
The Southern New England Telephone Company,
New Haven, Connecticut.

Dear Mr. Moran:

I enclose herewith a statement signed by me, as the President of this Company representing the Bell System, and by Mr. Robinson, as the President of the United States Independent Telephone Association representing the Independents, which will be delivered to each senator and representative in Washington on next Monday. Copies of this statement will be given to the Associated Press, released for publication in the morning papers on Monday the 19th instant. The purpose is, in a

general way, to advise Congress and the public that some constructive action is necessary in connection with the return of the wire systems, to enable the companies to reestablish and maintain the former high-class of service.

I would like to have you see that this is given as much publicity as possible in the newspapers in your territory, and to that end, suggest that you send a copy of it to each of your district managers and instruct him to secure its publication in the papers as far as possible in his territory. Of course, there should be no publication earlier than in the morning papers on the 19th instant.

This publication will undoubtedly lead to requests for interviews and also to general discussion of the question. I consider it important that for the present at least, this discussion be confined to the general propositions as covered by this statement; in other words, let it be confined to a discussion of the situation, without anything specific as to the remedy for the situation. The principles underlying these general propositions are set out concisely in the preliminary paper, of which a copy was given to you here. As to the remedy, there would be no objection to saying that it seems to be Federal Legislation.

You will note that this memorandum is not based upon the assumption that the telephone properties are in the deplorable condition of some of the other utilities. It is the purpose to make clear that here is a situation where, by prompt action, any further deterioration in the service may be prevented and good service may be reestablished.

This statement is the beginning of our publicity, and is as far as we should go at this time. It is important that we act in entire harmony in this matter. We shall advise you when the situation requires that anything further be done.

Yours very truly,
THEO. N. VAIL,
President.

Sent to all telephone company
presidents - copies to Messrs.

Vail
Bethell
Thayer
Kingsbury
Guernsey

(Enclosure)

Washington, D. C., May 19, 1919.

TO THE MEMBERS OF THE SENATE AND
HOUSE OF REPRESENTATIVES:

On midnight July 31, 1918, under the authority of Congress for war purposes, the President took supervision, possession, control, and operation of the telephone systems of the country and has since

operated them. The war has practically ceased. The public press is strongly demanding, the general public and the owners of the telephone properties are urging, that they be returned as speedily as possible, that former conditions may be restored and more satisfactory service be afforded. The President and the Postmaster-General have announced that this will be done as soon as adequate arrangements be provided for receiving and advantageously operating them. It remains only for Congress to enact such legislation as speedily as possible.

The expenses of these systems have largely increased during the past year, for wages alone at the rate of more than \$20,000,000 per annum. This was inevitable and necessary by reason of larger proportional increases by the Railroads and industries of the country. The revenues are inadequate to care for such increases, and the deficit of the Government on that account to date is large and steadily increasing. The Postmaster-General ordered that steps be taken to secure adequate revenues, but contentions with the regulatory authorities of the States, not yet settled, have prevented such adjustments.

If such conditions continue, necessarily the credit of the operating companies will be impaired, proper expenses cannot be met, the best operating forces cannot be retained, needed extensions and satisfactory service cannot be provided. A deterioration will ensue which in some localities may threaten a recurrence to public ownership or operation in order to care, even inadequately, for public needs. By prompt action Congress can prevent this contingency.

Just and speedy settlements should be made for all properties taken under the existing law, that such balances now in the possession of the Government may be restored to assist in the upbuilding and extension of the various systems for better public use. The conditions and regulation of operation should be clearly defined so as to permit the companies to reestablish and maintain a satisfactory service with reasonable rates without discrimination and procure the benefits of legitimate competition. The principal operating companies of the United States are vitally interested in cooperating with Congress and the officials of the Government to accomplish these results.

Theo. N. Vail
President American Telephone & Telegraph C

G.W. Robinson
President U.S. Independent Telephone Assn.

May 22, 1919.

Hon. John A. Moon,
House of Representatives.

My Dear Judge Moon:

I have before me the House Resolution No. 2 introduced by the chairman of the Committee on Post Offices and Post Roads, proposing the

7
termination of Government supervision, control, and operation of the telegraph and telephone systems. In my opinion the enactment of this resolution without legislation to properly safeguard the various interests involved would be very unwise. The vexatious problems confronting the wire companies will not be satisfactorily solved by a mere return of these properties to their owners. The extraordinary increased cost of operation and maintenance which has been fastened on them as a result of the war will continue for some time after control passes from the Government. These increased costs of operation and other difficulties confronting these companies are not the result of Government control, but had been imposed on these companies as a result of the war. That this is true is conclusively shown by an examination of the conditions of the street railway systems of the country or of any other public utility. These wire properties can not in fairness to the owners or the general public be returned under the burden of these increased costs of operation, without assurance of revenue sufficient to meet such increased cost, for otherwise deterioration of the properties and the service will inevitably result, and the public as well as the owners and investors in the securities of these companies will be disastrously affected.

Manifestly, the former rates are inadequate to produce the necessary revenue to meet existing requirements to maintain and operate these properties. New materials must be purchased at market prices and skilled labor employed at prevailing wages. Because of these extraordinary changes in the operating conditions of these properties a serious responsibility rests on the Government to adopt every means possible consistent with sound policy to protect the public and enable the owners to operate their properties free from the dangers of receiverships or the serious impairment of their values or the deterioration of this important service. In my opinion some legislation to meet this situation is imperative.

In response to your verbal request, I will give you the views of the Wire Control Board on the legislation which it is believed should be enacted before these properties pass from the control of the Government. The members of the board are unanimously of the opinion that in order to provide the most efficient wire service the various systems should be coordinated as to operation. This does not require monopoly of ownership, but is necessary so that there can be a consistent and harmonious regulatory policy. Through this means only can the attempts at wasteful competition and the economic loss occasioned by duplication of plant and force be avoided. It is believed that this desirable end can be reached by amending the law so as to provide that, subject to the approval of the Interstate Commerce Commission, any telegraph or telephone company doing an interstate business may purchase the property of any telegraph or telephone company, or any part thereof, or consolidate with any other telegraph or telephone company, or pool its traffic and facilities with any other telegraph or telephone company, under provisions which will protect the interests of the public and other near-by companies.

The Wire Control Board is also convinced that it is impossible to secure any uniformity of rates or to maintain adequate revenue for the service where a multiplicity of unassociated, independent authorities or commissions, with full authority to act, are attempting to function.

Whereas it is recognized that the State has control over traffic purely intrastate, yet it is believed that it is no longer open to the question that this power can not be exercised so as to interfere with interstate traffic.

17 In the matter of electrical communications the intrastate and interstate activities are so interdependent that what affects one affects the other, and the character of this traffic has so changed through development that the interstate features have become the dominant and controlling factors. Hence it is believed that the law should be so amended as to empower the Interstate Commerce Commission to fix rates for telegraph and telephone companies subject to the provision of the act, and that any telegraph or telephone company whose lines are located entirely within a State but which transacts direct interstate business through switching or other arrangements with other lines should be made subject to the act.

The public interests demand the most efficient wire service possible. In order that this end may be attained, adequate revenue must be provided. The plant and equipment must be of the best construction and of the very latest development of the art and must be properly maintained, and depreciation and obsolescence with reasonable reserves for surplus and contingencies must be provided and also a reasonable return on the value of the property used to furnish the service. In order to make certain the maintenance of these conditions the rates of the telegraph and telephone companies falling under its jurisdiction should be fixed by the Interstate Commerce Commission, so that they shall produce revenues sufficient to yield a reasonable return on the value of the property used in rendering service, after paying operating and maintenance expenses and providing for depreciation, obsolescence and maintenance of such adjuncts as may be necessary for the development of the art and reservation out of income for surplus and contingencies.

The board is also convinced that in order to provide satisfactory wire service the most efficient personnel must be secured. In order to secure and retain the service of such employees there must be assured proper working conditions, advancement of wages on the basis of demonstrated efficiency or capability, and these conditions can only be brought about by the adoption of a sound policy in the treatment of such employees. In order to assure this, a tribunal should be provided upon which the public, the employee, the managerial force, and capital shall be fairly represented and before which all parties may be heard, so that prompt redress may be had for just grievances.

The wire-control board also suggests that it be provided by legislation that hereafter when any change of wage schedules for employees is contemplated the same shall not become effective until submitted to and approved by the Interstate Commerce Commission, and that when same has been given approval by the Interstate Commerce Commission the commission shall contemporaneously order such modification of rates as will meet the proposed changes in the wage schedule.

I feel constrained by sense of duty to urge upon the committee dealing with this important matter that before action is taken a serious

and unbiased consideration be given to the necessity of some such legislation before these properties are returned to their owners.

A. S. Burleson,
Postmaster General.

Office of the Postmaster General,

Washington, D. C., May 28, 1919.

Hon. John J. Esch,
Chairman of House Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.

My dear Mr. Esch:

Yours of the 27th instant, inclosing copy of House joint resolution 2, introduced by Mr. Steenerson, House resolution No. 21, introduced by Mr. Ferris, and H. R. No. 421, introduced by yourself, all on May 19, having reference to return of the wire systems to their owners, received.

I note your statement that hearings will commence on these measures on Friday, May 30, at 10.30 a. m., and will be pleased to furnish your committee any information you may desire from the Post Office Department relative to these measures.

For your information I inclose copy of a communication sent by me to Representative Moon on the 22d instant, giving my views as to the Steenerson resolution, which apply generally to the other measures now pending before your committee to which you refer. Also a copy of a communication, and certain data, sent me by to Mr. Sims of your committee on the 28th instant, all bearing upon the same matter.

Section 3 of your bill (H. R. 421), if enacted into law, can be complied with so far as the duties imposed upon the Executive are concerned within the time therein fixed.

Very truly, yours,
A. S. Burleson,
Postmaster General.

Excerpts from hearings before the House Committee on Interstate and Foreign Commerce, May 30, 1919:

"Mr. Kingsbury.* We understand from the bill which has been introduced that Congress is giving its consideration now to the immediate return to the owners of the telephone companies which were taken over under the resolution of July 16, 1918, by the President on August 1, 1918.

"In our opinion to do this without a proper understanding of the situation in which the telephone companies find themselves, and without passing some legislation to protect the revenues of the telephone companies would result in a demoralization of the telephone service, in the impairment of the credit of the telephone companies, and serious financial embarrassment to most, if not all, of the telephone companies of the country.

"I, of course, am addressing myself to this matter from the standpoint of the Bell system."

* * *

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* * *

"Mr. Winslow. To what extent has Federal management changed the methods of operating, of your service rendered the public?

"Mr. Kingsbury. It has not changed it at all.

"Mr. Winslow. To what extent has it changed the personnel of the managers of the company?

"Mr. Kingsbury. So far as our system is concerned, it has changed it very little indeed. I lost my job as the manager of the long-distance lines, but that has not hurt the service a particle. I have not gone with the Government; I have no connection with Government administration whatever. My work is all with the corporation.

"Mr. Winslow. Do you expect finally to make a statement as to what the Government has really done in connection with operating the telephone companies?

"Mr. Kingsbury. I am very willing to do it, and will give it right now, if you wish.

"Mr. Winslow. Yes; I would like to have you go ahead.

"Mr. Kingsbury. So far as the Bell System is concerned, the Government has requested that the operating officials of the various companies carry on the operations of those companies as agents of the Government. Is that clear?

"Mr. Winslow. Well, it is clear enough, but it does not say anything.

* Vice President of American Telephone and Telegraph Company.

"Mr. Kingsbury. Well, that is all there is to it.

"Mr. Winslow. I want to know if Government officials have butted into the operation of the telephone matters. I want to know what orders they have given you that appeared to be revolutionary, beneficial, or otherwise; not in detail, but generally.

"Mr. Kingsbury. They have not interfered in any sense with the operation of our companies. The operations have been carried on by exactly, almost without exception, the same men and women that carried them on before the period of Government control.

"Mr. Winslow. Well, leading on a little further, let me ask to what extent have they introduced, recommended, or brought about changes in operation or cost of installation which has either increased or decreased the revenues of the company?

"Mr. Kingsbury. They have, of course, increased the rates, but I will come to that part of my answer a little later, if satisfactory to you.

"Mr. Winslow. All right.

"Mr. Kingsbury. With reference to new systems of operation, or new methods, they have done nothing of that sort. They have increased wages, and they have increased rates in some instances.

"Mr. Montague. May I supplement Mr. Winslow's inquiry right there?

"The Chairman. Certainly. Proceed, Gov. Montague.

"Mr. Montague. Mr. Winslow spoke of the Government, and I believe that he used the term "butting into the operation of the telephone companies." Is Mr. Vail the president of your company?

"Mr. Kingsbury. Yes, sir.

"Mr. Montague. Did he come down to Washington and cooperate with the Government?

"Mr. Kingsbury. We have all cooperated with the Government to the fullest extent. We consider Congress the supreme law-making body of the land, and when Congress tells us that we are to turn over our properties to the Government we do it, and we did it very cheerfully, and since that time we have helped in every way to continue the successful operations of these companies under Government management. We do not believe it to be our duty to try to obstruct the telephone service of the United States; that is, to try to interfere in any way with the orderly procedure of the business.

"Mr. Montague. It is generally understood, or perhaps I should not use that term, but at least it is understood by a great many people, or I might use the term perhaps, misunderstood, whichever you prefer, that Mr. Vail was in favor of getting the Government to take over control or regulation of the telephone companies. What about that?

"Mr. Kingsbury. It has been stated by many, and has even been talked in Congress, that Mr. Vail was instrumental in having that law passed; but that is a mistake.

"Mr. Montague. It has been the impression, certainly, in many sections of the country, that he was not only favorable to such action, but instrumental in having the law passed.

to
"Mr. Kingsbury. I am very glad that you brought that up, and I wish I were under oath here in making this statement, but I wish to say that Mr. Vail had nothing to do with the passage of that law. On the other hand, he opposed it. It has been stated that he and the general counsel and myself were here in Washington asking for it. I want to say that Mr. Vail was not in Washington between the months of March, 1918, and July, 1918, in fact until the 29th day of July, when the Postmaster General sent for him and me to have our first conference with him. I further want to say that Mr. Vail had never met, had not even seen, Mr. Burleson until the 29th day of July, 1918, and therefore had never had an interview with Mr. Burleson, or any correspondence with him of any sort with respect to this law or any other question in regard to the taking over of the telephone or telegraph plants or any other question of the kind that I know of. I am very glad, indeed, that that matter was brought up. I appeared here in Washington, and tried to gain admission to this committee room, but it was denied. I tried to gain admission to the Senate committee room, but failed. And Senator Kellogg said on yesterday before the Senate committee that he repeatedly asked the committee to give me an opportunity to appear in opposition to that bill, but that the Senate repeatedly refused to hear me. Several other Senators were present at the time, I am very glad to say, who were also present on yesterday before the Senate committee, and assented to the same condition of affairs, last year; that is, that I had asked for an opportunity to appear before the committee, but that request was denied.

"The Chairman. I did not understand your statement that you were denied a hearing before this committee last year; did you mean, before the last Congress?

"Mr. Kingsbury. Yes, sir.

"The Chairman. With reference to what proposition?

"Mr. Kingsbury. In reference to the joint resolution.

"The Chairman. That was last July.

"Mr. Kingsbury. Yes, sir.

"The Chairman. I was not aware that any request had been made to the committee for a hearing.

"Mr. Kingsbury. We tried to get in a request through various members.

"Mr. Montague. It is the first I have heard of it.

"Mr. Barkley. It is the first I ever heard of it.

"Mr. Hamilton. I suppose you made your request to the chairman of the committee?

"Mr. Kingsbury. It was out of the committee before we could get a chance to be heard.

"Mr. Hamilton. Then it got in and got out of the committee so rapidly that you did not arrive in time, is that the situation?

"Mr. Kingsbury. Yes; we did arrive in time for the Senate committee, but could not get in there either.

"Mr. Hamilton. Well, this committee moved very rapidly.

"Mr. Kingsbury. Yes, sir.

"Mr. Winslow. Will you kindly state whether or not in your judgment the control of your business by the Government injured the service rendered by the company in any way, or benefited the service in any way?

"Mr. Kingsbury. You mean by "service" the giving of service?

"Mr. Winslow. I mean the whole well-being of the telephone service from any viewpoint.

"Mr. Kingsbury. I think it injured the service of the companies, but not to any very great extent. The reason it injured the service of the companies was because it depressed the morale of the operating forces. People were uncertain as to their tenure of office; they did not know what was going to happen. There was a great deal of talk about a complete revolution in the affairs of the companies. We lost some good men. At the same time, it is very difficult to say how much that interfered with the service, because at that same time we had over 18,000 people in the Army and the Navy, and they were people who could not be replaced; the services of those people were missed; in fact, sorely missed, in the affairs of the companies. So it is that I say, how much you can attribute to the loss of morale incident to Government operation, and how much to the loss of those particular people who were in war service, is very difficult for anybody to state with any exactness.

"Mr. Winslow. Subject to all of the influences of the times, to what extent, if any, did the orders coming out of the Government, and to which their power was attached, interfere with the good service and well being of the company?

"Mr. Kingsbury. I do not think it interfered very much.

"Mr. Winslow. Did it help it any?

"Mr. Kingsbury. I do not think it helped. I was trying to think of some order that might have helped in the way of giving service, but I do not think of any.

"Mr. Winslow. Isn't it fair to assume that the coming and going of Federal administration is virtually a negative movement, both in and out?

"Mr. Kingsbury. If you address your mind entirely to service.

"Mr. Winslow. Well, to the well-being of the public and everything.

"Mr. Kingsbury. Well, that is too broad a question to answer yes or no. I would rather go ahead with my statement on that, if you please.

"Mr. Winslow. All right.

"The Chairman. You may proceed.

"Mr. Kingsbury. I said that up to the beginning of Federal control, August 1, 1918, we had succeeded in increasing rates throughout the country to the extent of \$6,000,000 annually. But with the period of Federal control our plans were necessarily dropped. We had nothing further to say in regard to rates. It was then a question as to whether the Postmaster General or the various State commissions had the rate-making power. But during that period of five months our increase in wages went right on. And as I have already testified, during that period of five months wages were increased more than \$11,000,000; I mean the five months between August 1, 1918, and December 31, 1918. Those were increases by the Telephone Administration of the Post Office Department. Now I do not mean by increases in wages those natural increases that are occurring all the time in the telephone business, where an operator or a man goes from one grade of service to another, and his pay thereby increases, but I mean increases in the basic rates of pay.

"Now, since January 1, 1919, that is, for the first three months of this year, wages have been increased another \$11,000,000, so that during the period of Federal control the wages of the Bell system have been increased \$22,600,000.

"Mr. Watson. Will you state what the increase in revenue has been?

"Mr. Kingsbury. Yes, sir; I am coming to that. All of these increases in wages, of course, are in addition to increases in cost of materials and in cost of capital. Now, during the period of Government operation -- and this is the point you want, sir -- our rates have been increased so as to increase the revenue \$23,750,000 annually, which is about 7 per cent on the gross revenue of our system. I need not tell you gentlemen how much other things have been increased, railroad rates for instance, but I want to call your particular attention --

"Mr. Watson (interposing). May I ask you if you desired to express that the revenue last year was increased \$23,000,000?

"Mr. Kingsbury. Yes. No; wait a minute. Since the beginning of Government control, August 1, 1918, the increases in revenue, if they continued for a year, would amount to that sum.

"Mr. Watson. They have been at that rate?

"Mr. Kingsbury. Yes, sir.

"Mr. Watson. At the rate of \$23,000,000 a year?

"Mr. Kingsbury. At the rate of \$23,750,000 a year for the Bell system. Now I want to call your particular attention to the small percentage, that is, on the gross revenue of the system. It is just about 7 per cent.

"To continue, the situation in which we find ourselves is this: We have got this increased revenue. It just about takes care of the increases in wages. It does not take care of the increases in the cost of materials or the increase in the cost of capital."

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"Mr. Kingsbury. No, sir.

"Of course, all we are asking for here is to cover increased expenses. All we have received so far is an increase of about 7 per cent in our revenues.

"Now, if I may, I would just like to say a few words along a general line that may occur to you gentlemen afterwards. In speaking of the Bell System, our total investment is approximately \$1,400,000,000. Our total investment in telephone plant is approximately \$1,150,000,000. Now, the difference between the investment in plant and the total investment are cash items, supplies on hand that are not permanent plant at all, the ownership of various stocks in non-operating or foreign telephone companies like the Bell of Canada, of which we own a large part, and the Western Electric Co., our manufacturing concern. Now, on this investment of \$1,400,000,000 we pay dividends of \$40,000,000, approximately, a year; that is, the whole system, and we pay interest charges on bonds and bills payable of approximately \$25,000,000, which makes a total capital charge of approximately \$65,000,000. Now, \$65,000,000 is 4.6 per cent on our total investment, or 5.8 per cent on our plant investment. I simply bring out these figures because somebody may say that here is a company that pays 8 per cent on its stock. That is true. We do pay 8 per cent on the stock of the American Telephone & Telegraph Co., of which there is outstanding \$441,000,000 or a little over. We are enabled to pay that 8 per cent and only earn on our total investment 4.6 per cent because many of our companies do not pay any dividends at all, and because we have always put our surplus and reserves back into our physical plant, and on that surplus and reserves we pay no dividends or interest whatever, and they amount to several hundred million dollars.

"Now, if in this crisis -- and perhaps I ought to say this -- we have no complaint against the State commissions in general and on the

average for the treatment we have received in the past; but we have never been before confronted and the telephone companies have never been before confronted with this sort of a conditions, which is a crisis, and this crisis, if you will permit me to say so, has been brought upon us by enactment of Congress. We have not been able to proceed in an orderly fashion with the securing of increases in rates to take care of these mounting costs. That work has been taken out of our hands and put, only the Supreme Court knows where.

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"Now, to just turn these properties back to us after this large increase has been made, without giving us a chance to turn around while the proper regulatory bodies can get to work and either approve these rates or decide that they are exorbitant and wrong and change them, it seems to us would be a matter which Congress would hesitate to accomplish.

"Mr. Sweet. Right in that connection, Mr. Kingsbury -- you have probably given the matter a great deal of thought -- what do you suggest to this committee that Congress should do by way of remedial legislation along the rate fixing line to meet this crisis of which you have just spoken?

"Mr. Kingsbury. Our suggestion would be, sir, that when Congress returns these properties to us, it shall, of course, continue the obligation of the President to pay just compensation for the properties during the time that they were under Federal control. That is the first thing.

"Mr. Sanders, of Louisiana. Continue that indefinitely?

"Mr. Kingsbury. No, sir; during the period of Federal control. The second thing we would like to have, and we think we should have, would be an enactment providing that the rates made during the period of Federal control shall continue to be the legal rates until such time as the various regulatory bodies have a chance to investigate those rates and decide whether or not they are just rates.

"Mr. Sweet. And that, too, without reference to the decision that may be made by the Supreme Court in the case which is now before them.

"Mr. Kingsbury. Just so; yes.

"Mr. Sanders, of Louisiana. You mean intra as well as inter state?

"Mr. Kingsbury. Yes, sir. If the Supreme Court should decide that the Postmaster General has no rate-making power and that all the rates which he had made under the joint resolution were illegal, we would, of course, find ourselves in a very desperate situation.

"Mr. Merritt. Are you advised that intrastate rates made by act of Congress would be legal?

"Mr. Kingsbury. Yes, sir.

"Mr. Sanders, of Louisiana. Within the State?

"Mr. Kingsbury. Yes, sir.

"Mr. Barkley. That is based upon the theory that they are now under Government control and that any rate fixed by action of Congress, without regard to whether it was interstate or intrastate would be a legal rate.

"Mr. Kingsbury. Yes, sir.

"Mr. Barkley. Just as the railroad rates are.

"Mr. Kingsbury. Yes, sir. Congress acted in this matter under the war power of Congress.

"Mr. Denison. But after peace shall have been declared and the war power ceases, do you still understand that we would have the power to fix rates on local lines in various states?

"Mr. Kingsbury. Yes, sir.

"Mr. Denison. Under what power do you understand that to be so?

"Mr. Kingsbury. Under the war power.

"Mr. Denison. I understand that, but after the war has ceased.

"Mr. Kingsbury. The war has not ceased, legally.

"Mr. Denison. I am assuming that it will cease.

"Mr. Kingsbury. Yes; I am, too, but the war conditions --

"Mr. Denison. Now, after it shall have ceased, do you still think we would have the power to continue fixing rates on local lines?

"Mr. Kingsbury. I think so. The war conditions surrounding us have not ceased.

"Mr. Denison. I know the war conditions have not.

"Mr. Sanders of Louisiana. They never will cease.

"Mr. Denison. I am speaking about the actual state of war which gives rise to this indefinite power known as the war power.

"Mr. Kingsbury. Suppose you were to hand the railroads back before the period prescribed in the law, which is 21 months after the proclamation of peace --

"Mr. Sanders of Louisiana (interposing). Will you permit me to say that 21 months is not named as the time?

"Mr. Kingsbury. Yes, sir; of course, I will permit you to.

"Mr. Sanders of Louisiana. The resolution of Congress says not exceeding 21 months, and therefore you can not say it is fixed for 21 months.

"Mr. Kingsbury. All right. Under what power of Congress, if you deny that the war power continues, can the Railway Administration continue the rates made during the war during that 21 months, or any shorter period, after the declaration of peace?

"Mr. Denison. That is the question that was in my mind.

"Mr. Garrett. The very language of the statute gives Congress that power for a reasonable time and that is the only way we thought the proposition was safe.

"Mr. Kingsbury. That is what we are asking, some language in the statutes to give us that same power.

"The Chairman. Mr. Kingsbury, will you draft your suggestions in the form of an amendment in writing?

"Mr. Kingsbury. Yes, sir.

"The Chairman. And make them a part of your hearing?

"Mr. Kingsbury. Yes, sir; I have that right here.**"

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"Mr. Denison. Mr. Kingsbury, with reference to that proposed legislation, as I remember the way you read it, it says that the companies shall charge the present rates until such time, and so forth.

"Mr. Kingsbury. Yes, sir.

"Mr. Denison. Now, suppose independent companies or other companies did not desire to do that. They would not be permitted to do so under your draft.

"Mr. Kingsbury. I do not understand you.

"Mr. Denison. I say they would not be permitted to go back to the old charges or to cheapen their rates under the provisions you have read.

"Mr. Kingsbury. That is true.

"Mr. Denison. Do you mean you do not want to permit your competitors or independent companies, or local companies, who are not controlled by your company or any other concern, to go back to the old rates if they wish to do so?

* Mr. Kingsbury introduced into the record the bill which is reproduced on p. 150. As it was printed in the record, the date June 30, 1919 was given as July 31, 1919, and in paragraph (2) the words "for a period not exceeding one year from June 30, 1919, or" were omitted.

"Mr. Kingsbury. They, of course, could come to the commissions and make the changes just as soon as the commissions could get to it. It only crystallizes these rates until such time as the various regulatory bodies have a chance to act with reference to them.

"Mr. Denison. Then, the companies have to get permission from the regulatory bodies in order to cheapen their rates, do they?

"Mr. Kingsbury. Yes, sir.

"Mr. Denison. Ordinarily?

"Mr. Kingsbury. Yes. It is easy to get, though.

"Mr. Sanders of Louisiana. It is easier to get that than an increase.

"Mr. Denison. Under the draft you have read there, none of the companies could cheapen their rates until such time as the regulatory bodies had permitted them to do so?

"Mr. Kingsbury. They could not anyway. The companies are required to file their rates with the commissions. Sometimes, in some States, those rates go into effect immediately on filing unless there is objection or unless the commission acts affirmatively one way or the other, but in most States before the rates go into effect affirmative action on the part of the commission is required.

"Now, there is just one more thing I want to say, Mr. Chairman, if you will bear with me just a moment. If loss occurs, it will not be the loss of the Bell System or of any independent telephone company. You have got to go beyond and through that in order to find out where the loss will occur. In our system this loss will come upon 135,000 stockholders scattered all over the United States, and more than half of those stockholders are women, peculiarly enough. Our stock is not held in great blocks but is very widely disseminated. Most of it is held in small lots of from 10 to 25 shares, and those are the people who are going to bear this loss."

Excerpt from statement of F. B. MacKinnon before the House Committee on Interstate and Foreign Commerce, June 4, 1919:

"Now, these telephone companies, represented in this voluntary organization known as the United States Independent Telephone Association, want in our opinion three things: We talk of the situation in a general sense because some of these individual companies do not want all three things, but the group taken as a whole need three things.

"First, the owners of these properties want their properties back, so that they may operate them themselves. That is their first request.

"Secondly, they want Congress to legislate so as to continue in effect the proviso by which the President is to fix a just compensation for the use of the properties during the period of Government control.

"And, third, they want such remedial legislation as will enable those companies whose financial condition is such that they need to be sustained financially until the rates which have been approved by the Postmaster General shall have been passed upon by the proper regulatory bodies in the different States and become rates fixed by those bodies, or are changed by those bodies as such bodies may see fit."

TELEGRAM

6/5/19 CHICAGO

N T GUERNSEY
GENERAL COUNSEL A T AND T CO
195 BROADWAY, NEW YORK

WAS INFORMED CONFIDENTIALLY IN INDIANAPOLIS YESTERDAY THAT ELMQUIST* PLANS TO HAVE A RESOLUTION INTRODUCED ASKING FOR IMMEDIATE RETURN OF WIRES, AND IS CONSIDERING ADDING A CLAUSE ENDEAVORING TO MAKE THE POSTMASTER GENERALS RATES EFFECTIVE FOR SIXTY OR NINETY DAYS AFTER WIRES ARE RETURNED.

EUGENE S WILSON

* C. E. Elmquist was then President of National Association of Railroad and Utility Commissioners.

CONDITIONAL RELEASE OF WIRES FROM DIRECT FEDERAL OPERATION.

Office of the Postmaster General,

Washington, June 5, 1919.

Postmaster General Burluson to-day gave out the following statement:

"The President having recommended the return of the wire systems and the control of the owning companies with certain legislation designed to stabilize their operation, and the Senate committee having

taken action looking to their immediate return, and the House committee in its hearings on the proposed legislation having indicated concurrence in the suggested immediate return with or without legislation so recommended, I feel it my duty to now return the actual control of operations to the companies. Some days ago I directed the necessary orders to be prepared to accomplish this and have to-day issued same. These orders do not affect questions of rates and finance with which the Congress may determine to deal. The rates now in force and the financial relation between the Government and the companies, and the order of October 2, 1918, prohibiting discrimination because of union affiliations, will continue unless Congress in its wisdom may decide to change them or the 'emergency' is terminated by the proclamation of peace.

"By the action now taken, however, the wire companies resume actual control of operations of their respective properties and are free to formulate and put into effect their own policies unrestricted by Government control, which is to continue in any case a few weeks, and thus will be able to prepare themselves for a complete resumption of the management of their properties. It will be necessary for each company to so keep its accounts during the continuance of Government control that its books may be closed on the day Government control ends, in order that a full and accurate statement may be promptly made when it is called on for same."

The order of the Postmaster General reads as follows:

Office of the Postmaster General,

Order No. 3178.

Washington, June 5, 1919.

All telegraph and telephone companies, including individual and partnerships, whose properties were taken over by the President under authority of the joint resolution of the Congress, approved July 16, 1918, will hereafter operate and manage their properties during the remainder of the period of Federal control, as under Order No. 1783, free from direct Federal operation, upon the following conditions:

(1) Contracts or awards fixing just compensation for the use of any telegraph or telephone line or system shall remain in effect until the termination of said period of control.

(2) Companies with which compensation contracts have been made or to which compensation has been awarded shall continue to collect the service connection and other charges specified in Order No. 1931, as modified by Order No. 2352, the toll rates specified in Order No. 2495 as modified by Order No. 2797, and any exchange or other rates or charges which may have been specially approved by the Postmaster General, and also the rates specified in Order No. 2940; and said companies shall also continue to observe these provisions of Order No. 2067, intended to prevent discrimination against employees because they do or do not belong to any particular labor organization.

(3) Companies operating telephone systems falling within class D, I. C. C. classification, which have waived their claims for compensation under the terms of Order No. 2980, and all companies accepting the award made in pursuance of Order No. 3175, shall be released from any obligation to observe conditions Nos. 1, 2, and 3, as set forth in Order No. 2980; and mutual or cooperative companies shall be released from the obligations set forth in Order No. 2411.

7 (4) Orders Nos. 2479 and 2534 are hereby revoked and the Operating Board created thereby is hereby relieved of its operating duties and ordered to complete or refer to the proper persons all matters now pending before it and is directed to prepare and submit a full report of all its proceedings in connection with a comprehensive statement of all expense of said Board incurred during its existence, and thereupon to dissolve not later than June 14, 1919.

A. S. Burleson,
Postmaster General.

Copy of telegram signed by Messrs. Vail and MacKinnon
and sent to all state commissions June 6, 1919.

The telephone companies of the country are asking Congress to pass a law returning the properties to their owners on June 30, 1919. The companies ask that the rates approved during the period of government control shall continue the legal rates until the various state commissions have opportunity to pass on the justness of the rates, but in no case shall the government rates continue for a longer period than one year, and they may be changed at any time after the properties come back to their owners, if the commissions decide rates are unjust. This interferes in no way with the authority of the state commissions, but gives the commissions and the companies time to carefully consider the rates in relation to increases in wages and further demands for wage increases, and the increased cost of all material. May we not have such assistance as you can consistently give in this crisis of the telephone companies?

HOUSE OF REPRESENTATIVES U. S.
Washington, D. C.

June 7, 1919.

Hon. Theo. N. Veil, President,
American Telegraph & Telephone Co.,
Washington, D. C.

My dear Sir:

I have before me your letter of June 6th, with inclosure, relative to the return of the telephone properties taken over by the Government, and I desire to thank you for giving me the benefit of your views and in submitting for my consideration the form of a bill which in your judgment will meet the situation.

I shall be very glad to give the matter thorough consideration.

Very respectfully,
J. Stanley Webster

A bill believed to be sent to members of Congress by Mr. Veil on June 6, 1919, as referred to by Representative Webster in the preceding letter:

A BILL

For an act to terminate the supervision, possession, control and operation by the President of telegraph, telephone, marine cable and radio systems, taken by him under authority of a joint resolution of the second session of the Sixty-fifth Congress, approved July 16, 1918, and entitled "Joint Resolution to authorize the President in time of war to supervise or take possession and assume control of any telegraph, telephone, marine cable or radio system or systems, or any part thereof, and to operate the same in such manner as may be needful or desirable for the duration of the war, and to provide just compensation therefor."

BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED: That the supervision, possession, control and operation of all telegraph, telephone, marine cable and radio systems, and all parts thereof, taken and assumed by the President under authority of said joint resolution, approved July 16, 1918, and now exercised [sic] by him, be terminated at midnight on June 30, 1919, and that the President be and he is hereby authorized and directed, at midnight on June 30, 1919, to

return and deliver to their owners all such systems and parts thereof over which he is now exercising [sic] supervision, possession, control and operation; provided, however:-

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(1) That the first proviso of said joint resolution, prescribing the just compensation to be paid for and on account of said acts, shall continue in full force and effect until such just compensation shall be fully paid and adjusted to and with the owners of said systems, lines and property, in accordance with any contracts which have been made by the Postmaster General with the owners of such systems, or, in the absence of such contracts, in the manner and according to the terms and conditions set forth in said proviso; and that a report of all proceedings and acts done under the authority of said proviso shall be transmitted to Congress at the beginning of its next regular session; and

(2) That after June 30, 1919, the rates and charges approved or ordered by federal authority during the period of federal control shall be charged and collected by such owners, and shall remain in effect (1) for a period not exceeding one year from June 30, 1919, or until the proper regulatory body shall, after hearing, determine that they are unreasonable and shall establish reasonable rates and charges in lieu thereof, or (2) where no such regulatory body exists, until other reasonable rates and charges have been regularly established by the owners in lieu thereof.

Telegraphed to all Ass'd Co. Pres.

June 7, 1919

F. H. Bethell, Esq., First Vice President, [sic]
New York Telephone Company,
New York, N. Y.

My dear Mr. Bethell:

The following telegram was sent to all of the State Commissions in the United States yesterday:-

"The telephone companies of the country are asking Congress to pass a law returning the properties to their owners on June 30, 1919. The companies ask that the rates approved during the period of government control shall continue the legal rates until the various state commissions have opportunity to pass on the justness of the rates, but in no case shall the government rates continue for a longer period than one year, and they may be changed at any time after the properties come back to their owners, if the commissions decide rates are unjust. This interferes in no way with the authority of the state commissions, but gives the commissions and the companies time to carefully consider the rates in relation to increases in wages and further demands for wage increases, and the increased cost of all material. May we not have such assistance as you can consistently give in this crisis of the telephone companies?"

T. N. Vail
F. B. MacKinnon

We now wish to suggest that you request someone from your organization to call upon the Commission in each of the states where you operate and follow up with a personal interview the telegram which the Commissions have already received.

It is our belief that many of the state Commissions will be inclined to approve the passage of the law which we have requested, and we have already received assurances from several of the states that this is true. We therefore hope that the result of the telegram followed up with a personal interview will be a satisfactory attitude on the part of the state Commissions in general with respect to the proposed law extending the rates approved during Government control for one year or until the proper regulatory bodies have time to consider and readjust the rates, and it would be a tremendous help if all the Commissions would do, as several of them have already done, and that is to signify their approval of the law by a telegram either to Mr. Vail or Mr. MacKinnon.

This matter is very urgent, as the bill may come up for consideration on Monday of next week.

Very truly yours,
N. C. KINGSBURY
Vice President

TELEGRAM

6-9-19 CHICAGO

MR N T GUERNSEY, GENL COUNSEL
AMERICAN TELEPHONE & TELEGRAPH CO
195 BROADWAY, NEW YORK

MR. KINGSBURY'S WIRE OF SATURDAY TO MR. SUNNY REGARDING INTERVIEWING STATE COMMISSIONS IN THIS TERRITORY IS BEING COMPLIED WITH. IN WISCONSIN, PARTICULARLY, IT WOULD HELP US WITH THE COMMISSION IF WE COULD GIVE THEM NAMES OF STATES REFERRED TO BY MR. KINGSBURY AS HAVING ALREADY GIVEN ASSURANCES APPROVING THE PASSAGE OF THE LAW WHICH THE TELEPHONE COMPANIES HAVE REQUESTED. WOULD APPRECIATE IT IF YOU COULD SECURE FOR ME NAMES OF COMMISSION WHICH HAVE GIVEN THESE ASSURANCES.

E S WILSON

Mr. Kingsbury

Can you furnish this?

NTG

Mr. Guernsey:

I don't think should be used at this time

NCK

TELEGRAM

6-7-19 CHICAGO

H B THAYER, VICE PRESIDENT
AMER TEL AND TEL CO
195 BROADWAY, N Y

REFERRING TO MY FAVOR FIFTH INSTANT FORWARDING COPY BURGESS LETTER OF FOURTH INSTANT, I HAVE JUST LEARNED THAT IT IS PROPOSED TO HAVE CONGRESS ENACT LEGISLATION WHICH WILL CONTINUE IN EFFECT FOR A PERIOD OF NINETY DAYS AFTER RETURN OF PROPERTIES, RATES MADE EFFECTIVE BY POSTMASTER GENERAL. THIS PERIOD IS ENTIRELY INADEQUATE AND WOULD NOT BE VERY HELPFUL. IF POSSIBLE, THE LEGISLATION SHOULD PROVIDE THAT RATES MADE EFFECTIVE BY THE POSTMASTER GENERAL SHOULD REMAIN IN EFFECT UNTIL COMMISSIONS HAVE HAD OPPORTUNITY TO INVESTIGATE AND DETERMINE WHAT RATES THEY WILL APPROVE.

I HAVE EVERY REASON TO BELIEVE THAT THE OHIO, INDIANA AND ILLINOIS COMMISSIONS WOULD CONSIDER SUCH LEGISLATION AS FAIR AND THAT WE COULD SECURE THEIR CO-OPERATION. IN SOME CASES THE FAIRNESS OF THE RATES MIGHT BE DETERMINED IN THIRTY DAYS; IN OTHER CASES, IT MIGHT BE SIX MONTHS OR A YEAR.

E S BLOOM

TELEGRAM

6-9-19

Mr. Edgar S. Bloom, President
The Central Union Telephone Co.,
Chicago, Ill.

Your telegram of seventh received this morning. We agree with you as to the time during which government rates should apply and the matter has been thoroughly explained and argued before committees of House and Senate. If you will follow out suggestions in my telegram to you of Saturday it will be very helpful.

N. C. KINGSBURY.

TELEGRAM

6-9-19 ST LOUIS

N C KINGSBURY
195 BROADWAY NEW YORK N Y

A RESPONSIBLE REPRESENTATIVE WILL SEE EACH STATE COMMISSION TODAY IN REFERENCE TO YOUR TELEGRAM OF FRIDAY. THEY COULD NOT BE REACHED ON SATURDAY.

H J PETTENGILL

TELEGRAM

6-9-19 ATLANTA

N C KINGSBURY
195 BROADWAY
NEW YORK

REFERRING OUR CONVERSATION SATURDAY AND YOUR MESSAGE WHICH WAS RECEIVED LATER IN THE DAY, WOULD REPORT AS FOLLOWS:

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I TALKED PERSONALLY WITH CHAIRMAN GEORGIA RAILROAD COMMISSION SATURDAY STOP HE PERSONALLY FAVORS THE SUGGESTION BUT DOES NOT FEEL AUTHORIZED TO SPEAK FOR THE ENTIRE COMMISSION STOP COMMISSION MEETS TOMORROW MORNING AND I HAVE ASKED PRIVILEGE APPEARING BEFORE THEM IN HOPE THAT THEY WILL APPROVE FAVORABLE ANSWER TO TELEGRAM STOP WE ARRANGED SATURDAY TO HAVE ALL OF THE OTHER STATE COMMISSIONS SEEN REGARDING THIS MATTER BUT NONE OF THEM MEET OFTENER THAN ONCE A WEEK STOP SOME OF THEM ONLY MEET MONTHLY, OTHERS TWICE A MONTH STOP WE WILL DO OUR BEST TO COMPLY WITH YOUR REQUEST, BUT AM SORRY WE DID NOT KNOW THE TELEGRAM BEFORE IT WAS SENT, AS DOUBTLESS SOME ANSWERS WILL BE MADE TO IT BEFORE WE CAN POSSIBLY CONFER WITH THEM. STOP IN SUNDAY PAPERS CHAIRMAN ALABAMA COMMISSION WAS QUOTED AS STATING THAT HE WAS HEARTILY OPPOSED TO ANY SUCH BILL STOP I WILL ADVISE YOU FURTHER AS SOON AS OUR REPRESENTATIVES REPORT RESULT OF THEIR EFFORTS TO SEE VARIOUS COMMISSIONS STOP

J. EPPS BROWN

TELEGRAM

6-9-19 ATLANTA

N C KINGSBURY
195 BROADWAY
NEW YORK

I UNDERSTOOD CLEARLY THAT THE TELEGRAMS TO THE VARIOUS COMMISSIONS WERE SIGNED BY MR. VAIL AND MR. MACKINNON, BUT MY MESSAGE THIS MORNING TO YOU WAS ONLY TO GIVE YOU SUCH INFORMATION AS I COULD FOLLOWING OUR CONVERSATION SATURDAY.

WE ARE EXERTING OUR EFFORTS TO GET THE VARIOUS COMMISSIONS TO ANSWER THE TELEGRAMS, WHICH ANSWERS WILL BE DIRECTED TO MR VAIL AND MR MCKINNON

J EPPS BROWN

TELEGRAM

6-10-19 ST LOUIS

H B THAYER VICE PRESIDENT
195 BROADWAY
NEW YORK N Y

M
OKLAHOMA CORPORATION COMMISSION HAS TELEGRAPHED MR VAIL THAT THEY FAVOR IMMEDIATE RETURN OF WIRES AND HAVE NO OBJECTION TO THE CONTINUANCE OF RATES ESTABLISHED BY GOVERNMENT UNTIL COMMISSION HAS TIME TO READJUST THEM. THEY DO NOT APPROVE OF PLACING ANY TIME LIMIT DURING WHICH PRESENT RATES SHALL BE CONTINUED. TWO MEMBERS OF ARKANSAS COMMISSION HAVE TELEGRAPHED MCKINNON THAT THEY ARE IN FAVOR OF NATIONAL LEGISLATION LEGALIZING PRESENT RATES UNTIL STATE COMMISSION HAVE TIME TO INVESTIGATE. ONE MEMBER SAYS HE DOES NOT THINK THE TIME LIMIT SHOULD EXCEED ONE YEAR. KANSAS COMMISSION HAVE NOT ACTED DIRECTLY IN THE MATTER, BUT HAVE AGREED TO GIVE US NINETY DAYS IN WHICH TO FILE RATES TO ENABLE COMPANY TO MEET INCREASED WAGE SCHEDULES. MISSOURI COMMISSION TRYING A CASE IN KANSAS CITY. HAVE NOT YET BEEN ABLE TO GET MATTER BEFORE THEM BUT HOPE TO DO SO TODAY

H J PETTENGILL

TELEGRAM

6-10-19 ATLANTA

N C KINGSBURY
195 BROADWAY
NEW YORK

AM ADVISED NORTH CAROLINA COMMISSION HAS FAVORABLY ANSWERED TELEGRAM FROM MR. VAIL AND MR. MACKINNON.

ONE MEMBER OF SOUTH CAROLINA COMMISSION ANSWERED SAME FAVORABLY OTHER TWO MEMBERS, HOWEVER, DO NOT ENTIRELY AGREE WITH THIS ANSWER, BUT WE HOPE WILL CHANGE THEIR MINDS.

CANNOT YET REPORT ON FLORIDA COMMISSION.

MR. CHIPLEY APPEARED TODAY BEFORE GEORGIA COMMISSION, WHICH IN EXECUTIVE SESSION WILL DECIDE UPON ITS ANSWER WHICH IT PROMISES SEND TODAY.

CHAIRMAN ALABAMA COMMISSION ANSWERED THIS TELEGRAM UNFAVORABLY ON SATURDAY BEFORE WE KNEW OF IT.

MISSISSIPPI COMMISSIONERS ALL IN CAMPAIGN FOR RE ELECTION AND TOURING STATE IMPOSSIBLE GET ANY DECISIVE ACTION FROM THEM.

CHAIRMAN TENNESSEE COMMISSION FAVORS SUGGESTED PLAN, BUT OTHER TWO MEMBERS DIFFER. WE ARE HOPEFUL THAT THEY WILL SEND FAVORABLE ANSWER TODAY.

CHAIRMAN KENTUCKY COMMISSION STATES THAT COMMISSIONS JURISDICTION OVER TELEPHONE MATTERS SO LIMITED HE DOES NOT FEEL JUSTIFIED [sic] IN TAKING ANY ACTION

WILL THANK YOU CONVEY THIS INFORMATION TO MR. VAIL

J EPPS BROWN

TELEGRAM

6-10-19 CHICAGO

N C KINGSBURY
C/O AMER TEL & TEL CO
195 BROADWAY
NEW YORK CITY

YOUR TELEGRAM SEVENTH QUOTING VAIL-MCKINNON TELEGRAM TO STATE COMMISSIONS OF SIXTH.

ILLINOIS COMMISSION TELEGRAPHED ELMQUIST IN REPLY TO HIS TELEGRAM WHICH I UNDERSTAND COVERS A NINETY DAY PERIOD, THAT THEY HAD NO OBJECTION TO THAT PLAN. I AM ADVISED THAT THE COMMISSION REPLIED TO MR. VAIL'S TELEGRAM ADVISING NO OBJECTION TO A REASONABLE PERIOD BUT DID NOT COMMIT THEMSELVES TO ONE YEAR.

WE WERE UNABLE TO PERSUADE OHIO COMMISSION TO MAKE ANY RECOMMENDATION WITH RESPECT TO THE PENDING LEGISLATION IN CONGRESS OR COMMIT THEMSELVES AS TO FUTURE ACTION REGARDING P.M.G. RATES, BEYOND STATEMENT THEY WOULD DEAL FAIRLY WITH THE COMPANIES. MARSHALL AND WALTERMIRE, TWO MEMBERS OF THE COMMISSION EXPRESSED THE OPINION THAT UNDER THE DECISION OF THE UNITED STATES SUPREME COURT THE RATES PUT IN EFFECT BY THE P.M.G. DURING FEDERAL CONTROL WOULD BE LEGAL RATES IN OHIO THEREAFTER UNTIL OTHERWISE ORDERED BY THE COMMISSION AFTER INVESTIGATION, UNLESS SOME DEFINITE DATE FOR THEIR TERMINATION SHOULD BE FIXED BY CONGRESS.

I HAVE NOT YET RECEIVED REPORT ON ATTITUDE OF INDIANA COMMISSION.

E S BLOOM

TELEGRAM

6-9-19 DENVER COL

MR N C KINGSBURY
195 BROADWAY N Y

FOLLOWING TELEGRAM SENT TO MR VAIL BY NEW MEXICO CORPORATION COMMISSION:

"REFERRING AGAIN YOUR WIRE THE SIXTH THE STATE CORPORATION COMMISSION OF NEW MEXICO WISHES THE RETURN OF THE TELEPHONE SYSTEMS TO PRIVATE OWNERSHIP

AND UNDER THE REGULATION OF THE STATE REGULATORY BODIES AS HERETOFORE. THE RATES AS APPROVED BY THE POSTMASTER [sic] GENERAL WILL REMAIN IN EFFECT BY LAW UNTIL SUCH TIME AS THIS COMMISSION SHALL DETERMINE WHETHER THESE OR OTHER RATES ARE JUST. WE UNDERSTAND THERE IS A BILL IN CONGRESS TO RETURN THESE SYSTEMS JUNE 30TH WHICH WE HEARTILY ENDORSE IF IT DOES NOT PROVIDE CENTRALIZED REGULATION. PLEASE SHOW THIS TELEGRAM TO MR OLMQUIST FOR HIS INFORMATION".

BEN S READ

TELEGRAM

6-9-19 DENVER COL

MR N C KINGSBURY
195 BROADWAY, N Y

YOUR TELEGRAM SEVENTH RECEIVED SATURDAY NOON. DRAPE CHAIRMAN OF THE WYOMING PUBLIC SERVICE COMMISSION HAS WIRED SENATORS WARREN AND KENDRICK AND REPRESENTATIVE MONDELL AS FOLLOWS "RE RETURN OF WIRES TO PRIVATE OWNERSHIP COMMISSION FAVORS AND RECOMMENDS RETURN JUNE 30 1919. WILLING THAT PRESENT RATES ESTABLISHED UNDER FEDERAL CONTROL REMAIN IN EFFECT UNTIL COMMISSION DETERMINE THEIR REASONABLENESS BY INVESTIGATION AND HEARING AS DEEMED NECESSARY FOR PROTECTION OF THE COMPANY. INVESTIGATION OR HEARING CAN BE HELD IN CHEYENNE WYOMING IN THE EARLY FUTURE AFTER RETURN OF WIRES"

THE MONTANA COMMISSION SENT THE FOLLOWING TELEGRAM TO SENATORS WALSH AND MYERS AND TO REPRESENTATIVES EVANS AND RIDDICK "THE MONTANA PUBLIC SERVICE COMMISSION FAVORS AN EARLY RETURN OF WIRE SYSTEMS TO THEIR OWNERS AND IN ORDER NOT TO FURTHER COMPLICATE MATTERS AT THIS TIME RECOMMENDS THE PASSAGE OF A LAW CONTINUING THE RATES APPROVED UNDER GOVERNMENT CONTROL AS THE REGULAR RATES UNTIL SUCH TIME AS STATE COMMISSIONS HAVE HAD AN OPPORTUNITY TO MAKE INVESTIGATIONS AND PASS UPON THE REASONABLENESS OF PRESENT RATES."

UTAH-CHAIRMAN OF COMMISSION WHEN INTERVIEWED SATURDAY EVENING EXPRESSED A WILLINGNESS TO SEND SUCH TELEGRAM AND STATED THAT HE WOULD TRY AND GET THE OTHER MEMBERS OF THE COMMISSION TO JOIN WITH HIM THIS MORNING AS HE CONSIDERED SUCH ACTION ONLY FAIR. WE HAVE NOT HEARD AS YET WHAT HAS BEEN DONE.

ARIZONA COMMISSIONER BETTS HAS WIRED MR VAIL THAT THE TWO OTHER COMMISSIONERS F A JONES AND DAVID JOHNSON ARE NOW IN WASHINGTON STOPPING AT THE WILLARD HOTEL AND MR BETTS DESIRES THEY BE SEEN. OUR REPRESENTATIVE AT PHOENIX BELIEVES IF THEY ARE SEEN BOTH OF THEM WILL BE WILLING TO HELP US

IDAHO- GOVERNOR ATTORNEY GENERAL AND ONE COMMISSIONER REPUBLICANS; TWO COMMISSIONERS DEMOCRATS BOTH DEMOCRATS WILLING TO SEND MESSAGE AS REQUESTED. REPUBLICAN MEMBERS THINK IT INCONSISTENT IN VIEW OF FACT COMMISSIONER WAS PLAINTIFF [sic] IN THE INJUNCTION SUIT BROUGHT TO ENJOIN THE PUTTING IN OF THE POSTMASTER GENERALS RATES. THE TWO DEMOCRATS ARE

REFERRING TO HIM BECAUSE THE GOVERNOR AND THE ATTORNEY GENERAL ARE REPUBLICANS. GOVERNOR G W DAVIS IS A CONSERVATIVE MAN AND IF HE WERE SEEN AND THE MATTER EXPLAINED TO HIM WOULD UNDOUBTEDLY UPON REQUEST NOTIFY REPUBLICAN MEMBER OF THE COMMISSION THAT THERE IS NO OBJECTION TO SENDING MESSAGE.

NEW MEXICO- OUR REPRESENTATIVES TALKED WITH CHAIRMAN WILLIAMS OF THE COMMISSION WHO STATED THAT HE WOULD HAVE A MEETING TODAY WITH THE OTHER COMMISSIONERS AND THEN DECIDE UPON THEIR ACTION.

COLORADO- MILTON SMITH HAS TALKED WITH CHAIRMAN WILLIAMS WHO IS OUT OF THE CITY. HE WILL NOT RETURN TO DENVER IN TIME TO HAVE A MEETING WITH THE OTHER COMMISSIONERS UNTIL TUESDAY MORNING.

ALL THE COMMISSIONERS INTERVIEWED HAVE OBJECTED TO SENDING A TELEGRAM TO EITHER MR VAIL OR MR MCKINNON BUT HAVE OFFERED TO SEND A TELEGRAM TO THEIR SENATORS AND REPRESENTATIVES. WILL KEEP YOU FULLY ADVISED OF FURTHER DEVELOPMENTS AND IF ANY SUGGESTIONS OCCUR TO YOU PLEASE LET US HAVE THEM.

BEN S READ

SOUTHWESTERN BELL TELEPHONE SYSTEM
Boatmen's Bank Building, 314 N. Broadway

St. Louis June 10, 1919.

Mr. N.C. Kingsbury, Vice President,
American Telephone & Telegraph Co.
195 Broadway, New York

Dear Mr. Kingsbury:

The Kansas Commission sent a wire advocating that Congress permit the present rates to remain for at least three months.

Mr. Gleed had another talk with them yesterday and they admitted that they should have more time. He is trying to get them to supplement their telegram by advocating that the rates should continue for a year unless changed sooner by the proper authority.

There seems to be the best of feeling on the part of all of our Commissions, including Kansas.

I enclose you copy of a letter that they have just written us in regard to our acceptance of the proposition that they made to our employees. It seems that the Commissioners were away and did not have any meeting until after the publication of the decision of the Supreme Court. This is the most favorable action that the Kansas Commission has ever taken in any of our matters and makes me hopeful of the outcome no matter what action Congress may take.

ARKANSAS:

In Arkansas the Commissioners have communicated direct with the Chairman of the Committee and with some of their Congressmen.

OKLAHOMA:

In Oklahoma two of the Commissioners are frankly favorable and advocate granting all we ask. There is a new chairman, however, who is opposed to sending any telegram or putting the Commission on record. The other two members appear to be afraid that he is trying to get some political advantage and they have delayed taking any action themselves hoping to bring the Chairman into line.

General Manager Noble advised us last night that he hoped to get something from them today. They sent wire today to Mr. Vail, at Washington.

MISSOURI:

The Missouri Commissioners have been scattered. Mr. Gleed is to see the Chairman and one of the Commissioners today at Kansas City. All the members whom we have been able to reach are favorable, - one member saying he would act independently and wire, but the others preferred to have the Chairman act.

As stated above I am quite hopeful of the outcome no matter what action Congress may take.

Yours very truly,

E. D. Nims
First Vice President.

CENTRAL UNION TELEPHONE COMPANY
212 West Washington Street

Chicago June 10, 1919.

Mr. N. C. Kingsbury, Vice President,
American Telephone & Telegraph Company,
195 Broadway,
New York City.

Dear Mr. Kingsbury:-

I beg to confirm my telegram of the 10th as follows:

"Your telegram seventh quoting Vail-McKinnon telegram to State Commissions of sixth.

"Illinois Commission telegraphed Elmquist in reply to his telegram which I understand covers a ninety day period, that they had no objection to that plan. I am advised that the Commission replied to Mr. Vail's telegram advising no objection to a reasonable period but did not commit themselves to one year.

"We were unable to persuade Ohio Commission to make any recommendation with respect to the pending legislation in Congress or commit themselves as to future action regarding P.M.G. rates, beyond statement they would deal fairly with the Companies. Marshall and Waltermire, two members of the Commission expressed the opinion that under the decision of the United States Supreme Court the rates put in effect by the P.M.G. during Federal control would be legal rates in Ohio thereafter until otherwise ordered by the Commission after investigation, unless some definite date for their termination should be fixed by Congress.

"I have not yet received report on attitude of Indiana Commission."

If you particularly desire having an expression of opinion from the Ohio Commission, I think they would probably reply to an inquiry from Elmquist, although I doubt if they would take any direct position in the matter beyond that outlined in the telegram quoted above.

I will wire you just as soon as I am advised as to the attitude taken by the Indiana Commission.

Yours very truly,

Edgar S. Bloom
President.

June 12, 1919

Edgar S. Bloom, Esq., President,
Central Union Telephone Company,
Chicago, Illinois

My dear Mr. Bloom:

I have your favor of the 10th instant confirming your telegram in regard to the attitude of the Illinois and Ohio State Commissions with respect to pending legislation.

I do not believe it will be necessary to take any further steps to get the favorable action of the Ohio Commission. I will state, however,

that a great majority of the Commissions have replied favorably to our appeal, but whether it will do any good with the Congressional Committees or on the floor of Congress remains to be seen. At any rate, we have some very good ammunition.

Very truly yours,

N.C. KINGSBURY
Vice President

New York June 4, 1919

Dear Sir:

With regard to the return of the wire systems, the commission begs to represent that so far as New York State is concerned there is no necessity to legalize the rates made by Mr. Burleson, for the reason that the commission intends to grant a Special Permission which will admit of an easy transfer of authority over rates from the federal to the state authorities without undue irritation to the corporations involved.

We beg to suggest that the telephone companies are asking Congress to legalize the very action which gave rise to the great public protest which is evidenced by the litigation now pending in many of our states. Legalizing the rates would place the burden of proof upon the public to make any reductions and the companies by injunction and other legal proceedings could for a number of years maintain toll and exchange rates made by the Postmaster General without investigation by the state authorities of the fairness and justness of such rates. There would seem to be no reason why the temporary seizure of the wires for alleged military purposes should be made use of by corporations affected in this manner, involving municipalities of different states in enormous expense to revise rates which have been arbitrarily made by the Postmaster General upon hasty investigation, largely through the medium of the officials of the very corporations whose rates are involved.

We feel that the state commissions are able to deal justly with the wire companies in the future as they have in the past, and that there is no excuse whatever for the action proposed by the officials of the companies and endorsed by the Postmaster General.

The commission feels safe in stating that over eighty per cent. of the revenues of the wire companies are secured from intrastate business and that a still larger percentage of the total service is purely intrastate. The telephone and telegraph companies have developed and prospered under state regulation, and at the time of their taking over by the federal government there was no substantial complaint by them or any of them in this state as to the inadequacy of their rates. On the contrary, in the city of New York the commission was preparing to seek a downward revision of telephone rates on the ground that those established in 1915 by order of

the commission had yielded the telephone company an unexpectedly large return.

In view of the facts stated, the commission feels that the wires should be returned not later than June 30 without any legalization of the rates put into effect by the Postmaster General.

Yours respectfully,

Charles B. Hill
Chairman

UNITED STATES INDEPENDENT TELEPHONE ASSOCIATION
ARKANSAS CORPORATION COMMISSION.
Little Rock.

June 9, 1919.

Mr. A. B. McKinnon, Gen'l Supervisor, [sic]
Independent Telephone Companies,
521 Colorado Building,
Washington, D. C.

Dear Sir:-

I understand that the Federal Congress has under consideration the enactment of a Bill relative to the wires that would legalize the rates put into effect, both telephone and telegraph, by the Postmaster General until such a time as such rates are found unjust and unreasonable by the various State Commissions.

Personally, I very much favor the return of the wires and believe that same should be effected as promptly as possible. In view of the general chaotic conditions, I believe also that proper safe-guarding of the rates would be imperative until such time as the various State Commissions have had time to give same consideration. I believe it would be unwise to return the wires without national legislation of this kind in view of the present labor and economic conditions existing.

Respectfully,

T. E. WOOD.
Commissioner.

Office of the
RAILROAD COMMISSION OF GEORGIA

Atlanta June 10th, 1919

Hon. Theo N. Vail, President,
American Tel. & Tel. Co.,

Hon. F. B. McKinnon, Vice-President, [sic] Washington, D. C.
U. S. Independent Tel. Assn.,

Gentlemen:

Referring further to your telegram of June 6th, with reference to the temporary continuance of telephone rates recently inaugurated by the Postmaster General, etc.

This matter was read before the Commission at meeting today and I am directed by the Commission to advise you that at this time the Commission did not deem it advisable to commit itself by formal action to any definite suggestions concerning the subject of telephone charters [sic] as prescribed by the Postmaster General under the Federal control Act, preferring to await the full development of the situation and thereafter to take such action as justice to the public and to the telephone companies requires.

Very truly yours,

Albert Collier
Secretary.

TELEGRAM

6-10-19 HARTFORD CONN

THEODORE VAIL
PRES AMERICAN TELEGRAPH AND TELEPHONE CO
WASHINGTON DC

REPLYING TO YOUR TELEGRAM OF THE SIXTH THIS COMMISSION SEES NO OBJECTION TO A RETURN OF THE TELEPHONE COMPANIES TO PRIVATE OWNERSHIP ALONG THE LINES STATED

R T HIGGINS CHAIRMAN PUBLIC UTILITIES COMMISSION.

TELEGRAM

ALBANY NY

THEO N VAIL PRESIDENT
A T AND T WASHINGTON DC

ANSWERING YOUR WIRE WE HAVE SUGGESTED METHOD OF TREATING RATES WITH
RELATION TO RETURN OF WIRES TO ELMQUIST HAVE EXPRESSED OUR VIEWS FULLY
TO HIM

PUBLIC SERVICE COMMISSION SECOND DISTRICT
CHARLES B HILL CHAIRMAN.

TELEGRAM

6-10-19 CONCORD NH

THEODORE N VAIL
WASHINGTON DC

HAVE THIS DAY SENT THE FOLLOWING TELEGRAM TO C E ELMQUIST GENERAL
SOLICITOR NATIONAL ASSOCIATION OF RAILWAY COMMISSIONERS STOP THE NEW
HAMPSHIRE PUBLIC SERVICE COMMISSION IS NOT OPPOSED TO THE PLAN OF THE
TELEPHONE AND TELEGRAPH COMPANIES TO HAVE THE PROPERTIES RETURNED TO
PRIVATE OWNERS WITH THE PROVISO THAT THE GOVERNMENT RATES SHALL BE THE
LEGAL RATES FOR ONE YEAR UNLESS SOONER CHANGED BY THE STATE COMMISSION
PROVIDED THAT IN THE EVENT OF A RATE INVESTIGATION THE BURDEN SHALL BE
ON THE COMPANIES TO ESTABLISH THE REASONABLENESS OF THE GOVERNMENT RATES

WILLIAM T GUNNISON CHAIRMAN NH PUBLIC SERVICE COMM.

TELEGRAM

6-12-19 BOSTON MASS

THEODORE N VAIL PRESIDENT
AMERICAN TELEPHONE AND TELEGRAPH COMPANY
WASHINGTON DC

HAVE FORWARDED TODAY THE FOLLOWING TELEGRAM TO MR CHARLES E ELMQUIST AT
WASHINGTON I UNDERSTAND THAT LEGISLATION FOR THE RETURN OF THE TELEPHONE
COMPANIES IS NOW BEING CONSIDERED BY A COMMITTEE OF THE HOUSE AND THAT
THE COMPANIES ARE SEEKING TO HAVE THE NINETY DAY PERIOD PROVIDED FOR IN
THE SENATE BILL EXTENDED TO ONE YEAR IF IT IS CLEARLY UNDERSTOOD THAT
CONSENT TO THE TEMPORARY CONTINUANCE OF GOVERNMENT RATES IS GIVEN BY THE
STATE COMMISSIONS IN A SPIRIT OF ACCOMODATION AND COOPERATION IN ORDER
TO FACILITATE THE RETURN OF THE PROPERTIES AND DOES NOT IMPLY RECOGNITION
OF ANY LEGAL RIGHT ON THE PART OF CONGRESS TO PRESCRIBE THE INTRASTATE
RATES WHICH SHALL PREVAIL AFTER FEDERAL CONTROL CEASES AND IF IT IS ALSO

MADE CLEAR IN THE LEGISLATION PROPOSED THAT ALL CHANGES DESIRED IN RATES AS THEY EXISTED PRIOR TO GOVERNMENT CONTROL ARE TO BE REGULARLY FILED WITH THE STATE COMMISSIONS SUBJECT TO THEIR DETERMINATION ON THE SAME BASIS AS IF THE RATES WERE SUSPENDED OR IN OTHER WORDS WITH THE BURDEN OF PROOF ON THE COMPANY TO JUSTIFY [sic] INCREASES MADE DURING GOVERNMENT CONTROL THE NINETY DAY PERIOD MIGHT IN OUR JUDGEMENT [sic] REASONABLY BE EXTENDED TO SIX MONTHS OR EVEN ONE YEAR IN VIEW OF THE FACT THAT THE STATE COMMISSIONS WOULD HAVE IT IN THEIR OWN HANDS BY PROMPT ACTION UPON THE RATE SCHEDULES TO SUPERSEDE THE PRESENT RATES BEFORE THE END OF THE MAXIMUM PERIOD ALLOWED

FREDERICK J MACLEOD CHAIRMAN MASSACHUSETTS PUBLIC
SERVICE COMMISSION.

TELEGRAM

6-9-19 Topeka, Kansas

F. B. MacKinnon, Vice President
United States Indpt. Tel. Ass'n.,
Washington, D. C.

Have wired Kansas Delegation as follows: "Owing to the crisis existing in affairs of telephone companies throughout the nation resulting principally from increases in wage scales this commission favors the immediate return of wire systems to their owners and that local exchange rates inaugurated by the government continue the legal rates for a period of at least ninety days, thereby giving state commissions time to investigate and authorize fair rates for said service which by reason of its character is purely intrastate service." Please advise Mr. Vail.

JOHN M. KINKEL, CHAIRMAN

TELEGRAM

6-10-19 WASHINGTON DC

THEO N VAIL PRESIDENT
AMERICAN TEL AND TEL CO
195 BROADWAY NEWYORK NY

ANSWERING YOUR TELEGRAM OF JUNE SEVENTH THIS COMMISSION IS DIRECTLY SUBJECT TO CONGRESS AND IT WOULD BE HIGHLY IMPROPER FOR IT TO ANNOUNCE ANY POLICY PENDING ACTION BY CONGRESS

C W KUTZ CHAIRMAN PUBLIC UTILITIES COMMISSION OF THE
DISTRICT-OF COLUMBIA.