

Payments made to state committees by Bell Companies.- Information furnished by the Associated Companies of the Bell System to the Federal Communications Commission indicates that substantial payments were made by many of the companies to the work of the state information committees. A total of \$189,513.58 was paid by Associated Companies to the state committees during the period from 1926 to 1935, inclusive, with the bulk of the payments having been made in the years 1926, 1927 and 1928. <sup>1/</sup> Payments were made by The Bell Telephone Company of Pennsylvania, Illinois Bell Telephone Company, Indiana Bell Telephone Company, The Mountain States Telephone and Telegraph Company, New England Telephone and Telegraph Company, New Jersey Bell Telephone Company, New York Telephone Company, The Ohio Bell Telephone Company, Southern Bell Telephone and Telegraph Company, The Southern New England Telephone Company, Southwestern Bell Telephone Company, and Wisconsin Telephone Company. <sup>1/</sup> To the extent of this participation, these Bell Companies can be credited with sponsoring of the propaganda activities of the utility associations revealed by the Federal Trade Commission.

Withdrawal from state committees.- A study of the series of payments made to the state public utility information committees, furnished by the Associated Companies of the Bell System, indicates that nearly all of the companies discontinued such payments in the years 1928 and 1929.

The Federal Trade Commission's summary report on the propaganda activities of these committees, after outlining the inception of the committees and stating the Bell System's participation therein, stated: <sup>2/</sup>

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<sup>1/</sup> Exhibit 993, Transcript of Hearings, pp. 5342-5344.

<sup>2/</sup> Exhibit 888, p. 21, Transcript of Hearings, p. 5344.

However, the American Electric Railway Association and American Telephone & Telegraph Co. dropped out, the latter apparently in disapproval of the National Electric Light Association's attitude toward book and school censorship.

The above explanation, however, is not strictly accurate. Certain correspondence found in the files of the American Company indicates that one of the reasons for the withdrawal of Bell System Companies from the state information committees was the publicity resulting from the Federal Trade Commission investigation.

On July 21, 1928, H. D. Fargo, President of Telephony Publishing Company, publishers of "Telephony," a trade journal of the telephone industry, wrote to Vice President E. K. Hall, of the American Company, as follows: 1/

Information reaches us that some of the Bell Associated Companies are resigning as members of the various State Public Utility Information Committees. Coming at a time when these committees have been getting some rather unfavorable publicity in connection with the Federal Trade Commission investigation, such withdrawals are significant, and we are wondering if this action is the result of a national policy of your organization.

In its issue of July 14th "Telephony" had an editorial pointing out that the telephone interests are in no wise concerned in the Commission's revelations regarding the electric power activities; and without mentioning any names denying the newspaper reports that prominent telephone men were identified with the so-called propaganda campaign. This related to the report that you and Mr. O'Connor were interested in the matter. As I say, no names were mentioned, but it seemed advisable to get it in the record that the telephone companies are not in the witness box along with the power people.

"Telephony" would be glad to make any announcement regarding the Bell policy in this situation that you consider appropriate. It might be useful later in the year, when this investigation will be resumed, to have it well understood in the public mind that the telephone industry is not involved in the matter.

No reply to the above letter was found in the company's files. However, previous to the above, on May 18, 1928, A. W. Page, Vice President

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1/ Exhibit 994, Transcript of Hearings, pp. 5346-5347.

of the American Company, in charge of publicity and information, wrote to E. F. Carter, then President of The Ohio Bell Telephone Company: 1/

In the last two or three days the papers here and in Washington, and I presume elsewhere in the country, have been full of the Senate Committee's investigation of the state public utility information bureaus.

This leads me to raise the question again whether it is wise for the Bell System to be connected with publicity organizations which are not under its control and many purposes of which are not identical with Bell System policy.

The Illinois text book committee.- The statement that American Telephone and Telegraph Company dropped out of the work of the state public utility information committees "apparently in disapproval of the National Electric Light Association's attitude toward book and school censorship," given by the Federal Trade Commission, 2/ did not apparently apply to the period before the beginning of the Trade Commission's investigation. Then American Telephone and Telegraph Company did not consider the idea of censorship abhorrent. This is borne out by the origin of the Illinois text book committee.

The origin of the Illinois text book committee is revealed in a letter written on January 20, 1925, when M. H. Aylesworth, then director of the National Electric Light Association, advised E. S. Wilson: 3/

We are forming a special Educational Committee to deal with textbook material in the lower schools. A survey of textbooks in the grade schools shows some very harmful material which probably has a more important effect on the teachers than on the pupils; nevertheless, it seems very important.

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1/ Exhibit 995, Transcript of Hearings, pp. 5347-5348.

2/ Op. cit., p. 21.

3/ Exhibit 996, Transcript of Hearings, p. 5350.

(1) Mr. Fred R. Jenkins (Commonwealth Edison Company, 72 W. Adams Street, Chicago, Illinois) representing the NELA Educational Committee has been appointed by this Association a member of the joint committee to be composed from the American Gas Association, American Electric Railway Association, National Electric Light Association, and the telephone industry. In other words, there will be one representative from each branch of the public utility industry.

Have you a good man in Chicago who could meet with these men and represent your organization. He should be a man who is interested in educational work and has some time for detail.

Wilson approved the suggestion and replied on January 21, 1925: 1/

I have referred your letter to the Information Department in order to be sure that we get the right man to cooperate with you in connection with the textbook problem. I think this is a step in the right direction and well worth while. (Under-scoring supplied)

A memorandum dated January 26, 1925, 2/ from William P. Banning, Assistant Vice President, to E. S. Wilson, explains the value of such a text book committee:

It occurs to me fundamentally that the work of the committee suggested should be to make textbook publishers realize that in the interest of accuracy, no material referring to public utilities should be printed in textbooks before proper verification. \* \* \* I do not believe that any general committee should be responsible for the release of information in regard to the telephone utility, but rather that this is the job of this company. We frequently deal with publishers who are interested in revising books or issuing new works, in which the telephone industry is discussed and we find that it is necessary to consult with many departments in order to present adequately such matters as the history of the business, engineering matters, development and research, foresight, operating practices, financial matters, national character of the Bell System, and so forth and so forth.

If the committee suggested is to be formed only for the purpose of indoctrinating technical publishers, of course someone in Chicago might serve, such as Mr. Spellman, the publicity manager or Mr. Bangs, the personnel director.

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1/ Exhibit 997, Transcript of Hearings, p. 5351.

2/ Exhibit 998, Transcript of Hearings, p. 5352.

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After discussion within the American Telephone and Telegraph Company as to the "right man," Ellsworth wrote to J. L. Spellman, Publicity Manager of Illinois Bell Telephone Company, on February 4, 1925, suggesting that he serve on the text book committee. <sup>1/</sup> On February 16, 1925, Spellman replied: <sup>2/</sup>

I should be glad to do whatever I can to help have corrected the use of unfair textbooks in the schools. We have made a survey of the situation here in Illinois and some of the material being used not only is unfair to the utilities, but in reality is an attack against nearly all branches of our government. (Underscoring supplied)

On February 10, 1925, E. S. Wilson notified Aylesworth that Spellman would serve on the committee. <sup>3/</sup> On February 16, 1925, Aylesworth acknowledged Wilson's letter and stated that he would notify Fred R. Jenkins of the Illinois Public Utility Information Committee to that effect. <sup>4/</sup>

The first intimation that American Telephone and Telegraph Company might not remain active in the work of the text book committee long enough to accomplish the ends for which that committee was formed appeared in a letter from Ellsworth to Spellman, dated March 11, 1925. Ellsworth urged Spellman to use extreme caution in his dealings with the committee, saying: <sup>1/</sup>

Several of our Vice Presidents seem to think that while much needed to be done in this direction, there were also certain dangers inherent in suggesting or making changes. It seemed to be the consensus of our people that we could be interested in the preliminary study but that before any action was taken, we would like, in behalf of the whole Bell System, to carefully review the situation and see where we were heading.

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<sup>1/</sup> Exhibit 1004, Transcript of Hearings, p. 5354.

<sup>2/</sup> Exhibit 1003, Transcript of Hearings, p. 5354.

<sup>3/</sup> Exhibit 1001, Transcript of Hearings, p. 5354.

<sup>4/</sup> Exhibit 1000, Transcript of Hearings, p. 5354.

I told Mr. Wilson that I considered you enough of a politician not to get your feet wet. Nevertheless, it seems desirable that you let us know from time to time what is being done so that we will not be involved in any action in the matter without due consideration here.

Spellman's reply, however, indicates that he realized well the caution with which he must proceed. Further, he emphasized the need for secrecy, and it may well be that the danger, which developed later, that the work of the text book committee and the designs of its sponsors might come to light, was a deciding factor in the decision of American Telephone and Telegraph Company that the representative of the Illinois Bell Telephone Company should withdraw from the committee. Spellman replied on March 13, 1925: <sup>1/</sup>

In my opinion this whole matter is full of dynamite. Unless it is handled tactfully and intelligently, considerable trouble is bound to result. If anything of a "brass band" nature is attempted, we immediately lay ourselves open to a charge of seeking to control the material used in the schools; a charge quite likely to be made by the authors of the books in question.

Spellman's account following the above paragraph pointed out the direction in which it was later decided to confine efforts of the Bell System at censorship. He continued:

I have sounded out representatives of the American Book Company and Ginn & Company, who appear to be publishers of a majority of the textbooks used in the schools, and unofficially, have found them willing to cooperate by having the publishers deal direct with the authors, leaving us out of it entirely.

As I understand, the committee is to study the situation and submit a plan; the working out of the committee's recommendation of course would have to be done by the bodies appointing the committee. I would not consent to any action being taken without it first being submitted to you. In fact, unless my opinion is changed by something which may happen later, I think the whole thing should be referred to the United States Chamber of Commerce to be handled by it, not as a utility matter, but as a matter affecting the government of the United States, its various branches and all lines of business and industry, including utilities.

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<sup>1/</sup> Exhibit 1006, Transcript of Hearings, pp. 5358-5359.

In the meantime, there need be no concern on your part that the telephone industry will be committed to anything.

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Spellman suggested that Ellsworth withhold judgment on the continuance of the membership of the Bell System in the committee until after a meeting to be held on April 8, 1925. In his reply to the suggestion and the above letter, Ellsworth remarked: 1/

Evidently you have the situation wisely in hand and I will await the meeting of April 8th. However, let me suggest that you have in mind the probable desirability of our withdrawing from the committee at the first good opportunity.

After the meeting, Spellman made a report to Ellsworth on April 10, 1925, covering the decisions of the text book committee: 2/

\* \* \* It was agreed that we would have an informal session here in Chicago, the latter part of this month, with two of the officials of Ginn & Company. The purpose is to get the publisher's side of the question. \* \* \* We have been given assurances in informal talks with representatives of these publishers that they are quite anxious and willing to have the material complained of corrected. The idea of having our committee deal with the authors was unanimously rejected, so that for the time being the only move on the program is the informal session with the publishers, after which plans will be made to gather material from the other states not included in the survey we already have made.

A copy of a letter from Fred R. Jenkins, chairman of the text book committee, to Spellman, dated April 16, 1925, relates that an appointment was made with a member of Ginn & Company, publishers, for an informal conference with the text book committee. 3/ This copy was apparently sent in by Spellman to Ellsworth.

The meeting with the publishers mentioned by Jenkins was scheduled for sometime between May 5 and May 10, 1925. Between the date

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1/ Exhibit 1007, Transcript of Hearings, p. 5359.

2/ Exhibit 1005.

3/ Exhibit 1010, Transcript of Hearings, p. 5362.

of the copy of the letter from Jenkins just mentioned, April 16, 1925, and the date of the meeting with the publisher, it was decided by American Telephone and Telegraph Company officials that Spellman should withdraw from the committee. That was probably arranged at a personal conference between Spellman and Ellsworth shortly after Spellman's letter of April 10, 1925.

On April 24, 1925, Spellman forwarded a copy of his letter of resignation from the text book committee to Ellsworth. Spellman had written to Jenkins, chairman of the committee, as follows: 1/

Our appreciation is extended for providing a place for us on the Text Book Committee, but it is not advisable for us to accept. Therefore, please accept this as my resignation.

There is no doubt that in time truth will prevail in text-book material.

In a letter of April 24, 1925, Spellman forwarded a survey of text book material which had been made during the previous summer. He wrote: 2/

With this letter is sent copy of the survey of the text-book material used in the grade and high schools in Illinois. You may decide to have this mimeographed to provide copies for all the General Managers. Our survey was made last summer, by a young college instructor, to whom we paid a salary and who spent several months on this work \* \* \* I think the material used is about the same all over the country. However, I feel it will be best to have each company look into the material used in its territory.

The survey of text books mentioned is comprehensive and is considered in the Federal Trade Commission's report on propaganda activities of utilities. 3/ It was thoroughly reviewed by the officials of American

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1/ Exhibit 1008, Transcript of Hearings, p. 5362.

2/ Exhibit 1009, Transcript of Hearings, p. 5362.

3/ Op. cit., pp. 188-191.



Telephone and Telegraph Company, particularly by the Statistical Department under S. L. Andrew, Chief Statistician.

The American Company did not think the conditions in text book material had a great deal to worry the Bell System, as stated in a letter of June 4, 1925 from Ellsworth to Spellman: <sup>1/</sup>

The consensus of opinion here is that there is not a great deal in these excerpts to worry the Bell System and as you already know we should play a lone hand in this whole matter.

From one department I get the following comment which you may pardon me quoting at length.

"We are of the unanimous opinion that there is nothing in these excerpts which would warrant the Illinois Bell Telephone Company or the Bell System lending their name or influence toward a modification of existing textbooks. To do so, we believe, would be more apt to foster adverse public opinion than the statements referred to by this report."

Ellsworth again indicated that the American Telephone and Telegraph Company would solve the problem by dealing with the publishers personally and independently. He wrote on June 4, 1925: <sup>2/</sup>

\* \* \* One of our officials is in close touch with one of the larger publishers and also with one or more authors and there will be something done in the way of encouraging new and correct textbooks dealing with the public utility situation.

#### Attempts at Indoctrination of Professors and Students.

The Bell System's policy with respect to censorship of textbooks and other publications has not been as direct and obvious as the methods of other utilities as revealed by the Federal Trade Commission. Usually, they have offered, upon hearing that telephony will be discussed in any proposed publication, to review the facts and figures for

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<sup>1/</sup> Exhibit 1011, Transcript of Hearings, p. 5364.

<sup>2/</sup> Exhibit 1013, Transcript of Hearings, p. 5364.

accuracy. This is offered as a courtesy to the author or the publisher, and is usually gratefully accepted by them. In some cases, it will be brought out later, Bell System officials have attempted to change the ideas of educators or the substance of their writing.

The case of Professor C. A. Wright.- On April 4, 1921, R. H. Burcher, Assistant Vice President of American Telephone and Telegraph Company, wrote to G. A. Kositsky, Chief Engineer of The Ohio Bell Telephone Company, advising him that he had read the pamphlet on "The Determination of Telephone Rates" by Professor C. A. Wright of Ohio State University, which Kositsky had sent to Burcher. Burcher said that the pamphlet, which was issued as Bulletin No. 7, Volume XXV, by Ohio State University, contained many statements which were "misleading, if not incorrect." He referred, as an example, to the discussion of maintenance and depreciation and the necessity for providing a certain type of depreciation reserve. He objected to the use of figures in an illustrative way, and said:

This bulletin in its present form is harmful, so that anything you can do towards correcting and improving the statements made therein should be done.

On April 19, 1921, Kositsky wrote to C. P. Cooper, General Manager of The Ohio Bell Telephone Company, sending him a copy of Burcher's letter, and stating that he understood the matter had not yet been taken up with Professor Wright because they were waiting for the comments of American Telephone and Telegraph Company's officials. He further stated:

This subject is a delicate one and no doubt will require diplomatic handling on the part of our people in order to receive serious consideration at the hands of Professor Wright.

Owing to the number of points brought out, it perhaps will be best to have the Professor recall this bulletin and issue a revised one in its stead. Such a revision to be written or reviewed by our people if possible, before it is distributed to the general public.

On April 23, 1921, E. A. Reed, Vice President of The Ohio Bell Telephone Company, located at Columbus, wrote to Kositsky at Cleveland in reply to a letter written to him on April 19 by Kositsky, acknowledging receipt of a copy of the bulletin, and stating that it was very important that Professor Wright should recall the bulletin or issue a supplement to it. He further stated that the matter was of such importance that he thought it advisable for Kositsky or Cooper to confer with Professor Wright personally, adding:

Perhaps it might be better for Mr. Cooper to take the matter up, because of the fact that he is an Ohio State man, and, undoubtedly, is personally acquainted with Professor Wright.

On May 10, 1921, E. F. Biggert, Plant Engineer for The Ohio Bell Telephone Company, wrote to the General Superintendent of Plant at Cleveland, reporting that he had talked to Professor Wright, who had explained that he and his associate, F. L. McKinney, had considered making the bulletin 300 pages long but had finally decided in favor of Professor Wright's idea of issuing a 10- to 12-page bulletin to be used by the managers of small telephone exchanges, to contain only fundamentals, and not a lengthy discussion which would not be read. Biggert reported that he advised Professor Wright that a number of statements in the bulletin were not in accordance with the uniform system of accounts prescribed by the Interstate Commerce Commission, and that other details of accounting were discussed. He further reported:

Professor Wright stated that he would be glad to have us reword some of the paragraphs which we felt were objectionable, and after he had reviewed them with us, he would be glad to put out an additional copy of this bulletin. Professor Wright, I think, took the discussion of his pamphlet in a proper spirit.

I suggest that the re-wording of paragraphs in Professor Wright's Bulletin be handled by the Chief Engineer's office, as he has available the various reference books referred to and also has in his organization men who are familiar with details of the Wisconsin and Michigan Commission cases.

On May 13, 1921, Cooper wrote to Kositsky, with a copy to Reed, forwarding Biggert's report mentioned above, and said:

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It appears that Professor Wright is willing to have such revisions as are proper made in the bulletin, and I suggest that your people revise it in detail, and that Mr. Biggert submit the revised pamphlet to Mr. Wright for his use.

On July 14, 1921, Burcher wrote to Kositsky acknowledging receipt of the typewritten revision of the bulletin made up in Kositsky's office. He stated that the suggested revisions removed the principal objectionable points, but that the bulletin was "still unsatisfactory," and that he believed it would not be possible to make it satisfactory on account of limitations as to length and the necessity for keeping the original form of the bulletin. He stated his reasons for being opposed to revision of the bulletin as follows:

I understand that the bulletin in its original form has already been issued. If Professor Wright should issue a revised edition incorporating in it the suggestions you make, he might justly conclude that the revised bulletin was in accordance with the ideas of and satisfactory to the telephone company. It will be very undesirable to have such an impression given, and I believe it will be less objectionable to meet any questions arising out of the incorrect statements in the bulletin when they arise. It seems to me, therefore, that it would be preferable to drop the matter in so far as any revision of Prof. Wright's bulletin by us is concerned. I understand from my telephone conversation with you that you have already taken the matter up with Prof. Wright and have outlined to him wherein we did not agree so that in taking the course above suggested we will not in effect be accepting the statements made in Prof. Wright's bulletin.

On August 9, 1921, George B. Williams, Appraisal Engineer for The Ohio Bell Telephone Company, located at Columbus, who apparently did not know of Burcher's letter to Kositsky at Cleveland on July 14, wrote to the General Superintendent of Plant at Cleveland in reply to a letter from the Superintendent of August 1st. Apparently, the Superintendent had not yet heard of Burcher's letter of July 14. Williams,

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in this reply, reported that he had made several attempts to get in touch with Professor Wright, but was informed that he was out of the city for the summer. He further stated that it was his understanding that W. G. Schneider, valuation engineer for The Ohio Bell Telephone Company, was preparing suggestions to be used by Professor Wright in a revision of the bulletin. According to a notation on this letter, it was forwarded to Reed with the statement: "Mr. Kositsky is to supply the data for a revision of the rate circular."

On August 17, 1921, Biggert wrote to the General Superintendent of Plant of The Ohio Bell Telephone Company at Cleveland (apparently Randolph Eide), stating that Schneider's revision of Professor Wright's bulletin had been submitted to the New York office of American Telephone and Telegraph Company for approval, and that Burcher had recommended that nothing further be done towards securing a revision of the bulletin for the reasons stated above in Burcher's letter of July 14. Eide forwarded this letter to Reed for his information.

On August 17, 1921, Cooper wrote to Reed, stating that Kositsky and Burcher had agreed that "it is advisable to let the matter drop, for reasons outlined in Mr. Burcher's letter of July 14th."

It is thus apparent that The Ohio Bell Telephone Company's representatives succeeded in persuading Professor Wright to allow them to revise his bulletin. That the revision was not made, was due to the company's unwillingness to endorse the bulletin as a whole.

On another occasion, Professor Wright was subjected to concerted Bell influence. In 1924, through Ohio Bell Telephone Company, an invitation was extended to Professor C. A. Wright, of the Electrical Engineering Department of Ohio State University, Columbus, Ohio, to attend an educational conference in New York for faculty members of the engineering schools to which certain electrical apparatus was being

presented by American Telephone and Telegraph Company, Western Electric Company, and The Ohio Bell Telephone Company. Professor Wright accepted the invitation.

On July 21, 1924, D. H. Morris, Assistant to the President of The Ohio Bell Telephone Company, wrote to Colonel Robert I. Rees, Assistant Vice President of American Telephone and Telegraph Company, advising him that Professor Wright would attend the conference, stating:

I am very glad indeed that he is going to this conference. Professor Wright was at one time an employee of the American Company and is very friendly toward the industry. However, as you know, he has developed some fundamentally erroneous ideas which have found expression in a bulletin on "Rate Making for Telephone Companies" which has already done considerable damage to us. I am sending you under separate cover a copy of this bulletin.

When George Thomas was here he told me that if I would send down to New York a copy of this bulletin he would see that someone made a careful analysis of it and was prepared to discuss it with Professor Wright when he came to the conference so as to correct the false knowledge upon which the Professor has based his theory of rate making.

Professor Wright attended the conference and subsequently received the apparatus. On February 15, 1926, just 15 months later, Professor Wright was apparently persuaded by Morris to change the subject of a radio talk he was about to make.

The Ohio Bell Telephone Company had been advised of the impending talk on about January 30, 1926, and the President of The Ohio Bell Telephone Company had requested Morris to see Professor Wright in an endeavor to persuade him to change the subject of his talk to some harmless one.

Professor Wright's letter of February 15, 1926 to Morris, in which he yields, is as follows:

Since your visit a few days ago in which you suggested some of the difficulties in regard to my giving a radio talk on "Telephone Rates," I have decided to change this talk to one on "Telephone Service." As this talk will be given with a due amount of care, will be directed toward hints to subscribers in regard to the use of their telephones, and will not be made to apply to any specific telephone company, I am not sending you a copy of it as I do not think that you will be interested in looking it over.

Lectures by Nathaniel T. Guernsey.- During the years that Nathaniel T. Guernsey was General Counsel (January 1, 1914 to June 18, 1919), General Counsel and Vice President (June 18, 1919 to January 1, 1926), and Vice President only (January 1, 1926 to June 30, 1930), of the American Telephone and Telegraph Company, and even after his retirement on June 30, 1930, and until the spring of 1933, he devoted much time to lecturing in colleges and universities on the controversial issues vitally affecting the Bell System and utilities in general. Between February, 1916 and the spring of 1933, there is definite record that not less than 37 colleges and universities were visited, and in all not less than 83 lectures or series of lectures were given. There probably were a great many more of which there is no present record. Guernsey died in 1934.

The purposes of these lectures included indoctrinating of college, law school, and graduate students with a philosophy favorable to public utilities in general and to the Bell System in particular, on controversial questions; indoctrinating professors in the same manner, and influencing their teaching of related subjects; and propagandizing members of public service commissions, expert witnesses, and the general public through distribution of printed copies of the addresses. The principal province where Guernsey did his propagandizing was the educational field.

The cost incident to these lectures, including Guernsey's time consumed thereby, was borne by the American Telephone and Telegraph

Company. There was no expense whatever to the colleges or universities.

The invitations to lecture were generally not spontaneous, but sought by Guernsey and solicited by some local representative of the Bell System. Copies of outlines of most of the lectures were printed and reprinted for distribution. The exact number of copies distributed is not known, but at least 10,000 were printed. More than 50 different addresses by Guernsey, which had been presented in colleges and universities as well as in other places, were printed in addition to a standard outline on "The Regulation of Public Utilities," which was printed and used in at least 55 instances.

The subject matter of the lectures was invariably the vital controversial issues upon which the Bell System was waging constant battle, such as reasonable rates, valuation, depreciation, regulation versus management, etc. The viewpoint was that of the company; the analysis, that of Guernsey; the citations, the strongest the Legal Department of the company could find to support its position.

The outline, with citations, which Guernsey used in practically all of his lectures was entitled "The Regulation of Public Utilities." The ground covered in the lectures, which usually consisted of a series of from three to five lectures, and the viewpoint presented, are fairly represented by the following main points in this outline:

- I. The First Thing Is To Define Clearly What We Are Talking About.
  - (a). What is a public utility?
  - (b). What is regulation?
- II. The Power Of The States To Regulate Is Thoroughly Established.
  - (a). Basis of this power.
  - (b). Regulation is old, not new.
- III. The Power To Regulate Is Not Unrestricted.
  - (a). It is the established law of the United States that this amendment prohibits the states from imposing



upon public utilities schedules of rates which will not afford a fair return on the present fair value of the property used or useful in the rendition of the service for which the rate in question is charged.

- (b). The state, through the exercise of its regulatory powers, may not encroach upon the domain of management.
- (c). What distinction will accurately draw the line between regulation and management?
- (d). This discussion does not embrace questions as to the Federal power to regulate.

IV. The Jurisdiction of Courts and Regulatory Bodies.

- (a). Regulation is the exercise of a legislative function.
- (b). The functions of the courts are purely judicial.
- (c). All but two of the states, Virginia and Oklahoma, have constitutions which divide the functions of governments into three classes, legislative, executive and judicial, and prohibit each class from exercising any of the functions of the others.

V. The General Scope Of The Commission Laws.

VI. The Primary Power To Make Rates Has Remained In The Utility.

VII. What Is A Just And Reasonable Rate?

- (a). There is no synonymity between unjust and unreasonable rates, and confiscatory rates.
- (b). The words "just and reasonable" are to be taken in their established sense at the time the laws in question were enacted.
- (c). A just and reasonable rate is one which justly and reasonably divides the spread between the cost of rendering the service, and the value of the service to the patron.

VIII. The Function Of The Commissions Is To Regulate Rates--Not Earnings.

IX. The Valuation Of The Property Of A Public Utility.

- (a). What is meant by present fair value?
- (b). How is value to be ascertained?

X. Capitalization.

XI. Revenue.

XII. Original Cost.

XIII. Cost Of Reproduction.

- (a). The estimated cost of reproduction is the estimated cost of reproducing the property with all of its attributes in its condition as it existed at the date of the valuation.
- (b). Every utility located where there is a demand for its services, assuming conditions of normal stability, is worth at least what it would cost to reproduce it.
- (c). The authorities are giving increasing weight to reproduction cost as a factor affecting value.
- (d). What should be taken into account in making such an estimate?

XIV. Depreciation.

- (a). The distinction between depreciation and depreciation accounts.
- (b). The best and only accurate method of ascertaining depreciation is by inspection.
- (c). It is error to treat the amount of the depreciation reserve as the measure of the actual depreciation of the property, and so to deduct it to determine value.

XV. The Practical Application Of The Reproduction Theory.

- (a). An inventory of the property is the first step.
- (b). The reproduction period.
- (c). Unit prices.
- (d). Overhead items.
- (e). Working capital.
- (f). Going concern value.

XVI. Determining Value.

XVII. Net Earnings.

XVIII. A Fair Return Is, As The Words Indicate, A Return That Is Equitable.

XIX. A Suit Attacking Rates As Confiscatory.

- (a). The general scope of the allegations in such a suit.
- (b). The material facts are the value of the property, its net revenue under the rates in question, and what rate of return is fair.
- (c). Property not used or useful.

XX. A Rate Proceeding Before A Regulatory Body.

XXI. Other Proceedings Before Commissions.

5) XXII. The Function Of The Lawyer In Matters Of Regulation.

In these speeches, Guernsey propounded theories such as the following: 1/

The just and reasonable rate is the rate that justly and reasonably, that is, that fairly and equitably divides the spread between the cost of furnishing the service, including the cost of the capital used, and the value of the service to the patron.

Another idea advanced by Guernsey on the vital question of the treatment of depreciation reserve in valuation is illuminating: 2/

If a separate reserve is maintained on the sinking fund theory, and what is being ascertained is the value of the plant used in rendering the service, clearly this reserve, which is something separate and apart, represented by outside high-class securities, should not enter into the equation at all.

If by the so-called reserve is meant additions to plant purchased by the utility out of its own earnings and used by it in the rendition of its service, it cannot be deducted. Putting this concretely, let A represent the property purchased out of earnings and added to the plant as a provision against future retirements, and B represent the parts of the plant purchased out of other moneys as the proceeds of stocks and bonds. The entire plant, A plus B, is being used in the rendition of the service, and it is the value of this entire plant, A plus B, that is to be ascertained. This result is not attained if A is subtracted from A plus B.

The invitations to lecture were generally not spontaneous, but were assiduously sought by indirect means, through local Bell attorneys, many of whom were acquainted with the deans of the colleges, universities,

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1/ "The Regulation of Public Utilities," Outline of Addresses at the University of Alabama School of Law, Feb. 21-25, 1927, p. 28.

2/ "Regulation and Management; Just and Reasonable Rates; Value and Depreciation," Outline of Addresses at the Graduate School of Business Administration, Harvard University, Nov. 15, 17, 19, 1927, p. 28.

5) or law schools. In general, the method of securing invitations was to have the local counsel for the Bell System get in touch with the dean of the local law school or other institution and explain to him the advantages of having Guernsey lecture, as a result of which an invitation was usually forthcoming. Instances of this are many.

On November 26, 1926, Guernsey wrote to E. F. Carter, President of The Ohio Bell Telephone Company, requesting him to ask Karl E. Burr, General Counsel of the same company, at Columbus, to see the dean of the Ohio State University College of Law "with a view to an invitation from the dean to me requesting me to come there for three addresses." He lectured there on "Regulation of Public Utilities," December 5-8, 1927. <sup>1/</sup>

On September 17, 1928, nearly two years later, Guernsey wrote to Burr to ascertain whether the dean of the College of Law at Ohio State University desired the lectures repeated in spite of the Federal Trade Commission investigation which was then causing considerable public comment.

On September 20, 1928, Burr wrote to Dean H. W. Arant, asking whether he desired the lectures to be given. Dean Arant replied on September 25, 1928 that the lectures would have to be given in the afternoon with very doubtful attendance. He further stated:

His [Guernsey's] lectures, which I had heard before at Yale as a student, are rather thinly veiled propaganda, but my lack of enthusiasm concerning them is not on this account.

Not only had Dean Arant heard the lectures at Yale University before making this statement, but he had also heard them the previous year while dean of the law school at the University of Kansas.

Burr sent a copy of Dean Arant's letter to Guernsey, and on October 1, 1928 Guernsey wrote to Burr, stating that what he had done had not been thinly veiled, "but has been absolutely open." He stated that

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<sup>1/</sup> Exhibit 1324, Item 76.

he was absolutely sincere in asserting his propositions in good faith, and, further, that he would like to see the dean about this.

(5) On October 8, 1928, Burr wrote to Guernsey, stating that the real reason for discouraging the giving of the lectures that year was that they would have to be in the afternoon, outside regular classroom hours, and that the students would not be likely to attend. Burr advised dropping the matter. On October 10, 1928, Guernsey wrote to Burr that he found that he would be unable to stop and see the dean on the trip he was about to make to Iowa due to his train schedule, but that later on he would like to see the dean about the matter in order to "see whether he can be straightened out on this proposition." The matter was apparently dropped, and nothing further was done.

In 1928 there occurred other instances in connection with Guernsey's efforts to ascertain whether his lectures were wanted at Washington University (St. Louis), Oklahoma, and Texas, in spite of the Federal Trade Commission investigation, which had received considerable publicity. Another instance occurred in connection with the invitation to address the Western Reserve Law School at Cleveland, Ohio.

Guernsey always insisted that the lectures be given during regular classroom hours to insure attendance. He also preferred a long series of five one-hour lectures on successive days, if possible. A typical letter on this subject is one from Guernsey to Hunt Chipley, counsel for Southern Bell Telephone and Telegraph Company, which includes:

I ought to have at least five hours on separate days. If it were on the same day, I do not think it would do the students much good, and in less than five hours I cannot satisfactorily cover even the general propositions. They ought also to be regular school hours. I once was given the hour from 5 to 6 P.M., usually devoted by the students to recreation or extra curriculum matters. As a result, I had less in the way of attendance than I ought to have had. I did not think it fair either to the students or to me. Where they have public utility courses, they ought to take some of the hours devoted to these courses.

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It will be noted that in 1926, the period from October 11 to October 30 was continuously occupied with lectures, as well as ten days in the month of November, plus traveling time to Iowa and back. Also, in the month of December, the period from December 1 to December 18 was almost continuously occupied in lectures. Thus, in a period of three months, approximately 45 days of Guernsey's time were so occupied, or about 50 per cent of the time. Similarly, in 1927 in a period of 65 days, from January 3 to March 9, Guernsey was occupied in lectures approximately 39 days, or nearly two-thirds of the time.

After Guernsey's official retirement on June 30, 1930, he continued giving these lectures for nearly three years. Arrangements were made to send him a monthly report of decisions on regulatory questions and on all decisions of the United States Supreme Court in this field, as well as an annual report on legislation applicable to telephone companies. As late as March, 1933, Guernsey wrote to the company requesting that his citations be brought up to date. In April, 1933, he sent in his expense account for a series of three lectures at the Graduate School of Business Administration at Harvard, which was paid. Guernsey died about one year later in July, 1934. <sup>1/</sup>

Guernsey stated in a letter of November 4, 1926, to Donald K. David, Professor in the Graduate School of Business Administration, Harvard University, that the purpose of the lectures was to benefit the utilities. The complete statement is as follows:

I thoroughly appreciate your cordial letter of the 2nd instant. The boys gave me remarkably close attention, so that I inferred that the subject interested them. While it is impossible to evaluate it, and we are not able to put our fingers upon it directly, I cannot help feeling that benefit not only to them but to the utilities must eventually result. If we can start some hundreds of earnest youngsters thinking about these questions along sound lines, such a result would justify all of us.

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<sup>1/</sup> For a list of Guernsey's speeches and the institutions where they were delivered, see Appendix 6.

u) That Guernsey believed that his purpose would be accomplished, is indicated in his letter of November 5, 1926 to Philip Cabot, Professor of Public Utility Management at the Graduate School of Business Administration, Harvard University, in which he stated:

I have your note of the 3rd instant, and appreciate what you say about my visit to your school last week. I begin to have a feeling that continuous hammering along these lines must ultimately set at least a few people to thinking, with a start from relatively sound premises. If it does, in the long run it is going to be worth what it costs.

The lectures afforded Guernsey an excellent opportunity to indoctrinate the professors with American Telephone and Telegraph Company's views on controversial questions. A few examples will suffice.

While lecturing at the University of Iowa in 1924, Guernsey secured from "the young man in charge of the public utility course" there, a list of the cases he intended to use in one branch of the course. These he had checked by a member of the legal staff of American Telephone and Telegraph Company, N. M. Monroe. Guernsey asked him to "let me know how close they come to what we consider the important and live questions on the subject."

After examining the list of about 164 cases, Monroe reported in part:

These cases come to an end at the top of page 3. He then gives a few cases on rate discriminations and in the center of page 3 I have marked the cases which deal with subjects in which we are interested such as confiscation, rate of return, depreciation, valuation, etc. In this list he cites only four cases which you used in the addresses which you gave at Iowa City, namely the Minnesota Rate Cases, the Willcox Case, the Knoxville Case and Smyth v. Ames. Upon the whole, the cases which he cites at this point would not give an adequate picture of the matters which we consider the important and live questions on the subject, as practically all of these cases are old cases handed down at the time when the courts were somewhat confused and were more or less indulging in speculation. In other words, he does not cite the recent up to date cases on this subject.

At the bottom of page 3 and on page 4 the cases deal with the rate structure from the standpoint of discrimination.

Besides the four cases mentioned he also cites at other places four or five more cases which are found in your address, but evidently these cases are cited by him for other purposes.

Upon the whole, I would not say that the list comes close to what we consider the important and live questions on the subject.

Other attempts at indoctrination of the academic profession.- On April 14, 1926, Philip Cabot, Professor of Public Utility Management at the Graduate School of Business Administration, Harvard University, with whom Guernsey arranged for his lectures at Harvard each year, wrote to Guernsey, as follows, with reference to a proposed attempt to change the views of Professor James C. Bonbright of Columbia University:

It is good to see your face again, (on paper so to speak) and I look forward to seeing it in person about the first of May. I wrote to you about Professor Bonbright because he is a young man who, while suffering from the academic contagion, has not wholly succumbed to the disease. I think he is still plastic, and, while I am doing what I can on this end (he comes to Cambridge to lecture every Friday), I think you, or someone acting by, through, or under you, might reach him in some way on the other end. He is very weak on all matters of law and also, I think, on many matters of economics. My doctrine that the real objection to the regulation of profits was that they vanished under regulation went clean over his head. I believe, however, that the doctrine is true. If so, it will ultimately prevail.

On April 19, 1926, Guernsey replied, stating:

If Professor Bonbright goes to Cambridge every Friday, could I arrange to meet him sometime when I am up there? If I could get in touch with him in this way, we might be able to do something.

\* \* \*

\* \* \*

\* \* \*

April 20th

P.S. Since this was dictated, it has developed that I am not going to Missouri. I shall therefore try to go to Cambridge in the week commencing May 2nd. What day would it be desirable for me to be there?



On April 21, 1926, Professor Cabot wrote to Guernsey, stating:

Any day in the week beginning May 2nd would be convenient and agreeable to us. Perhaps if you were here on Friday the 7th we might forgather with Bonbright who is usually here that day.

It is not known whether Guernsey met Bonbright on this occasion. It does appear, however, that they came to be acquainted. In this particular instance, Mr. Guernsey's efforts did not seem to have yielded satisfactory results, from his point of view, as indicated by a letter to him from Professor Bonbright dated December 15, 1928, two and a half years after the initial attempt on the part of Mr. Guernsey:

It was very good of you to send me the diagram illustrating the point that a growing public utility finds it necessary to set aside depreciation reserves in excess of the actual amount of current depreciation at the time. I shall want to study this chart and its explanation at greater length in the near future. It looks convincing. However, I do not see that even if its force is accepted that fact in any way destroys the point of my remark that the American Telephone and Telegraph Company has taken an extremely unfair position with respect to its right to have the amounts of its actual reserves for depreciation disregarded when a rate base is being determined as it was in the New Jersey Telephone Case. I may say that I have recently discussed this matter with one of the most distinguished and respected accountants of this country and he feels very strongly that the American Telephone and Telegraph Company has taken a position which will sooner or later react against it in the eyes of the public.

The results were different in other cases. On January 15, 1927, T. J. McLaughlin, Professor of Transportation Law at Cincinnati Law School, Cincinnati, Ohio, wrote to Guernsey:

In a documentary way I must emphasize to you how much inspiration I have received from you through your lectures before the Student body of the Cincinnati Law School on December 16, 17 and 18th, 1926.

I have carried the essence of your message to the Transportation Law Class of the University, \* \* \*

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The Harvard Business School and Bell System officials have continued to be mutually helpful. Walter S. Gifford, President of American Telephone and Telegraph Company, in his address before the 1927 Convention of the National Association of Railroad and Utilities Commissioners at Dallas, Texas, drew upon a statement made by Professor Cabot in regard to the Bell System as follows:

The thing is a modern miracle which I can only explain to myself by assuming that the men who conceived, created and have developed the telephone were men of the rare auto-motive type whose driving power came from within, and who, therefore, did not need the external stimulation which competition alone can give.

On September 17, 1928, Assistant Dean Deane W. Malott of the Graduate School of Business Administration, Harvard University, wrote to William J. O'Connor, Assistant to the President of American Telephone and Telegraph Company, thanking him for his interest and participation in the summer course. He further stated:

I certainly shall be very glad to drop in to see you some day in New York as from our point of view this contact with the men is one of the most valuable opportunities arising from the course, and also the chance to get acquainted with you all.

I hope you will feel that we want to do everything we can to insure our getting the proper teaching material to represent the telephone industry in our public utility courses.

With kindest personal regards,

On May 1, 1929, Guernsey wrote to E. F. Carter, President of The Ohio Bell Telephone Company, with regard to an article by Professor Cabot:

In the Harvard Business Review for April, the leading article is on "Public Utility Rate Regulation" and is written by Mr. Philip Cabot of the Harvard School of Business Administration. He is one of my very loyal friends and supporters. The introductory paragraph of this article looks as if it were largely paraphrased from some of my stuff.

5) Guernsey resigned as Vice President of American Telephone and Telegraph Company on June 30, 1930, having previously resigned as General Counsel. Professor Cabot's relationship with the company was continued with O'Connor and with Page, although it continued to a certain extent with Guernsey in connection with Guernsey's lectures, which were given even after his retirement.

On March 27, 1931, Professor Cabot wrote to O'Connor thanking him for his comments on a paper he had written, and admitting that it placed him under obligation. The letter in full is as follows:

I am really ashamed of all the trouble that I have given you and your associates at 195 Broadway because you are so patient and so obliging.

Your comments on my paper are very heartening, but I am somewhat dismayed at the obligations under which all your kindness places me. I shall probably never contrive to pay the debt but you know, I think, that I should like to, if given the chance.

On October 16, 1931, Professor Cabot wrote to Page, enclosing a letter from John Moore of the Associated Forums, Ltd., in Los Angeles, California:

I enclose a letter received yesterday from a man named John Moore in Los Angeles, It looks to me as if it might be rather troublesome. Some how or rather /sic/ he has got hold of one of the confidential copies of my informal talks on "The Evolution of American Business." I fancy this must have been through one of your people on the Pacific Coast. The man may be merely crazy, in which case I suppose nothing can be done and nothing serious will happen, but I send it to you at once because you may think that something ought to be done about it and know what is wise. I am not in the least concerned about myself.

Moore had secured a copy of Professor Cabot's talks on the "Evolution of American Business," delivered before the Harvard Graduate School of Business Administration in 1930, which apparently had been confidentially distributed to executives of the Bell System with a

(1) letter emphasizing that they were "strictly confidential." Moore's letter to Professor Cabot of October 9, 1931 contrasts Professor Cabot's private statements of the necessity of highly centralized control in government and politics with public statements of President Walter S. Gifford of American Telephone and Telegraph Company in 1931 lauding democracy. Moore demanded a reply, and stated that if he did not receive one, he would publish the "treasonable" speeches.

Professor Cabot had his friend Horace Gilbert, of Pasadena, California, take care of the matter with the assistance of Frank J. Reagan, Publicity Manager for The Pacific Telephone and Telegraph Company, and of R. J. Hadden, the Los Angeles Manager for that company. One or more of these men apparently called on Moore personally. Apparently, Professor Cabot did not answer Moore directly, but left it to the representatives of the Bell System and to his friend in Pasadena to take care of the matter.

The following exchange of letters between Professor Cabot and W. J. O'Connor also indicates the unusual community of interest the Professor felt with the Bell System.

Cabot wrote to O'Connor on January 6, 1933:

One of the students in my course asked in class yesterday what was the answer to the charges against the telephone companies made by Commissioner Elgen in his article on page 612 of "Public Utilities Fortnightly" for November 24, 1932, entitled, "Why Telephone Rates Stand Unchanged." I hadn't read the article but I had no difficulty in answering the questions. Since then, I have read the article and it seems to me a contemptible performance. It is wholly animated by the assumption that the management of the companies is both incompetent and dishonest. Starting with this assumption, all unfavorable criticisms are of course justified. I am wondering whether you think it would be worthwhile to answer this bird. I have some doubts myself because I always hesitate to chase a polecat with a club.

Elgen was Public Utility Commissioner in the District of Columbia.

On February 1, 1933, O'Connor replied to Professor Cabot as follows:

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On the general theory that chasing a polecat with a club is an unprofitable and unpleasant venture I should not try to catch up with Honorable Elgen and his article "Why Telephone Rates Stand Unchanged." I checked up to see what reaction, if any, he got from this piece and am told he got none. When a worthier opponent enters the ring, however, it would be tremendously comforting to know that you were disposed to nail down such unfair statements.

Motion Pictures in Schools.

Projection of films in schools has been one of the most potent methods employed by the Bell System to instill good will towards the institution in the minds of the young. The Ohio Bell Telephone Company published several pamphlets, including "Plan Your Program With Telephone Films," and "The Telephone Story, In Words and Pictures" (the latter in 1931), in which it listed the names and descriptions of all Bell System films available for distribution. In these pamphlets, circulated throughout Ohio, the public was urged to take advantage of the offer of The Ohio Bell Telephone Company, inasmuch as "this service is furnished without any cost to you." An operator and projector was also provided, if they did not have this equipment.

"The Telephone Story" was sent to every school in the state of Ohio. This pamphlet:

\* \* \* coupled with advertisements that have been published in various school papers, magazines and other publications fostered by the Parents'-Teachers' Associations has resulted in a good many requests for the showing of the films.

When a school answered such an advertisement, The Ohio Bell Telephone Company sent out the pamphlet listing the films available. In some instances, at the same time, educational booklets were sent out for use in classrooms. The titles of these booklets are as follows:

The Birth and Babyhood of the Telephone  
 Overseas Telephone Service  
 The Magic of Communication  
 The Early Corporate Development of the  
 Telephone  
 Two Way Television  
 Telephone Almanac, 1936  
 The Telephone in America  
 Aircraft Radio Development  
 From the Far Corners of the Earth

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On April 19, 1927, Colonel R. I. Rees, Assistant Vice President of American Telephone and Telegraph Company, wrote to D. H. Morris, Assistant to the President of The Ohio Bell Telephone Company, asking him whether anything was being done on high school publicity in Ohio. In Morris' absence, W. L. Eastman, Director of Instruction of The Ohio Bell Telephone Company, replied on April 23, 1927, stating among other things that the high schools and grade schools of Ohio were being supplied by his company with printed matter, motion pictures, lectures, and demonstrations.

Colonel Rees replied to Eastman on April 27, 1927, stating:

The use you are making of motion pictures is \* \* \* an excellent way to reach the schools. \* \* \*

Yours is an excellent contribution toward a proper procedure in making our contacts with the high schools and grade schools of the country.

The following table shows the extent to which Bell System films were used in Ohio schools during the period 1932 to 1935: <sup>1/</sup>

<u>Year</u>	<u>Showings</u>	<u>Attendance</u>
1932	1,271	305,194
1933	843	217,650
1934	1,560	309,769
1935	1,373	270,917

That this advertising about motion pictures in school publications has been continued to a fairly recent date, is indicated by a

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<sup>1/</sup> A sample of Ohio Bell Telephone Company's Motion Picture Report for 1934 is given as Appendix 1.

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letter from A. F. Hardman, Advertising Manager of The Ohio Bell Telephone Company, to J. M. Hamilton, Motion Picture Director of American Telephone and Telegraph Company, on February 2, 1934, in which he states:

In order to stimulate interest among schools throughout the State we advertised in two magazines with a state-wide circulation among school principals and teachers. Results from these advertisements were very satisfactory.

In 1930, Josephine Creighton of the Harding School, Youngstown, Ohio, wrote to B. C. Frazier, Educational Representative of The Ohio Bell Telephone Company, as follows:

The splendid piece of work which you are doing through these films \* \* \* is making the Ohio Bell Telephone a much bigger and better organization in the minds of our children.

In 1932, Clara E. Singer, Principal of the Fernway School, Shaker Heights, Ohio, wrote to Hardman as follows, in regard to a Bell System film shown in the school:

If you could have heard the discussions that followed in the classrooms you would have been amply repaid for all of your trouble.

However, The Ohio Bell Telephone Company did not have entirely clear sailing in its motion picture promotion in Ohio, as it aroused the criticism of Dr. B. O. Skinner, Director of the Department of Education of the state of Ohio. In 1934, Dr. Skinner wrote a letter to all public school superintendents and principals in the state of Ohio, inferentially condemning the practice of showing Bell System films in the schools. He said in part:

May I call your attention to the ill-advised, promiscuous use of advertising, or propoganda, slides, films, charts, exhibits, \* \* \* distributed "gratis" to schools. \* \* \* we have given you the opportunity to avoid using advertising and propoganda material, which is supposed to be "free," but which

v) after all is the most costly of material, since, if it does nothing worse, it impedes the normal and healthy development of the production of visual aids solely for education work, by presenting unfair competition to such production. \* \* \* It will not be a happy day for visual instruction until the so-called "free" advertising slide and film is rejected by the school authorities as definitely as the theaters long ago rejected them.

On June 1, 1934, Hardman reported the matter to Hamilton, enclosing a clipping of a statement by Dr. Skinner -

\* \* \* urging schools to reject literature and films put out by business interests and utilities. I thought you would be interested in his stand.

Charles W. Barrell, an independent motion picture producer, formerly of Western Electric Company, wrote to Hardman about Dr. Skinner's letter, suggesting that Skinner:-

\* \* \* be obliged to give a little better explanation of his arbitrary ruling.

Hardman said in his reply to Barrell of July 17, 1934:

Dr. Skinner has issued similar statements practically every year. The next time I am in New York, I will tell you more about the situation.

In other territories too, motion pictures were exhibited in large numbers with varying effects. H. S. LeDuc, advertising supervisor of The Bell Telephone Company of Pennsylvania, in a letter to Hamilton of January 24, 1933, stated:

In general, we have found that it is now possible to get our motion pictures booked in the best theaters. \* \* \* Our pictures have also proven highly acceptable in various schools, notably in Philadelphia, Allentown and Pittsburgh. In these towns the Boards of Education have taken the entire series and shown them to the student bodies.

Hamilton's 1934 report included a copy of a letter to him from LeDuc in which the latter stated:



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During the past school term (September 1, 1933 to July 1, 1934) our films were shown in 172 different schools in our territory. \* \* \* In addition, 581 showings \* \* \* in 90 different schools were given by the Philadelphia Board of Education with prints of our old silent subjects which they maintain. Similarly the Pittsburgh Board of Education showed silent pictures to an approximate attendance of two million in schools under their jurisdiction.

The General Sales Manager of The Bell Telephone Company of Pennsylvania, in a letter to LeDuc of January 23, 1933, cited a comment of the Pittsburgh School Board in which the School Board referred to the Bell System films "The Hit that Scored" and "Protecting Pennsylvania's Forests" as "really fine educational pictures," and expressing the opinion that they -

\* \* \* should be shown to every school child in the State \* \* \*  
"The Hit that Scored" \* \* \* was shown to every school child in Pittsburgh from the first grade up.

W. A. Murphy of North Scranton Junior High School, Scranton, Pennsylvania, in a letter to President Walter S. Gifford of American Telephone and Telegraph Company, of June 17, 1930, expressed the school's appreciation -

\* \* \* of the work that the American Telephone and Telegraph Company is doing in the field of education through its subsidiary companies.

We have used practically every motion picture film produced by the above mentioned companies in connection with our regular teaching program. These films have been a wonderful help in the education of the boys and girls. They have done much toward developing a keener understanding of the problems of communication; have developed a civic and national consciousness; and have promoted the idea of service; such as no other medium which we possess could possibly do.

#### Advertising in Student Publications.

Advertising is placed in college publications to engender good will. On July 9, 1925, A. F. Hardman, then Assistant to the General

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Manager of The Ohio Bell Telephone Company, wrote to Randolph Eide, then Vice President and General Manager of the same company, proposing an advertising campaign in 17 college newspapers, as follows:

I recommend that we engage in this campaign starting in October and carrying an advertisement once a month through to March making five insertions in each publication. I believe the campaign would be just as effective without the folders or posters as the increase in business sought or obtained would be secondary to the good will and esteem engendered in the minds of the students.

It was decided, however, not to engage in the campaign because it would set a bad precedent and it would be difficult to discontinue the advertising if desired.

However, this policy was evidently changed, because in 1931 we find evidence of considerable college advertising in Ohio. The Commercial Manager of The Ohio Bell Telephone Company wrote that advertising at Antioch College should be continued "as it helps our relations with the school authorities." On July 24, 1931, the District Commercial Manager wrote to the Advertising Manager recommending continuation of the college advertising campaign in 1932, because "Relationship of telephone company with the college (Dayton University) has been improved by means of our advertising." A similar letter was written referring to Mount Union College.

On November 18, 1933, the editor of "The Ohio Teacher" solicited the company for an advertisement, stating:

\* \* \* the advertising you have carried heretofore has built up quite a volume of business (educational films) among school men and certainly establishes a good will towards your company over Ohio.

The advertisement was placed, in order "to renew a relationship, which, we feel, has been very beneficial to us in the past."

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On August 20, 1935, the Advertising Manager of The Ohio Bell Telephone Company advised the District Commercial Manager at Columbus that the company was resuming advertising in the publication "Sun Dial" at Ohio State University for eight months. He further stated:

To summarize, we feel that this college advertising has created good will and generated favorable comments at very nominal cost.

CHAPTER VIII  
POLITICAL AND LEGISLATIVE ACTIVITIES OF THE BELL SYSTEM

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The files of American Telephone and Telegraph Company disclose that the objective of the legislative activities of the Bell System is to foster and retain every possible protection for its private ownership, service, rates, financing, labor relations, and every other element of its business which it regards as desirable and conducive to its own well-being. Through the persistent and coordinated efforts of its nationwide organization and friendly interests, under the guidance and suggestions of the parent company, it has sought with great success to prevent the introduction and the passage of legislation directly or indirectly affecting its interests or activities, to which it has had objections. It has modified and amended legislation in such a way as to defeat or emasculate the main purpose of the legislation, or has been able to exempt the Bell System or the telephone industry from the provisions of such bills.

Organization of Bell System Legislative Activities.

In each state and in the District of Columbia, the Bell System, through the local Associated Company, has one or more attorneys or agents who are charged with the responsibility of watching and reporting upon pending legislation. Each local legislative counsel or agent keeps his company's main office informed as to the introduction of bills of interest to the Bell System and the status of those bills through the legislature. <sup>1/</sup>

The Associated Company attorneys refer a great many of the bills to the New York office of the American Company. <sup>1/</sup> Roscoe T. Holt,

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<sup>1/</sup> Transcript of Hearings, pp. 847-866.

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attorney of the American Company in charge of legislative matters, testified at the Federal Communications Commission's hearings that he examines approximately 10,000 bills during the odd-numbered years when about 40 legislatures are in session, and examines about 5,000 bills regularly each year. <sup>1/</sup> Mr. Holt analyzes many of those bills, indicates the bearing that they have on Bell System policy, and points out, with the advice of the various departments of the American Company, the position to be taken in support, opposition, or modification of the particular measure. In his testimony Mr. Holt stated that the Associated Companies are "generally in accord with the conclusions" of his analysis. <sup>2/</sup>

The legislative activities of the Bell System are closely coordinated and directed. The attorneys of the Associated Companies keep those of the American Company advised constantly concerning each and every bill of interest to them or to the System generally. The American Company attorneys analyze these bills, expressing their attitude concerning them to the attorneys of the Associated Companies, indicating what should be done with them and preparing and forwarding amendments or substitute bills, and keeping in constant communication with the Associated Companies concerning the status of such bills in which they are interested.

Mr. Walter S. Gifford, President of the American Company, testified at the Commission's hearings, referring to the Bell System, that they "do not employ outside lobbyists and outside legislative agents," <sup>3/</sup> and that their "policy is to do our own legislative work as far as can be done through our counsel and officials and not to hire outside agents or lobbyists." <sup>4/</sup>

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<sup>1/</sup> Transcript of Hearings, pp. 850 and 916.

<sup>2/</sup> Id., p. 858.

<sup>3/</sup> Id., p. 596.

<sup>4/</sup> Id., p. 583.

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The answers of the Bell System Companies to the Federal Communications Commission questionnaire regarding legislative agents and counsel show that the companies do engage outside non-employee agents and counsel.

Material taken from the correspondence files of the Associated Companies examined in connection with this investigation show that the companies make a practice of employing the most influential local attorneys obtainable. Mr. E. D. Smith, General Counsel of Southern Bell Telephone and Telegraph Company, testified as follows:

Q. Well, you would say \* \* \* would you not, that you do employ attorneys for legislative work?

A. Yes sir; with this qualification, Mr. Becker.

Q. Yes.

A. That primarily the legislative work is the duty of the State Manager and of the commercial department and, that is, it has been since, oh, 1921 or 1922. And that such employment of local counsel as we have had in legislative work, as a rule, has been to assist them and has usually been at their request. 1/

\* \* \*

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\* \* \*

Q. These attorneys that are employed locally to assist in legislation, of course, are not people who work full time for the company?

A. That is true.

Q. I believe Mr. Gifford testified earlier in the year that he was under the impression that he used all his own people for legislative work.

A. Well, we have no full time lawyers in any state, except those of us I have mentioned in my department. 2/

Southern Bell Company also uses for legislative work outside persons who are not attorneys. In August, 1926, Morgan Speir, Manager

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1/ Transcript of Hearings, p. 4992.

2/ Transcript of Hearings, p. 4995.

in the Carolina's, wrote P. W. Greene, Assistant Treasurer: <sup>1/</sup>

For many years we have been retaining Mr. August Kohn in connection with our legislative work and have been paying him substantial sums of money.

Mr. Earl H. Painter, General Counsel of Southwestern Bell Telephone Company, testified as follows: <sup>2/</sup>

Q. What would you say, Mr. Painter, with respect to legislative influence being a consideration in retaining local attorneys?

A. Well, at the present time, I don't like it. I don't think it ought to receive any consideration at all at the present time.

Q. It has been given consideration in the past though, has it not?

A. There isn't any question about it.

Examination of the files of Southwestern Bell Company disclosed that that company employed many influential attorneys, some of whom performed legislative work <sup>3/</sup> granting them free telephone exchange and toll service in lieu of retainer fees. <sup>3/</sup> Reference will be made hereinafter to specific instances of this character.

It should be noted here that full examination was made of only three Associated Companies in connection with this investigation, and that in the case of two of the three companies it was disclosed that the companies made it a practice to employ politically influential outside attorneys.

Bills of Interest to the Bell System.

On December 22, 1920, N. T. Guernsey, then General Counsel of the American Company, sent letters to all Associated Company counsel

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<sup>1/</sup> Exhibit 804, Transcript of Hearings, p. 4993.

<sup>2/</sup> Transcript of Hearings, p. 5648.

<sup>3/</sup> Exhibit 1151, Transcript of Hearings, p. 5603.

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outlining the character of legislation in which the American Company was interested and giving further instructions to them. In 1922, Charles M. Bracelen, then General Solicitor, and now Vice President and General Counsel of the American Company, sent the same type of legislative letter. In his letter, Bracelen stated: 1/

For various reasons, it is necessary frequently to act very promptly on a pending bill. \* \* \* I hope you will find it practicable to deal with such bills in this way and thereby assist us in avoiding delay here on matters of importance.

The information furnished during the coming year should be sent, as last year, to Mr. Milo A. Durand, 195 Broadway, New York, who will be directly in charge of the work for us.

Enclosed with this letter was a statement of legislative data and information to be sent to Mr. Durand, and it included the general type of information desired, such as state manuals, governors' messages, copies of all laws of interest, legislative journals, etc.

Bracelen's memorandum specifically stated that bills of interest included all bills relating to the following: 1/

- (a) Telephone and telegraph companies specifically;
- (b) Organization, rights, powers, duties and liabilities of corporations;
- (c) Trusts, monopolies and discrimination;
- (d) Taxation of corporations, domestic and foreign;
- (e) Special assessments when applicable to the property of telephone and telegraph companies;
- (f) Eminent domain where the powers are extended or restricted;
- (g) Regulation of public utilities by state commissions, or municipal or other authority;
- (h) Public ownership of public utilities, state or municipal;
- (i) Transmission lines;

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1/ Exhibit 63, Transcript of Hearings, pp. 626-633.



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- (j) Use of highways, by wire-using companies, including grants, regulations, restrictions and limitations, both general and local;
  - (k) Bucket shops and pool rooms;
  - (l) Labor, including workmen's compensation, social insurance, health insurance, minimum wages, master and servant, hours and conditions of labor, wages, employment of females and children, arbitration, labor controversies;
  - (m) Execution, acknowledgment and recording of deeds conveying real estate or easements therein;
  - (n) Investments in securities of public utilities by financial institutions, insurance companies, etc.;
  - (o) Sales of securities;
  - (p) The initiative and referendum;
  - (q) Taxation generally;
  - (r) Matters not specifically referred to in this list but which, for any reason, may be of interest to the Bell System.

As to such bills the following information is desired:

1. A notice of the introduction of the bill and its general scope, and of the committee to which it is referred, which should be sent immediately, preceding the copy of the bill if there is any delay in furnishing it, and should be by telegraph or telephone if that seems necessary.

2. Two or more copies of each bill as soon as it is printed.

3. Where there is any delay in printing, typewritten copies of the bills enumerated in sub-divisions (a) to (i) inclusive in the above list, and of such other bills as require more prompt attention than the delays incident to waiting for the printed copies would permit.

4. A semi-monthly record of progress concerning all pending bills of interest, with such further information from time to time as you may deem of interest to us.

5. Where bills are being drafted relating to subjects enumerated in sub-divisions (a) to (i) above inclusive, copies of them before their introduction if they are obtainable.

Methods Used by Bell Companies in Legislative Activities.

While the attitude of the Bell System concerning specific bills is always indicated by directions or suggestions emanating from

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the offices of the American Company, the specific methods and tactics used to carry out these directions and instructions can only be derived, in the main, from letters and reports sent in from the field. The methods and tactics that are indicated in these letters and reports involve every stage in the machinery of legislation, and may be summarized as follows:

- (1) Influence of legislators and other officials through informal talks and lobbying. 1/
- (2) Attempts to kill bills in committees through strategic moves of one kind or another. 2/ This includes keeping bills from going to "unfriendly" committees, preventing bills from being reported by committees, and defeating or suppressing bills in committees. 2/
- (3) Attempts to persuade the authors of bills to refrain from introducing them, to withdraw them, or to not "push" them. 3/
- (4) Arranging with legislators to perform parliamentary maneuvers to keep bills from being acted upon, after having been reported out of committee. 3/
- (5) Arranging to keep a bill at the foot of the legislative calendar so that it will not be reached. 3/

The legislative policies and practices of the Bell System, and the close personal contact and influence with many legislators and officials, have become so much a part of the business and consciousness of the System that its officials have actually at times regarded legislators as agents and representatives of special interests rather than elected representatives of the people, and have so expressed themselves. At the Federal Communications Commission hearings many examples were introduced and discussed from the System's correspondence, containing such language as "We will kill the bill in Committee" and "We will kill the bill on the floor." 4/

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1/ Transcript of Hearings, pp. 871-878 and pp. 871-908.

2/ Id., pp. 902-903 and pp. 871-908.

3/ Id., p. 880 and pp. 871-908.

4/ Id., p. 901 and pp. 871-908.

In a letter dated February 18, 1931, Earl H. Painter, General Counsel of Southwestern Bell Company, wrote R. T. Holt, American Company attorney: 1/

The numerous bills directed at the Public Service Commission law and utilities in general are sleeping peacefully in committees, and I do not anticipate any serious trouble in keeping them there.

L. N. Jones, General Attorney of Illinois Bell Telephone Company, reported to Holt on March 25, 1931: 2/

Illinois House Bill No. 404 prohibiting telephone companies from charging restoration of service, has been referred to a friendly sub-committee.

We feel that we can control the progress of this bill.

D. E. Palmer, Southwestern Bell Company attorney, charged with legislative duties in Kansas, reported to Milo Durand, American Company attorney, in February, 1925, as follows: 3/

This bill will go to the Judiciary Committee, and while I have not had time to see all the members of that Commission, I am satisfied that we can get rid of the bill in that Committee.

The following quotations from the American Company's correspondence are illustrative of a practice of System attorneys to conceal sometimes their company's position regarding specific legislation:

We will closely watch this bill and do whatever we can indirectly to prevent its passage. 4/

My idea is that we should do what we can quietly to prevent its passage. 5/

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- 1/ Exhibit 115, Transcript of Hearings, p. 893.
  - 2/ Exhibit 117, Transcript of Hearings, p. 897.
  - 3/ Exhibit 118, Transcript of Hearings, pp. 898-899.
  - 4/ Exhibit 111, Transcript of Hearings, p. 887.
  - 5/ Exhibit 112, Transcript of Hearings, p. 888.

For the time being, I believe we should not act conspicuously in connection with this matter, although we of course want to keep in close touch with it and lend our support in every way possible for its defeat. 1/

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However, while we do not appear openly in opposition to this type of bill, an understanding has been arranged that should the committee have any leaning toward a favorable report, our exemption arrangement will be incorporated in any reported bill. 2/

Retaining attorneys because of legislative influence.- The Bell System Companies have consistently employed politically influential local attorneys. A memorandum dated July 11, 1932, found in the files of Southwestern Bell Telephone Company, gives the results of a conference between General Counsel Jamison and Nelson Phillips, General Attorney for Texas. 3/ It was agreed to discontinue the services of several firms of attorneys, but as to one attorney, McDonald Meachum, of Houston, Texas, upon reconsideration it was decided that he should remain on the payroll of the company because of his legislative influence and activities. It was stated: 4/

\* \* \* a new development has come up concerning this attorney. A special session of the Legislature will be called in August. Meachum has worked with Judge Phillips and given him substantial assistance. He is an ex-State Senator and it is very doubtful whether it would be advisable to discontinue his services at this time on account of this session of the Legislature. Meachum has lots of friends and is present at every session of the Legislature.

The response of Southwestern Bell Company to a Federal Communications Commission questionnaire on attorneys shows that McDonald Meachum, Houston, Texas, has been on a \$300 annual retainer from 1916 to date. 5/

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1/ Exhibit 114, Transcript of Hearings, p. 891.

2/ Exhibit 113, Transcript of Hearings, p. 889.

3/ Exhibit 1186, Transcript of Hearings, pp. 5650-5651.

4/ Exhibit 1186, Transcript of Hearings, p. 5651.

5/ Exhibit 1147, Transcript of Hearings, p. 5599.

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It appears that State Senator John H. Bailey, of Cuero, Texas, was on a \$600 annual retainer from Southwestern Bell Company while he still served in the Texas Legislature. In its response to the Commission's questionnaire on legislative counsel and agents, Southwestern Bell Company reported that Bailey has been on an annual retainer of \$600 from 1924 through 1935: <sup>1/</sup>

Mr. Bailey was an attorney retained by respondent to handle local litigation and claims affecting respondent at Cuero, Texas, and surrounding territory. In 1930, he moved his office to Austin, Texas, and since that time only he has appeared at committee hearings of the Texas legislature when matters affecting the telephone industry were under consideration. Also, since 1930, he made available information as to the effect of pending legislation on such industry.

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\* \* \*

Since 1930 only, he has devoted approximately two months of each year to legislative work as outlined above.

Senator Bailey retired from the State Senate in 1927 after a long period of service, and moved from Cuero to Austin, Texas, in 1930. It will be noted in the foregoing quotation that the Southwestern Bell Company points out that "only" since 1930 has Senator Bailey engaged in legislative activity on behalf of the company. However, there is evidence that Senator Bailey was originally retained on behalf of the company while a member of the legislature. This is reflected in a letter written by Vice President Farnsworth in 1924, wherein Farnsworth stated that in connection with a contemplated trip to Washington he would call on the Texas Senators and Congressmen and renew his acquaintance with them, and that he would also be able -

\* \* \* to carry out a political mission entrusted to me by State Senator John H. Bailey of Cuero, who at all times is our devoted friend and who at the last regular session of the Texas Legislature, saved us in the Gross Earnings Telephone Tax fight. <sup>2/</sup>

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<sup>1/</sup> Exhibit 1149, Transcript of Hearings, p. 5600.

<sup>2/</sup> Exhibits 1180, 1184, 1185, and 1186, Transcript of Hearings, pp. 5644-5651, inclusive.

Concession service to attorneys and governmental officials.-

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Southwestern Bell Company has, apparently, maintained the practice, for more than two decades, of choosing influential attorneys to represent it in various localities in which it operated, giving free toll and exchange service as retainer.

Beginning in 1914, and continuing ever since, the Southwestern Bell Telephone Company has retained C. P. George of Hamburg, Arkansas, on a concession basis in lieu of a cash retainer. <sup>1/</sup> That Mr. George was so employed because of his political influence is apparent from a letter written in November, 1914, by N. L. Jones, District Commercial Manager, regarding a contemplated increase in rates at Hamburg, in which Jones stated: <sup>1/</sup>

I am of the opinion that we have nothing to fear on the injunction proposition at Hamburg, except from Mr. G. P. George, who advised me that he could push the matter and get a fee of several hundred dollars out of it, but that he didn't want to do that.

In further conversation with him he lead me to believe that he would like very much to represent us in return for franking privilege, considering this franking as a retainers fee.

As you will see he has now come out in the open and asked for what he wants and I would recommend that we grant his request for the following reasons:

Mr. George is a partner of the present Circuit Judge and has been very closely associated with him since boyhood and to be frank is the real head of the two.

This party is Judge in Ashely, Drew, Bradley, Cleveland and Dallas Counties, before whom all our cases in these counties will be tried.

Mr. George is City Attorney of Hamburg and is by far the best lawyer for trial of any case in Ashley County.

Mr. George is President of one of the two banks in Hamburg, and has the biggest following of anyone in the community.

Mr. George is one of the leading politicians in the county, never running for any office himself, but electing almost any one he desires.

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<sup>1/</sup> Exhibit 1152, Transcript of Hearings, p. 5606.

Mr. Jones then recommended retaining George, which was concurred in by S. A. Lane, Division Commercial Superintendent, and Walter J. Terry, General Attorney of the Southwestern Bell Company. <sup>1/</sup> George, now a county judge of Ashley County, Arkansas, was still being retained by Southwestern Bell at the end of 1935.

Because Claude Nowlin, General Attorney in Oklahoma for Southwestern Bell Telephone Company, thought it would be "a wise thing to do," concession exchange telephone service was given in 1932 to State Senator Albert Lee Morrison at his office and residence at El Reno, Oklahoma. <sup>2/</sup> Nowlin explained: <sup>3/</sup>

I would want the concession made to the firm, not to Mr. Morrison individually, on account of the fact that he is a member of the Senate. \* \* \*

I could go more into detail with you in conversation than I care to go in this letter, but I desire to say that I regard this as a diplomatic thing to do under present conditions and believe that we will receive more than full compensation for the courtesy extended at El Reno.

Earl Painter, General Attorney of the company, authorized the granting of Nowlin's request. The Morrison firm and its three members were still receiving concession service from Southwestern Bell Company early in 1937. <sup>4/</sup>

Of the employment of S. L. Gladdish, of the firm of Gladdish and Taylor of Osceola, Arkansas, S. A. Lane wrote in 1919: <sup>5/</sup>

Mr. Gladdish is a member of the law firm of Gladdish & Taylor and in addition he is mayor of Osceola. He is a man of strong influence and was of material assistance to us

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- <sup>1/</sup> Exhibits 1153 to 1155, Transcript of Hearings, pp. 5606-5609.  
<sup>2/</sup> Exhibits 1156 to 1160, Transcript of Hearings, pp. 5610-5614.  
<sup>3/</sup> Exhibit 1156, Transcript of Hearings, p. 5610.  
<sup>4/</sup> Exhibit 1151, Transcript of Hearings, p. 5603.  
<sup>5/</sup> Exhibit 1162, Transcript of Hearings, p. 5618.

during our trouble in Osceola in having repealed an objectionable franchise and securing the approval of one allowing the increase in our rates.

5 He is also a very close friend of Senator E. E. Alexander, who is a staunch friend of the company and who has rendered us invaluable assistance during the past four or five years.

Senator Alexander will run for Congress during the next election, having made his announcement some time ago, and from all indications he will be elected to that office.

Both of these gentlemen are in a position to render us material assistance and I am of the opinion that the best policy on the part of this company is to appoint Mr. Gladdish as our local attorney until we discontinue all others, for in doing this, I feel that we will not only be carrying out our obligations but will receive some benefit from the appointment.

The firm of Gladdish and Young was reported as having received free telephone service during the year 1920. <sup>1/</sup>

In 1915 it was urged that Joseph K. Mahoney be retained as company attorney in El Dorado, Arkansas. Mahoney was shortly to take office as prosecuting attorney for his district. He was described as popular, influential, and useful during past legislative sessions in defeating legislation unfavorable to the company. Mahoney was retained, being given free local exchange service. He was still acting on a fee basis through the year 1935. <sup>2/</sup>

General Counsel Claude Nowlin, of Southwestern Bell Company, called the attention of General Solicitor Terry and General Attorney Downie of Arkansas on March 30, 1922, to the great amount of free toll and exchange service being furnished to attorneys in Arkansas compared with that furnished in other states of the area. Nowlin suggested that a diplomatic explanation be given to the various attorneys regarding the necessity of curtailing their service. The tone of the letter indicates that such free service was a substitute for cash retainers

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<sup>1/</sup> Exhibit 1151, Transcript of Hearings, p. 5603.

<sup>2/</sup> Exhibits 1164, 1165 and 1166, Transcript of Hearings, pp. 5620-5625.



or fees. Terry's reply indicated that such service was to be sharply curtailed or discontinued in many cases. <sup>1/</sup>

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On November 22, 1922, General Solicitor Walter J. Terry wrote <sup>2/</sup> to General Counsel Nowlin of Southwestern Bell Company, suggesting that free service be given to Congressman Jacoway, who had been useful to the company in Washington, was a bank vice president, very capable and popular and "locally is aligned with very strong influences, financial and political;" to J. O. Mahoney, a wealthy oil operator and lawyer; and to H. L. Ponder, a political figure who was considered very influential. Nowlin replied on January 9, 1923, in a very positive letter, declining to give any more free service and referring to his previous letter on the subject. H. L. Ponder was still receiving free telephone service through 1932. <sup>2/</sup>

In April, 1916, General Commercial Superintendent W. G. Barry of Southwestern Bell Company wrote to their General Manager relative to difficulties attendant upon the company's decision to discontinue issuance of toll franks to Arkansas State Senators. He stated: <sup>3/</sup>

The senators feel somewhat antagonistic towards the Company because of steps taken to collect their toll accounts, which heretofore were franked, and rather than arouse too great a feeling of ill-will, we have deferred forcing the payment of all toll charges incurred by these men since the first of the year. The senators feel, inasmuch as they were friendly towards this Company during the last session of the State Legislature and hope to render the same support during the coming session, that the Company should be considerate enough to relieve them of the payment of such tolls as they may incur for social or personal reasons.

All 1916 toll slips have been destroyed; therefore, it is not known what action was taken by the company in this case.

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<sup>1/</sup> Exhibits 1167-1168, Transcript of Hearings, p. 5625.

<sup>2/</sup> Exhibits 1169-1171, Transcript of Hearings, pp. 5628-5631.

<sup>3/</sup> Exhibits 1173-1175, Transcript of Hearings, pp. 5634-5637.

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A check for \$50 in payment for the services of one Peter A. Deisch of Helena, Arkansas, who had represented the company in a bankruptcy claim, was requested by General Attorney Downie of Arkansas in January, 1925, Downie closing his request as follows: 1/

\* \* \* Mr. Deisch was State senator from his district at the time he handled this matter for us, and he will be here during the session of the Legislature looking after various matters. He has a great many friends in the present Legislature, and will be of considerable assistance to us this session if we call on him.

On June 15, 1929, General Attorney E. B. Downie wrote to General Counsel Jamison at St. Louis, explaining that during the past session of the legislature \$141.50 in long distance calls had been charged to the free telephone which had been supplied to Representative E. E. Alexander. Because Alexander was a former local attorney for the company who had always been "very courteous" to it and could be depended on to arrange for hearings when the company desired them, it was urged 2/ that these calls, which Alexander disclaimed having made, be franked. General Attorney Earl Painter replied that he knew of no way to frank these calls and that the only alternative to payment would be for Downie to pay the bill in cash and absorb it on his expense account. Investigators for this Commission were informed that \$111 of this amount was written off to the Reserve for Uncollectible Bills, and that "available records do not indicate what final disposition was made of the charge for one call amounting to \$30.50 which constitutes the balance of the item \$141.50." 2/

Free listings to certain state and city officials appear to have been given in Kansas in 1927. In explaining the reason for certain

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1/ Exhibit 1176, Transcript of Hearings, pp. 5637-5638.

2/ Exhibits 1178-1179, Transcript of Hearings, p. 5640.

discrepancies in the Kansas billing records in 1927, the Kansas General Manager wrote the General Commercial Manager, asking for authorization for the following extra listings at Topeka not charged for: 1/

	<u>Number</u>
Extra listings furnished to State Officials	7
Extra listings furnished to Newspapers	3
Extra listings furnished to City Officials	1
Extra listings furnished to Judge of District Court	1

We also request your authorization for certain equipment at Hotel Lassen, Wichita which we do not believe advisable to place under the standard hotel contract at the present time:

	<u>Number</u>
Desk stations now charged for at 50 cents each	356
Switchboard not charged for	1

E. N. Widen, answering for the General Commercial Manager, Hoag, suggested: 2/

Special authorization will be given on these discrepancies in accordance with your request. However, I am wondering whether the furnishing of free extra listings to government officials and newspapers, especially the latter, is not discrimination when handled in this manner.

To this the Kansas General Manager answered: 3/

Your letter suggested that to permit free extra listings to state officials and newspapers, under authorization of your office, might be discriminatory and the most desirable method might be to permit a 100 per cent concession based on "rights and privileges" under the supplemental section of the tariff.

It does not appear that we could avoid the charge of discrimination by that method either, as we would have some difficulty in proving what rights and privileges we received. In fact, it might be very undesirable and embarrassing to all concerned, if a defense were based on that ruling.

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1/ Exhibit 1124, Transcript of Hearings, p. 5575.

2/ Exhibit 1125, Transcript of Hearings, p. 5577.

3/ Exhibit 1126, Transcript of Hearings, p. 5579.

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Whether or not the other Associated Companies of the Bell System have distributed free telephone service to politically influential persons as lavishly as have Southern Bell Telephone and Telegraph Company and Southwestern Bell Telephone Company, is, of course, not known. As was pointed out in the introductory chapter of this report, time and expense prevented a complete examination of all the companies, and full examination was confined, therefore, to American Telephone and Telegraph Company, The Ohio Bell Telephone Company, Southern Bell Telephone and Telegraph Company, and Southwestern Bell Telephone Company. The extended use of such a distribution of patronage is, however, very apparent from the instances cited throughout this report.

Use of Outside Influence on Municipal Councils.

In 1930 the city council at Danville, Kentucky, brought up the subject of telephone rates and passed a resolution ordering Southern Bell Company to return to pre-war rates. General Commercial Manager Bare wrote J. E. Warren, now President of the company: 1/

Mr. Webb is of the opinion that he can get this resolution rescinded by securing the assistance of Mr. Scott Glore, who is a prominent business man of Danville and who has been trying to secure part of our gasoline and oil business for some time. I understand that Mr. Wood, Kentucky Plant Superintendent, has no objection to giving Mr. Glore our gasoline and oil business at Danville but that he is prohibited from doing so on account of a contract that we have with the Standard Oil Company.

However, Foster Hume, General Plant Manager at Atlanta, agreed to purchase part of Southern Bell Company's gasoline and oil requirements from Glore, 2/ and two weeks later Webb wrote to General Commercial Manager Bare that the resolution had been rescinded: 3/

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1/ Exhibit 862, Transcript of Hearings, p. 5142.

2/ Exhibit 863, Transcript of Hearings, p. 5143.

3/ Exhibit 864, Transcript of Hearings, p. 5148.

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In this connection, I desire to call your attention to the splendid work done for us at Danville by Mr. W. S. Glore, Sr., who is not only owner of the Danville Ice and Coal Company, but he is also President of the Glore Oil Company. Mr. Glore is not only friendly to the Company and our local people, but he is also my personal friend. He, personally, interviewed every member of the City Council and got them committed to the action taken on July 15th, and we are greatly indebted to him for his help.

Southern Bell Company was desirous in 1928 of obtaining passage of an ordinance providing for a change to common battery service at higher rates at Harrodsburg, Kentucky. In June, 1928, Kentucky Manager Webb wrote J. E. Warren, then General Commercial Manager and now President of Southern Bell Company: <sup>1/</sup>

In this connection we would like to be authorized to employ Judge Gaither of Harrodsburg, to assist us. Judge Gaither has represented the Company in the past for many years when we have had a local attorney and he is the only attorney in Harrodsburg who is close to Mr. Rankin, the City Attorney. Furthermore, we find that three of the five Commissioners at Harrodsburg are clients of Judge Gaither. The probabilities are that we will be able to make a satisfactory arrangement with Judge Gaither, but we cannot tell at this writing just what that will be.

We are expecting a great deal of trouble at Harrodsburg, - first in convincing them that the present magneto rates are not adequate, and secondly, the City Attorney has always been hostile. It seems that the present City Attorney has been on the job for twenty odd years and is the man who drew up the franchise bought by the Cumberland Company in '08, and he is very proud of the fact that he so tied the Company up that the rates could not be increased during all these years.

Permission was given Webb to employ Gaither, and in September, 1928, an ordinance was successfully passed, Gaither receiving a fee of \$700. <sup>1/</sup>

In August, 1928, Southern Bell Company was interested in obtaining ordinances at Central City and Greenville, Kentucky, providing for an increase in rates. Webb sought and received permission to employ

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<sup>1/</sup> Exhibit 805, Transcript of Hearings, p. 4998.

Judge T. J. Sparks to assist in the negotiations. Of Judge Sparks, Webb, in a letter to J. E. Warren, then General Commercial Manager, said: 1/

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Judge Sparks is United States District Attorney for Western Kentucky. His son is the County Judge, and his law partner, Judge Wilkins, is the City Attorney at Central City, so at the time you send me the figures and other data asked for in my letter of July 25th, we would like to have authority to employ Judge Sparks on the best basis we can, to assist us in this situation.

I think it is important that we hear from you at the earliest practicable date as the City Attorney at Central City has discussed this matter informally several times with the Chairman of the State Railroad Commission and it is his purpose, if he can, to get the matter before the Commission, and the Chairman of the Commission is not anxious that the matter should be brought to the Commission's attention, and I doubt the advisability also from our standpoint as I think this matter should be worked out by us locally. The situation at the present time is quiet as they are waiting for us to make the next move.

Sparks was employed for \$500, and the ordinances were passed in both Greenville and Central City in July, 1929. 2/

In order to prevent two independent telephone companies from merging, and to prevent one from obtaining a franchise to operate at Maysville, Kentucky, Southern Bell Company, in 1928, employed the firm of Worthington, Browning and Reed to look after Southern Bell's interests at Maysville during the year for a fee of \$300. 3/ In reporting the matter to J. E. Warren, then General Commercial Manager, Kentucky Manager L. K. Webb stated: 4/

I am satisfied that now that this firm has been retained, and if we maintain a satisfactory service at Maysville, there will be no effort on the part of the Northern Kentucky Mutual people to acquire a franchise at that point, and furthermore, I believe the influence of this law firm will prevent the sale of the Mason County Mutual Company to the Northern Kentucky Mutual crowd.

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- 1/ Exhibits 806 to 809, inclusive, Transcript of Hearings, p. 5000.  
2/ Exhibit 809, Transcript of Hearings, p. 5000.  
3/ Exhibit 811, Transcript of Hearings, p. 5002.  
4/ Exhibit 810, Transcript of Hearings, p. 5002.

Assistance to Political Candidates.

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Correspondence found in the files of Southwestern Bell Company shows that company representatives have, at times, given aid to the campaign of a candidate for a political office. This campaign assistance has been given in various ways: telephone bills of candidates have been canceled or charged on the expense accounts of company representatives; large accounts have been charged off to "Uncollectible Bad Debts;" and assistance is sometimes given by personal appeal, on behalf of the candidate, by company representatives working "under cover."

Free telephone service.- Here is one instance. In 1924, W. E. Floyd, Chairman of the Arkansas Railroad Commission, was a candidate for re-election. He requested the Southwestern Bell Company to grant him free long distance telephone service as an aid in bringing about his re-election. Edward B. Downie, General Attorney, in Arkansas, wrote J. W. Jamison, General Counsel, in March, 1924: <sup>1/</sup>

A few days ago Mr. W. E. Floyd, Chairman of the Arkansas Railroad Commission, told me that he was going to run for re-election for Railroad commissioner, and that as he would need to use the telephone a great deal he would appreciate it if we would extend to him the courtesy of our long distance lines, so that he might communicate with his friends in the district. He suggested that the calls be charged to my telephone. I told him that we would be able to make some satisfactory arrangement about it. Although I did not tell him so, I would prefer that he have his calls charged to his own telephone, and when the bills come in they can be taken care of.

Because the company's stub records of Floyd's bills have been destroyed, it was impossible to find out how his bills were "taken care of." However, it is apparent from Downie's letter that they were canceled in some way, because Downie stated:

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<sup>1/</sup> Exhibit 1112, Transcript of Hearings, p. 5543.

If this is satisfactory to you, I will tell him to make such use of our long distance lines as is necessary, charging the calls to his own telephone. Of course, if he prefers to have them charged to my number I shall not argue with him.

I write you so that the matter will be mutually understood beforehand.

In December, 1924, General Commercial Manager E. F. Carter inquired of the General Manager at St. Louis: 1/

In checking the Final Accounts Collections for Arkansas we note that at Little Rock in August of this year there was an extremely large item of Transfers Live to Final. This item has been running around twelve hundred dollars per month but in August jumped to over six thousand six hundred dollars.

The General Manager answered in 1925: 2/

This entire increase was due to final bills rendered on political telephones which were installed in May and June. These telephones were used by state politicians in connection with the general election which was held at that time.

Carter, in a memorandum written in February, 1925, regarding the subject, said: 3/

\* \* \* Referring to the Report of Final Accounts Collections for the months following August, we note excessive charges to Uncollectible Bad Debt and, therefore, assume that the greater portion of the accounts of the state politicians referred to above have been disposed of in this manner.

We especially call your attention to the large amount of Final Accounts charged off as Uncollectible Bad Debt in November. This amount, \$2,945, was 109.4 percent of the 4 Months' Average Transfers and 85.6 percent of the total amount disposed of during the month. This is further significant when it is noted that the amount charged off as uncollectible in November was in excess of 5 times the total amount disposed of in October.

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You will note that during these four months, Little Rock has disposed of Final Accounts amounting to \$7,201 of which amount \$5,244 has been charged off as Uncollectible Bad Debt, or 74.2 percent of the total amount disposed of.

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- 1/ Exhibit 1113, Transcript of Hearings, p. 5560.  
2/ Exhibit 1114, Transcript of Hearings, p. 5561.  
3/ Exhibit 1115, Transcript of Hearings, p. 5562.



In 1928, \$7,500 in accounts incurred by candidates for political offices in Arkansas was charged off to bad debts. 1/

5 The practice of charging off political accounts to bad debts was not confined to Arkansas, however, because Carter, in his December, 1924 memorandum also inquired as to why, in Topeka, Kansas: 2/

\* \* \* \$2620.00 was transferred from Live to Final during the month, representing 103 accounts, or \$25.43 per account. In October the transfers were 176 accounts and \$557.00, or \$3.16 per account.

The General Manager at Topeka answered: 3/

\* \* \* The reason for this large amount is due directly to the fact that a number of telephones were taken out immediately after election, which had been installed primarily for election purposes. There are nineteen of these accounts totaling \$2,206.25. Of this amount \$1240.06 was collected, leaving a balance of \$966.19.

Personal aid by company representatives.- In reporting the results of the Kansas 1926 State primary elections, D. E. Palmer, company General Attorney for Kansas, wrote J. W. Jamison, General Counsel: 4/

There were three judges of the Supreme Court renominated \* \* \*

All three of the Supreme Court Judges came to me for assistance. \* \* \*

Palmer then speaks of a special trip that he made to Wichita and Leavenworth on behalf of one of the judges:

I also had Mr. Kercher and Mr. Schultz, political reporter of the Journal, write a number of articles in support of the judges, and we succeeded in getting these articles in local

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- 1/ Exhibit 1116, Transcript of Hearings, p. 5564.  
2/ Exhibit 1117, Transcript of Hearings, p. 5566.  
3/ Exhibit 1118, Transcript of Hearings, p. 5566.  
4/ Exhibit 1119, Transcript of Hearings, p. 5568.

newspapers. All three of these judges were renominated in Tuesday's primaries by a vote a little better than 2 to 1.

When they made a personal appeal, I felt that I was obligated to do what I could for them but all of our work was under cover.

In reporting the nomination of a candidate for Mayor of Little Rock in 1928, which "is equivalent to election," Downie wrote Jamison: <sup>1/</sup>

I had the pleasure of being of some assistance to him in the campaign. \* \* \*

Attitude towards Bills Relating to Regulatory Commissions.

Bell System Companies are often interested in defeating bills introduced which disturb existing commissions. The attorney's activities were not only confined to existing commission laws, but to bills proposing to establish new commissions. In some cases, their interest in the legislation was to safeguard themselves against the creation of commissions whose personnel would be elected rather than appointed. In other cases, they merely interested themselves in defeating bills which affected commissions, possibly to foster or maintain friendly relationships with the existing commission.

Texas.- The System's attitude and activities regarding regulatory commissions may best be illustrated by its actions over the past 25 years with reference to efforts to establish a regulatory commission in Texas. Texas is one of the three states in the Union which has never vested in a state regulatory commission jurisdiction over telephone companies, the other two states being Iowa and Delaware. Legislation to extend the jurisdiction of the Railroad Commission of Texas to include telephone and telegraph companies and other utilities, or to create a

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<sup>1/</sup> Exhibits 1120 and 1121, Transcript of Hearings, pp. 5570-5571.

5 public utilities commission with general jurisdiction over all utilities, has been proposed in Texas practically since the general movement for the creation of public utility commissions began about 1907.

Under the present system in Texas, the municipalities of the state having a population greater than 2,500, under the so-called "Home Rule Act," have been delegated the power to regulate public utilities. The telephone service and rates in villages and towns of less than 2,500 population and between the city limits of cities are not subject to any regulation.

The attitude of Southwestern Bell Telephone Company towards state regulation of utilities in Texas appears to have been generally defensive, <sup>1/</sup> that is, it has felt that some day such a law would be enacted; and with that thought in mind, the company has, when the time seemed opportune, sought to put through legislation which it favored. <sup>2/</sup> At other times it has been instrumental in accomplishing the defeat of legislation which it opposed. It very clearly appears, however, that at all times Southwestern Bell Company has been very active in this matter.

The viewpoints of the contending parties in the matter of state regulation seem to have been as follows: The larger cities have not been willing to surrender their control over utilities operating within their borders; <sup>2/</sup> the smaller cities and towns have been divided on the question, but most of them favored a commission because they realized they did not have sufficient funds to contend with the utilities effectively. Of late years, the larger utilities have favored the creation of a state commission, preferring one governing body to the several hundred acting for the municipalities; the smaller utilities have opposed the creation

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<sup>1/</sup> Transcript of Hearings, pp. 5695-5696.

<sup>2/</sup> Id., pp. 5689-5749.

of a commission because of the expense involved in pleading their cases before a body located at the state capitol.

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The interest that the Southwestern Bell Telephone Company has taken in the passage of a utility law in Texas is indicated by the following letter from C. C. English, Assistant General Attorney, to E. H. Painter, General Counsel, dated April 27, 1931: 1/

Herewith is a report as to the status of bills in the Texas Legislature as of Saturday, April 25th.

Things look very favorable and we doubt whether any unsatisfactory legislation will pass this session. It now looks as though none of the utility bills will pass. However, it is quite likely that the Legislature will continue about ten days after its four months' session, which session ordinarily would be over on May 12th, and my predictions may not be correct.

A good many bills contain our amendments as adopted by the committees. On other bills we have amendments in the hands of members who will offer them if the bills ever come up for a vote. While we have had more bills to contend with at this session than at any other other, nevertheless I believe things are in better shape than ever before.

Further indications of the interest taken and methods used or proposed in rectifying regulatory legislation according to the ideas of Southwestern Bell officials are found in a document purported to be written in 1933 by E. W. Clausen, rate attorney, entitled "Comments on Texas H. B. No. 204 and suggestions for amendment." In this document, it is stated in part: 2/

Article I, Section 1, Subsection (C), further Paragraph 3, Subsection (g) now reads as follows:

"The term 'Rate,' when used in this Act, means and includes every compensation, charge, fare, toll, rental and classification, or any of them, demanded, observed, charged or collected by any Public Utility for any service, product or commodity offered by it to the public, or other Public Utility, and any

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1/ Exhibit 1215, Transcript of Hearings, pp. 5702-5703.

2/ Exhibit 1216, Transcript of Hearings, pp. 5703-5704.

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rules, regulations, practices or contracts affecting any such compensation, charge, fare, toll, rental or classification. Every rate made, demanded or received by any Public Utility, or by two or more Public Utilities, jointly, shall be just and reasonable, and every Public Utility shall furnish adequate, efficient and reasonable service."

This language is dangerous because of the words "or other Public Utility." Under it all traffic agreements would probably be subject to the jurisdiction of the Commission. The last sentence is practically a verbatim rendition of Sections 1 and 2, of Article III, and it occurs to me that it may be possible to secure a rewriting of the paragraph on the pretext of omitting the duplication, and in the course of rewriting omit the words "or other Public Utility."

Missouri.- Reporting on the 1923 legislative sessions in his territory, Nims, President of Southwestern Bell Telephone Company, in a letter to Thayer dated March 30, 1923, referred to some trouble the Missouri Commission was having and the manner in which the company officials had helped to save it. He stated: <sup>1/</sup>

\* \* \* The Missouri Commission has been under fire from the beginning of the legislature. Several bills were introduced to abolish the commission and the legislature refused to give them any appropriation whatever until the very last day of the session \* \* \*. We had a hard fight to save the commission and to get them any appropriation. I do not believe I am exaggerating when I say except for the effective work done by the telephone organization the commission would have been abolished. \* \* \*

An attempt was made to abolish the Tennessee Commission in 1923. In this case, Southern Bell Company helped prevent the repeal of the Commission Act, thereby strengthening their relations with the commission. Several bills sponsored by the Governor, which affected the jurisdiction of the Public Service Commission and one of which would have abolished the commission, were introduced in the legislature. Reporting the matter to Bracelen in April, 1923, Hunt Chipley, General Counsel of Southern Bell, said: <sup>2/</sup>

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<sup>1/</sup> Exhibits 2005 to 2007, inclusive, Transcript of Hearings, p. 6719.

<sup>2/</sup> Exhibit 2004, Transcript of Hearings, p. 6719.

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Particularly are we pleased with the outcome, because we have materially strengthened our relations with the Commission by doing what we could to prevent the repeal of the Commission Act; and as we did not antagonize the Governor, who was the storm center of the entire session, our relations on the whole, we believe, are better now than they were in the beginning.

Holt apparently became alarmed over the introduction of two bills in 1929 to investigate utility commissions in Michigan and Wisconsin, and wrote a memorandum to Bracelen concerning Michigan House Concurrent Resolution 15 and Wisconsin Joint Resolution 53A. <sup>1/</sup> Krizek, General Attorney of Wisconsin Telephone Company, wrote Holt that they would take whatever steps were necessary to prevent the passage of the resolution.

Drafting of Missouri Tax Laws.

The Bell System attorneys have not only attempted to influence the substance of the bills in which they have been interested, but in some cases have actually aided in the drafting of bills which they sought to advance. A particularly good illustration of this fact is in correspondence between the American Company and Southwestern Bell attorneys, which shows that at least in Missouri the tax laws of the state were written in collaboration with the tax attorneys of the Bell System.

In March, 1927, J. W. Jamison, Southwestern Bell attorney in Missouri, wired Bracelen, and speaking of the 1927 Missouri Income Tax Act which amended the 1919-21 act, stated: <sup>2/</sup>

Both the House and Senate in the Missouri Legislature have passed our Income Tax Bill in satisfactory form \* \* \*

Then, a few days later, Jamison again wired Bracelen: <sup>2/</sup>

This morning the Governor approved the Bill amending the Missouri Income Tax Act \* \* \*

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<sup>1/</sup> Exhibit 75, Transcript of Hearings, pp. 674-675.

<sup>2/</sup> Exhibit 95, Transcript of Hearings, p. 792.

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The conclusion, however, that the Missouri Act was, in part, written by Bell System attorneys is not based solely upon the telegrams quoted above, but also on correspondence between A. E. Holcomb, Tax Attorney for the American Company and Secretary of the National Tax Association, and George P. Whissell, Tax Attorney of Southwestern Bell.

In March, 1929, Holcomb supplied Whissell with copies of the New York law and the last model bill of the National Tax Association Committee on business taxes and income taxes, as well as a copy of the California bill. <sup>1/</sup> Whissell wanted these in order to help amend the Missouri Income Tax Act. Whissell informed Holcomb that the material sent by the latter had arrived too late for him to use "in working with the men drafting the amendments which will be introduced within a few days." <sup>1/</sup>

The letter from Whissell to Holcomb describes the tax situation of Missouri and his efforts to get through an acceptable act.

Whissell carefully points out to Holcomb that the information is given: <sup>1/</sup>

\* \* \* with the understanding that you will regard it in strict confidence as to disclose it to anyone in this state, even any counsel which you might hire, would embarrass our new Governor personally, and this is something which I would not care to do under any circumstances, especially at the start of his administration.

Then Whissell writes in part: <sup>1/</sup>

The picture starts with the passage of the present 1927 Income Tax Act. This Act, as you know was prepared by a number of corporations of which we were one, and was, when it left my hands, in what I believed fairly good shape, and, in addition, was fair to both the State and the taxpayers. As you know, it was referred to a committee and certain persons in the State Auditor's Office, who had little or no experience with income tax work, and who had been but recently added to the force, began writing into the bill sentences here and there picked

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<sup>1/</sup> Exhibit 96, Transcript of Hearings, pp. 793-797.

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from this and that law but with no idea as to how they would affect the whole situation. The man whom the committee of corporations designated to take the bill to Jefferson City was not as capable as the man who had worked on the drawing of the bill, and, being ignorant of the full import of what these additional amendments were doing, and being possibly unduly anxious to get his bill through smoothly in order to accomplish its major purpose agreed to these insertions without consulting the rest of us, and the bill as amended came out as a committee substitute recommended "do pass." I immediately rushed to Jefferson City and explained to both the men in the State Auditor's Office and to the men who were handling the bill for us the terrible mess that had been thus created. \* \* \*

Whissell then goes on to describe how an effort was made to amend the bill on the floor, but that this was not successful, and rather than leave the tax matter unsettled because the session was ready to adjourn, it was felt that it was better to let the bill become enacted into law.

Whissell points out in his letter to Holcomb that the State Auditor's Department had had a great deal of trouble with certain tax-paying corporations interpreting certain sections of the act, and that the Governor had appointed an attorney by the name of William Gilbert to clarify and adjust the unsatisfactory section of the 1927 Income Tax Law: 1/

At the urgent request of state officials and Mr. Gilbert himself I was asked to collaborate with him and help him out with the tax features of the bill. My assistance was requested in confidence and therefore in dealing with Mr. Gilbert I had been unable to use more than my own influence on him as neither he nor the Governor desired to bring other people into the work. \* \* \*

Bell System Attitude towards Other Legislation.

A list of the various legislative matters in which the Bell System is interested was given previously. The evidence shows that in

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1/ Ibid.



many of these subjects, besides utility regulation, Bell System Companies have taken a positive stand and attempted to impose their point of view upon legislation.

5 The Associated Companies, upon advice of the American Company, have opposed from time to time legislation pertaining to hours and wages, unemployment insurance, holding companies, taxation, public ownership, etc. The Bell System is on record as opposing reduction of hours to less than 48. <sup>1/</sup> At the time the N. R. A. was in effect, American Company officers regarded the reduction of hours a temporary expedient. <sup>1/</sup> The New York Telephone Company opposed a bill proposing compulsory unemployment insurance in 1927 on the ground that it was paternalistic and socialistic, <sup>2/</sup> and also in 1934 on the ground that it was an inopportune time to create additional burdens upon industry before business conditions fully recovered. <sup>3/</sup> In 1931 there was a bill introduced in Indiana to create unemployment reserve funds. The bill was sponsored by the American Association for Labor Legislation. The General Counsel of the American Company wrote to all of the Associated Telephone Companies to oppose that and similar legislation.

The Bell System has consistently opposed attempts to institute investigation of its affairs. In 1927 resolutions in the legislatures of Oregon and Washington, memorializing the United States Senate to investigate the Bell System, were opposed by The Pacific Telephone and Telegraph Company. <sup>4/</sup> A similar resolution in California in 1929 was also opposed. <sup>5/</sup> In 1926 Representative O'Connor of New York introduced

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<sup>1/</sup> Transcript of Hearings, p. 708.

<sup>2/</sup> Id., p. 706.

<sup>3/</sup> Id., p. 704.

<sup>4/</sup> Id., pp. 657, 659.

<sup>5/</sup> Id., p. 664.

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a resolution in Congress to investigate the Bell System. <sup>1/</sup> This was also opposed by contacting members of the Rules Committee. Similarly, with other legislative resolutions to look into the practices of the telephone companies.

The Bell System has from time to time also opposed resolutions proposing legislative investigations of state public utility commissions. In 1929 the Wisconsin Telephone Company's General Solicitor reported to the American Company that he would take "such steps as are necessary under all of the circumstances" to prevent the passage of such a resolution. <sup>2/</sup>

In New York, during 1931, the New York Telephone Company opposed a bill empowering three-fourths of a jury to render a verdict in civil cases, because, as their company representative put it, "Hung juries are hard enough to get now." <sup>3/</sup> Two years previously, another bill in New York which proposed to have jury trials in contempt cases arising out of labor injunctions, was also opposed because one juror might prevent a verdict. <sup>4/</sup>

The Johnson Bill restricting the jurisdiction of federal courts in utility cases was the subject of a concerted attack by the Bell System. The General Counsel of the American Company attempted to obtain the opposition of outside groups through the contacts of directors of the company, <sup>5/</sup> and mobilized the bar associations of the various states to oppose it by resolutions against the bill. <sup>6/</sup>

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<sup>1/</sup> Id., pp. 666, 668.

<sup>2/</sup> Exhibit 75, Transcript of Hearings, p. 674.

<sup>3/</sup> Exhibit 86, Transcript of Hearings, pp. 756-757.

<sup>4/</sup> Transcript of Hearings, p. 761.

<sup>5/</sup> Id., p. 842.

<sup>6/</sup> Id., p. 828.

CHAPTER IX

CONCLUSION

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In the foregoing pages an attempt was made to give a kaleidoscopic picture of the pervasive public relations policies of the Bell System. It is apparent that no opportunity is disregarded to "sell" the System to the public. Every business and social contact is considered an opportunity to propagate the philosophy of the System with respect to its existing organization and policies, as well as the broader questions of social policy. The principal approach is not an appeal to reason, though this is not overlooked wherever the facts warrant, but an appeal to emotions and sympathies, which is less concrete and more subtle, and therefore more effective. Appeals to economic interest, as well as favors in the way of additional services or relaxation of rules and regulations in the interest of particular groups, <sup>1/</sup> are also employed as methods of cultivating good will, preventing criticism, and obtaining support.

In this program of indoctrination, through constant cultivation of all available resources, the Bell System preceded and anticipated the power and gas utilities. On this point, Vice President E. K. Hall of American Telephone and Telegraph Company stated at the General Commercial Conference of 1921: <sup>2/</sup>

But now, the railroads themselves and all the public utility associations are planning together for an intensive constructive and direct action on the development of proper public relations. They have come to realize what they have lost. I

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<sup>1/</sup> See numerous cases of exceptions made to tariffs filed with the Federal Communications Commission in Parts IV and V of Exhibit 289, "Bell System Policies and Practices in Radio Broadcasting."

<sup>2/</sup> "Papers and Discussions," Vol. II, Sec. Y, pp. 13-14.

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sat in within a month and a half at a Conference where all of the utilities were represented except the railroads. I was invited in there, not as a party to the conference, but invited in to be there and see what they were doing. Three of the speakers, when they were talking about the public relations that they had got to establish, the basis that they had got to establish with the public, three different ones in the course of an hour used the telephone companies as a model to work on, and used the telephone company as a comparison with what they had been doing, to show what they ought to be driving for and how much better off we were because we were on the job longer.

It used to be a great deal of value to us to be so far ahead of the procession that everybody recognized us as leading it. Just the comparison between us and the other utilities was extremely helpful to us. They were going to model their plans after us, and if we are going to keep that gait, we have to put both feet on the ground and start running, because they are beginning right now to develop as they never did before, a better and stronger public opinion.

It is not the function of this report to dwell upon the social and political significance of these policies and practices, which all seem to be directed toward the moulding of public opinion in defense of the Bell System, which has grown, as other reports in this Investigation have shown, into the largest business organization in the world with a self-perpetuating management. It is well, however, to think of the problems raised by such a well-mobilized effort at public favor by a centralized, self-continuing management in control of the largest aggregation of capital ever assembled under one leadership. A study of the significance of this situation, contrasting it with the democratic processes, is certainly the province of the political scientist, and is of vital importance in creating safeguards to the continuance of democracy. <sup>1/</sup>

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<sup>1/</sup> A beginning has been made in the study of these fundamental problems by Dr. Norton E. Long, of the Department of Government at Harvard University, in his dissertation, "Public Relations Policies of the Bell System, A Case Study in the Politics of Modern Industry," 1937.



ILLINOIS BELL TELEPHONE COMPANY

## 6. SURVEY OF PUBLISHED NEWSPAPER ARTICLES AND EDITORIALS

	<u>1931</u>		<u>1932</u>		<u>1933</u>		<u>1934</u>		<u>1935</u>	
	<u>No. of Items</u>	<u>Column Inches</u>	<u>No. of Items</u>	<u>Column Inches</u>	<u>No. of Items</u>	<u>Column Inches</u>	<u>No. of Items</u>	<u>Column Inches</u>	<u>No. of Items</u>	<u>Column Inches</u>
Items Reviewed	4279	26937	3676	17166	3536	16336	3691	-	3908	-
Favorable	3664	24443	2692	14068	2414	12102	2327	-	2958½	-
Unfavorable	615	2494	984	3098	1122	4234	1364	-	949½	-
Editorials Reviewed	149	930	78	609	127	895	174	-	131	-
Favorable	118	770	54	224	65	386	130	-	114	-
Unfavorable	31	180	24	385	62	509	44	-	17	-

Note: No survey was made prior to 1931. The computation of column inches was discontinued after 1933.

Every article or editorial was classified as unfavorable even if it contained only a minor implication of unfairness or a minor criticism of our company, the Bell System, our service or our people.

Alabama

Sections 9709-9710, 9822-9823 Alabama Code 1923

5-19  
9709. Definition of terms used in chapter -- The term "municipality" shall mean and include any municipal corporation organized under the laws of this state. The term "person" shall mean and include individuals, associations of individuals, firms, partnerships, companies, corporations, municipalities, governmental agencies, their lessees, trustees, or receivers appointed by any court whatsoever, in the singular number as well as in the plural. The word "securities" shall mean and include stock, whether of par value or not, stock certificates, bonds, notes, debentures, or other evidences of indebtedness, authorized, issued, or executed by any person in the singular as well as in the plural. The term "transportation company" shall mean and include every person not engaged solely in interstate commerce or business that now or may hereafter own, operate, lease, manage or control, as common carriers for hire: (1) Any railroad or part of a railroad in this state, or any cars or other equipment used thereon, or bridges, terminals or sidetracks used in connection therewith, whether owned by such railroad or otherwise; (2) any express companies; (3) any car companies; (4) any sleeping car companies; (5) any steamboat or steam packet company or common carrier for hire by water regardless of the propelling power used; (6) any railroad depot or terminal station; (7) any telegraph line; (8) any telephone line. The term "transportation company" shall also mean and include two or more transportation companies rendering joint service.

9710. Powers and duties of commission. -- The commission shall supervise, regulate and control, in the public interest the rates, fares, and charges, facilities, practices, rules and service of transportation companies. All authority, rights, powers, duties, privileges, and jurisdiction heretofore conferred by law on the commission is expressly retained and no provision of this article shall be construed so as to divest the commission of any power, duty, privilege or authority it now possesses.

9822. Public service commission has jurisdiction over telegraph and telephone companies. -- In addition to other powers and regulations herein conferred, all persons, firms and corporations engaged in or carrying on for hire, the business of telephone or telegraph, either or both, shall be, so far as relates to the rates, charges, services and facilities of such persons, firms and corporations, under the jurisdiction of the public service commission of this state.

9823. Powers and duties of public service commission. -- The public service commission of Alabama is charged with the duty of supervising, regulating and controlling such persons, firms and corporations doing business as aforesaid in this state, in all matters relating to their rates, charges, services, and facilities, and of correcting abuses therein, by such persons, firms and corporations. The commission shall, from time to time, in the manner now or that may hereafter be authorized by law, for prescribing and enforcing the rates and charges of railroads in this state, prescribe and enforce against such persons, firms or

corporations, such rates and charges as may be fair, reasonable and just, and shall require them to establish and maintain all such public service facilities and conveniences as may be reasonable and just, which said rates and charges, the Commission may, from time to time, alter or demand.

Mississippi

Section 7096, Mississippi Code

7096. Charges of all carriers fixed - supervision of -- The railroad commission may fix the charges of and shall supervise and regulate all persons, natural or artificial, who may own or operate express, telegraph, telephone, and sleeping-car companies, car service association, or other associations governing or controlling cars or rolling stock of railroads in this State in the same manner as railroads; and it is the duty of each person, natural or artificial, owning or operating such express, telegraph, telephone and sleeping-car company to have and maintain fixed rates for doing business, which shall, without discrimination between persons, corporations or localities, be applicable, under similar circumstances to all persons alike; to submit their tariff of charges of such companies to the commission for approval, and to comply with the orders and regulations of the commission made in supervising their companies, in like manner and under like penalties against their companies, their officers and employees, as is provided in the case of railroads; and the persons, whether natural or artificial, owning or operating such companies, shall be liable civilly and criminally for extortion in the same manner as railroads.

North Carolina

Sections 1112(b) 1112(o) Sup. to N. C. Code 1931

Sec. 1112(b) Supervisory powers. -- Under the rules and regulations herein prescribed and subject to the limitations hereinafter set forth, the said utilities commissioner shall have general supervision over the rates charged and the service given, as follows, to wit:

- (1) By railroads, street railways, steamboats, canals, express and sleeping-car companies, and all persons, firms or corporations engaged in the carrying of freight or passengers or otherwise engaged as common carriers;
- (2) By telephone and telegraph companies and all other companies engaged in the transmission of messages, and by all firms and individuals owning or operating telephone or telegraph lines in the state;
- (3) By electric light, power, water, and gas companies, and corporations, other than such as are municipally owned or conducted, and all other companies, corporations, or individuals engaged in furnishing

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electricity, electric light current, power, or in transmitting or selling the same or producing the same from the water courses of this state;

(4) By all water power and hydroelectric companies or corporations now doing business in this state or which may hereafter engage in doing business in this state, whether organized under the laws of this state or under the laws of any other state or country, and such companies and corporations are deemed to be public-service companies and subject to the laws of this state regulating the same;

(5) By flume companies, corporations, other than municipal corporations, or individuals owning or operating public sewerage systems in the state of North Carolina;

And the said utilities commissioner is hereby vested under this section with all power necessary to require and compel any public utility or public-service corporation of the kinds herein designated or any other class of public utility to provide and furnish to the citizens of this state reasonable service of the kind it undertakes to furnish and fix and regulate the reasonable rates and charges to be made to the citizens of the state who may be entitled to use the same under such rules and regulations as may be lawfully prescribed. (1933, c. 134, s. 3)

Sec. 1112(o) Commissioner to keep himself informed as to utilities. -- The said utilities commissioner shall at all times be required to keep himself informed as to the public-service corporations hereinbefore specified and enumerated, their rates and charges for service, and the service supplied to the citizens of the state and purposes therefor; and he shall at all times be empowered and required to inquire into such service and rates charged therefor, and to fix and determine as herein provided the reasonableness thereof, and upon petition or otherwise to make full inquiry into such rates and charges in behalf of the citizens of the state, and compel and require compliance with the regulations and charges, and final determination fixed therefor under the provisions of this article, and no corporation, association, partnership, or individual doing business in the state of North Carolina as a public-service corporation, or any corporation herein designated, shall be allowed to increase its rate and charge for service or change its classification in any manner whatsoever except upon petition duly filed with the utilities commission and inquiry held thereon and final determination of the reasonableness and necessity of any such increase, change in classification or service: Provided, however, that nothing herein shall be construed to prevent any public-service corporation from reducing its rates either directly or by change in classification. (1933, c. 134, s. 16)

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SOUTHWESTERN BELL TELEPHONE COMPANY  
LECTURE-DEMONSTRATION REPORT  
MONTH OF December, 1934

DISTRIBUTION	E. Mo. - Ark.		W. Mo. - Kan.		Oklahoma		Texas		Company	
	No.	Att.	No.	Att.	No.	Att.	No.	Att.	No.	Att.
School	1	250	2	650	9	4,305	6	4,472	18	9,787
Service Clubs	-	-	-	-	7	300	10	775	17	1,195
Chamber of Commerce	-	-	-	-	2	115	-	-	2	115
Other	-	-	1	102	2	115	-	-	3	217
<b>Totals</b>	<b>1</b>	<b>250</b>	<b>3</b>	<b>752</b>	<b>20</b>	<b>4,995</b>	<b>16</b>	<b>5,247</b>	<b>40</b>	<b>11,244</b>
MOTION PICTURES (Reels)	-		-		14		-		14	
TOTAL COST (\$)	\$4.80		\$24.25		\$126.60		\$295		\$454.35	
COST PER LISTENER (¢)	2.6¢		3.3¢		2.5¢		5.7¢		4.¢	

CUMULATIVE - FIRST 12 MONTHS 1934

DISTRIBUTION	E. Mo. - Ark.		W. Mo. - Kan.		Oklahoma		Texas		Company	
	No.	Att.	No.	Att.	No.	Att.	No.	Att.	No.	Att.
School	24	9,295	6	2,950	48	20,915	21	13,637	97	46,787
Service Clubs	17	1,045	5	444	46	2,815	34	2,677	102	7,181
Chamber of Commerce	2	95	2	191	4	340	-	-	8	646
Other	6	1,050	4	254	25	2,250	5	500	44	4,454
<b>Totals</b>	<b>49</b>	<b>11,475</b>	<b>17</b>	<b>3,839</b>	<b>124</b>	<b>26,315</b>	<b>60</b>	<b>17,414</b>	<b>251</b>	<b>59,078</b>
MOTION PICTURES (Reels)	46		-		86		-		132	
TOTAL COST (\$)	\$395.16		\$126.95		\$253.37		\$959.00		\$2454.48	
COST PER LISTENER (¢)	3.4¢		3.3¢		3.6¢		5.6¢		4.1¢	

REPORT OF CUSTOMER RELATIONS ACTIVITIES

F.I.C.A.T.C.

VOLUME OF ACTIVITIES	1951		1952		1953		1954		1955	
	PERSONS	TELEPHONE	PERSONS	TELEPHONE	PERSONS	TELEPHONE	PERSONS	TELEPHONE	PERSONS	TELEPHONE
PLANNED CUSTOMER INTERVIEWS - GENERAL	78213	83718	8139	88388	3332	30309	4818	1437	3801	1209
SALE OFFER	58	29	48	108	137	33	58	50	6	25
FINANCIAL	18	8	28	2	28	2	17	10	10	10
OTHER SALES OFFER BY PHONE	18178	82	179	40	88	145	180	108	48	38
TOTAL	96467	83790	8278	88438	3557	30478	5085	1805	3865	1272
CENTRAL OFFICE MEETS	8825	18008	8825	14048	4425	11252	2824	9888	3928	11878
PUBLIC MEETINGS - LECTURES & FILMS	58	12004	18	2528	83	7280	78	10828	71	8428
COMMERCIAL	48	8128	28	2128	8	248	4	988	18	1308
TOTAL	888	28040	180	7811	91	7828	82	11728	83	8788
SCHOOL MEETINGS - LECTURES & FILMS	84	12000	188	10438	18	3600	88	3178	18	2888
PROFESSORIAL	387	20880	188	12882	87	7178	2	128	1	128
TOTAL	481	32880	388	23880	78	10828	24	3328	20	2828
TOTAL PLANNED CUSTOMER CONTACTS	96467	83790	8278	88438	3557	30478	5085	1805	3865	1272
GENERAL PICTURE SHOWINGS - THEATERS	88	18214	44	14248	28	4128	20	2814	18	1468
COMMERCIAL	44	18200	22	8787	28	4128	20	2814	18	1468
OTHER PUBLIC	288	17090	108	8908	47	2028	27	1808	48	3788
TOTAL PUBLIC	304	24404	174	87801	89	8884	48	8380	61	8311
EMPLOYEES	27	1887	8	288	7	128	3	82	8	30
EXHIBITS & DISPLAYS - IN BUILDING	1488	888	888	1481	888	1188	888	1012	888	888
BY EMPLOYEES, ETC.	8	20000	8	8400	8	128	8	18800	8	10600
OTHER	470	11818	103	18818	8	128	8	18800	28	80
TOTAL	1828	41818	1888	21018	1804	128	1028	28800	1118	10880
EMPLOYEE MEETINGS	148	10888	138	17838	1800	18778	1887	12828	1378	8788
LITERATURE DISTRIBUTED	NAME ON	OTHER	NAME ON	OTHER	NAME ON	OTHER	NAME ON	OTHER	NAME ON	OTHER
MANAGED EMPLOYEES ASSOCIATION, ETC.	1778	88908	1888	31818	28811	22108	18747	20008	10618	28528
EMPLOYEE PERSONNEL ASSOCIATION, ETC.	8888888	87188	488888	32877	840	28818	8888888	1887	888000	10880
SALES (GENERAL) EMPLOYEES, ETC.	888888	8909	11888	3491	209	48	731	28	145	34
TOTAL	8888888	8888888	8888888	8788888	8888888	8888888	8888888	8888888	8888888	8888888
NUMBER OF EMPLOYEES	878	1021	101	228	101	218	128	281	107	198
NUMBER OF EMPLOYEES USED REGULARLY	418	888	88	208	100	208	128	281	104	178
OTHER ACTIVITIES							8			

ANALYTICAL DATA	1951		1952		1953		1954		1955	
	PERSONS	TELEPHONE	PERSONS	TELEPHONE	PERSONS	TELEPHONE	PERSONS	TELEPHONE	PERSONS	TELEPHONE
PLANNED CUSTOMER INTERVIEWS - TOTAL	96467	83790	8278	88438	3557	30478	5085	1805	3865	1272
CENTRAL OFFICE MEETS	8825	18008	8825	14048	4425	11252	2824	9888	3928	11878
PUBLIC MEETINGS	58	12004	18	2528	83	7280	78	10828	71	8428
SCHOOL MEETINGS	84	12000	188	10438	18	3600	88	3178	18	2888
TOTAL PLANNED CUSTOMER CONTACTS	96467	83790	8278	88438	3557	30478	5085	1805	3865	1272
GENERAL PICTURE SHOWINGS	88	18214	44	14248	28	4128	20	2814	18	1468
EXHIBITS & DISPLAYS	1488	888	888	1481	888	1188	888	1012	888	888
EMPLOYEE MEETINGS	148	10888	138	17838	1800	18778	1887	12828	1378	8788
LITERATURE DISTRIBUTED	8888888	8888888	8888888	8788888	8888888	8888888	8888888	8888888	8888888	8888888
OTHER ACTIVITIES							8			
NUMBER OF RECORDS	981,377		108,948		875,711		881,380		888,888	
NUMBER OF EMPLOYEES	27,094		20,210		18,833		20,077		18,792	

1 Personal and Telephone    2 Newspaper Published Weekly, Semi-weekly and Irregularly    3 1 - Number    4 - Attendance

ILLINOIS BELL TELEPHONE COMPANY

7a. COMMERCIAL DEPARTMENT RECORD OF CUSTOMER RELATIONS ACTIVITIES  
YEARS 1926 TO 1935, INCLUSIVE #

		1926		1927		1928		1929		1930		1931		1932		1933		1934		1935	
		Prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Actual
(B) VALRS, LECTURES, SWED. DEMS. ETC. - TOTAL	No.	777	898	608	866	714	1,428	526	516	551	434	385	367	393	424	①180	175	①103	123	① 88	118
	Att.	XXX 118,569	XXX 131,486	XXX 115,351	XXX 62,003	26,040	78,080	17,910	56,135	XXX 125,509	① 550	86,534	① 3,900	27,637	① 7,700	17,862					
SCHOOLS	No.	XXX ①225	361	487	436	515	253	284	① 258	202	① 190	122	220	259	① 67	40	① XXX	23	① XXX	19	
	Att.	XXX 62,602	XXX 86,208	XXX 65,409	XXX 39,199	13,365	42,423	12,915	25,043	XXX 35,653	① 100	14,378	① 1,900	7,671	① 1,950	8,691					
OTHER	No.	XXX ①470	244	379	278	913	263	232	① 293	232	① 195	185	173	165	① 58	135	① XXX	100	① XXX	99	
	Att.	XXX 29,967	XXX 45,278	XXX 49,942	XXX 22,804	12,575	35,657	① 4,995	31,092	XXX 89,856	① 4,450	71,556	① 2,000	19,966	① 4,750	9,191					
(L) MOTION PICTURE EXHIBITIONS - TOTAL	No.	XXX 31	350	653	689	716	620	1,624	1,369	1,609	1,585	2,329	2,223	2,126	2,056	1,741	1,893	1,781	① 538	1,860	
	Att.	XXX 3,567	XXX 138,843	XXX 264,829	XXX 309,221	29,810	307,437	13,360	447,240	XXX 496,941	XXX 352,078	① 25,875	478,711	① 12,300	441,019						
SCHOOLS	No.	XXX 14	210	429	482	430	404	901	① 632	958	① 651	1,145	975	956	920	792	① 445	806	① 322	960	
	Att.	XXX 745	XXX 115,380	XXX 159,258	XXX 136,569	XXX 233,324	XXX 300,060	XXX 292,269	XXX 231,363	XXX 343,611	XXX 314,809										
OTHER PUBLIC	No.	XXX 17	140	224	207	286	216	723	① 360	653	① 320	1,184	1,248	1,250	1,136	945	① 590	978	① 512	900	
	Att.	XXX 2,822	XXX 23,463	XXX 105,571	XXX 172,652	XXX 74,113	XXX 147,180	XXX 204,672	XXX 120,118	XXX 135,100	XXX 126,810										
(C) CENTRAL OFFICE VISITORS - TOTAL **	XXX	40,122	19,760	26,959	21,171	23,311	19,706	25,547	① 8,120	32,213	① 9,453	24,845	XXX 18,452	① 6,375	17,400	① 4,900	14,029	① 5,220	17,764		
	SCHOOLS	XXX 17,084	11,975	14,777	12,815	12,570	10,490	10,981													
OTHER	XXX 23,038	7,785	12,182	8,356	10,741	9,256	14,566														
(D) PLANNED INTERVIEWS - TOTAL **	XXX	15,000	28,406	39,716	27,442	48,018	26,874	43,465	68,061	104,144	71,422	99,391	79,886	65,841	104,143	99,570	34,939	34,537	31,443	30,361	
	NEWSPAPERS	XXX 2,500	4,148	5,207	4,036	5,592	3,555	4,601													
MAN OFFICIALS	XXX 2,500	3,368	5,999	3,657	6,515	3,052	4,785														
FROM CITIZENS	XXX 3,500	5,391	9,983	6,070	11,981	5,249	9,251														
FOR SUBSCRIBERS	XXX 1,500	5,221	7,787	3,590	6,808	5,314	7,093														
OTHER	XXX 6,000	9,284	10,740	10,089	17,152	9,704	17,735														

# Data summarized from monthly reports to bring to annual basis.

\* Since 1929 program estimates for some exchanges were made on the basis of number of group visits rather than by number of visitors.

\*\* Breakdown of Planned Interviews not made subsequent to 1929.

XXX Indicates no program established for this item.

① Program estimates not made for all larger exchanges.

② Program estimates not made for all intermediate and smaller exchanges.

Note: For items (a), (b), and (c) separate figures are shown for schools where available.

REPORT OF CUSTOMER RELATIONS ACTIVITIES

Appendix 5  
Sheet 3

THE OHIO BELL TEL. CO. - N.E. Area

Period - Fourth Quarter & Twelve Month 1951

(USE SPACES TO THE RIGHT TO ENTER MONTHS OR SUBDIVISIONS OF AREA REPORTED)		Fourth Quarter		Twelve Months	
VOLUME OF ACTIVITIES		PERSONAL	TELEPHONE	PERSONAL	TELEPHONE
1	PLANNED CUSTOMER INTERVIEWS - GENERAL	899	1777	6530	14485
2	BATE CASES	48	73	292	403
3	FRANCHISES	0	0	18	0
4	OTHER MAJOR OPER'S OR POLICES	19	1025	514	6594
5					
6	TOTAL	986	2945	6354	21485
7	CENTRAL OFFICE VISITS	Number	Attend.	Number	Attend.
8	PUBLIC MEETINGS - LECTURES & TALKS	1410	7801	4380	13745
9	- DEMONSTRATIONS	1	75	13	707
10	TOTAL	1	85	7	455
11	SCHOOL MEETINGS - LECTURES & TALKS	2	160	20	1132
12	- DEMONSTRATIONS	3	365	4	433
13	TOTAL	71	3200	73	3342
14	TOTAL PLANNED CUSTOMER CONTACTS	74	3565	77	3776
15	MOTION PICTURE SHOWINGS - THEATERS	114	143744	1346	1266834
16	- SCHOOLS	184	28275	734	133963
17	- OTHER PUBLIC	81	9630	304	47390
18	TOTAL PUBLIC	379	181649	2384	1448187
19	EMPLOYEES	74	3251	141	8407
20	EXHIBITS & DISPLAYS - IN CO. BUILDINGS	5	XXXX	8	XXXX
21	- AT EXPOSITIONS ETC.	0	0	3	16500
22	- OTHER	0	0	0	0
23	TOTAL	5	0	11	16500
24	EMPLOYEE MEETINGS	120	1378	569	7772
25	LITERATURE DISTRIBUTED	Prepared By		Prepared By	
26	MAGAZINES, REPORTS, ALMANACS ETC.	Assoc. Co.	Others	Assoc. Co.	Others
27	LEAFLETS, PAMPHLETS, BOOKLETS ETC.	719000	4596	5692100	10610
28	MAPS, CHARTS, POSTERS ETC.	-	20	-	55
29	TOTAL	719000	4615	9592100	74841
30	DISPLAY ADVERTISING IN NEWSPAPERS	Daily	Other *	Daily	Other -
31	NUMBER OF NEWSPAPERS	16	32	75	275
32	NUMBER OF NEWSPAPERS USED REGULARLY	18	82	126	321
33	OTHER ACTIVITIES				
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45	ANALYTICAL DATA	Per 1000 Accts.	% Participated in By Other Depts.	Per 1000 Accts.	% Participated in By Other Depts.
46	PLANNED CUSTOMER INTERVIEWS - TOTAL †	N 13.8	- -	N 97.9	
47	CENTRAL OFFICE VISITS	A 26.8	36.2	A 48.3	
48	PUBLIC MEETINGS	A .6	-	A 4.1	
49	SCHOOL MEETINGS	A 12.6	-	A 13.3	
50	TOTAL PLANNED CUSTOMER CONTACTS	53.8	XXXX	163.6	XXXX
51	PUBLIC MOTION PICTURE SHOWINGS	A 640.8	XXXX	A 5095.4	XXXX
52	EXHIBITS & DISPLAYS	A 11.8	XXXX	A 59.0	XXXX
53	EMPLOYEE MEETINGS - ATTEND. PER 100 ENPL.	21.7	XXXX	114.4	XXXX
54	LITERATURE DISTRIBUTED	N 2552.8	XXXX	N 33999.6	XXXX
55	OTHER ACTIVITIES				
56					
57					
58					
59					
60	NUMBER OF ACCOUNTS	283458		284326	
61	NUMBER OF EMPLOYEES	6383		6795	

† Personal and Telephone. \* Newspaper

5501

**PUBLIC ADDRESSES BY  
H.T. GUERNSEY, VICE PRESIDENT (DECEASED)  
1926-June 30, 1930**

5 202

<u>Organization</u> <u>Place</u> <u>Date</u>	<u>Subject</u>
Rotary Club, Raleigh, N. C. Jan. 11, 1926	No title
Law School, University of North Carolina, Chapel Hill, N. C. Jan. 11-15, 1926	Regulation of Public Utilities
Business Men, Charlotte, N.C. Jan. 16, 1926	No title
Business Men, Asheville, N.C. Jan. 18, 1926	No title
Law School of Law, Emory University, Atlanta, Ga. Jan. 20-22, 1926	Regulation of Public Utilities
Lumpkin Law School, University of Georgia, Athens, Ga., State Normal School for Girls, Athens, Ga., Students' Meeting at University of Georgia, and Business Men's Luncheon. Jan. 25-29, 1926	Regulation of Public Utilities
Law School, Alabama State University, Tuscaloosa, Ala., Students in Political Science and Business, Courses, Civic Orgs. Mar. 29-Apr. 2, 1926	Regulation of Public Utilities
Rotary Club, Columbia, S.C. Apr. 5, 1926	No title
Law School, South Carolina State University, Columbia, S.C. Apr. 5-9, 1926	Regulation of Public Utilities

Organization Place Date	<u>Subject</u>
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Men's Club in church in Charleston, S.C. 4/9/26	No title
American Bar Association, Denver, Colo. July 12-13, 1926	Should the amount of what is frequently called the depreciation reserve be deducted in arriving at value?
School of Law, National University, Washington, D.C. 10/11-15/26	Regulation of Public Utilities
Department of Economics, Brown University, Providence, R.I. 10/19-20 & 22/26	Regulation of Public Utilities
Graduate School of Business Administration, Harvard University, Cambridge, Mass. 10/25-30/26	Distinction between Regulation and Management
School of Law, Iowa University, Iowa City, Iowa. 11/8/26	Regulation of Public Utilities
School of Law, Washington University, St. Louis, Mo. 11/15-20/26	Regulation of Public Utilities
Department of Law, University of Virginia, Charlottesville, Va. 12/1-3/26	Regulation of Public Utilities
School of Law, Ohio State University, Columbus, Ohio. 12/13-15/26	Regulation of Public Utilities
College of Law, University of Cincinnati, Cincinnati, Ohio. 12/16-18/26	Regulation of Public Utilities

5203

5 204

<u>Organization</u> <u>Place</u> <u>Date</u>	<u>Subject</u>
Law School, University of Pennsylvania, Philadelphia, Pa. 1/3-8/27	Regulation of Public Utilities
School of Law, Denver University, Denver, Colo. 1/10-15/27	Regulation of Public Utilities
Graduate School of Business Administration, Harvard University, Cambridge, Mass. Jan. 1927	No title
Faculty of Law, University of Missouri, Columbia, Mo. 2/7-9/27	Regulation of Public Utilities
School of Law, University of Texas, Austin, Texas. 2/14-18/27	Regulation of Public Utilities
School of Law, University of Alabama, Tuscaloosa, Ala. 2/21-25/27	Regulation of Public Utilities
School of Law, University of Florida, Gainesville, Fla. 2/28-3/2/27	Regulation of Public Utilities
Lamar School of Law, Emory University, Atlanta, Ga. 3/7-9/27	Regulation of Public Utilities
University of Pa., Wharton School of Finance and Commerce Philadelphia, Pa. 3/18/27	Depreciation
School of Law, Northwestern University, Chicago, Ill. After Feb. 1927	No title



5205

<u>Organization</u> <u>Place</u> <u>Date</u>	<u>Subject</u>
Evening Class, University of Pa., Philadelphia, Pa. Feb. or Mar. 1927	"Valuation"
University of Tennessee, College of Law, Knoxville, Tenn. Apr. 4-5, 1927	Regulation of Public Utilities.
Kentucky State Barr Assn., Louisville, Ky. 4/7/27	No title
Kentucky State Bar Assn. Louisville, Ky. 4/8/27	Regulation of Public Utilities
Chicago Division of School of Commerce, Northwestern University, Chicago, Ill. 5/3/27	Rates
Evanston Division of School of Commerce, Northwestern University, Evanston, Ill. 5/3/27	Regulation and Management
Law School, Northwestern University, Chicago, Ill. 5/5/27	Rates
Evanston Division of School of Commerce, Northwestern University, Evanston, Ill. 5/5/27	Rates
Law School, University of Minnesota, Minneapolis, Minn. 5/9-13/27	Regulation of Public Utilities

5 206

<u>Organization</u> <u>Place</u> <u>Date</u>	<u>Subject</u>
University of North Dakota, School of Law, Grand Forks, N. D. 5/16-20/27	Regulation of Public Utilities
Summer School, Harvard University, Cambridge, Mass. 7/14-15/27	Regulation and Management, etc.
School of Law, University of Kansas, Lawrence, Kansas. 10/10-14/27	Regulation of Public Utilities
School of Law, Washburn College, Topeka, Kansas. 10/10-14/27	Regulation of Public Utilities
College of Law, University of Nebraska, Lincoln, Neb. 10/17-21/27	Regulation of Public Utilities
College of Law, State University of Iowa, Iowa City, Iowa. 10/24-28/27	Regulation of Public Utilities
Law School, University of Wisconsin, Madison, Wis. 10/31-11/4/27	Regulation of Public Utilities
Graduate School of Business Administration, Harvard University, Cambridge, Mass. 11/15-17 & 19/27	Regulation and Management, etc.
College of Law, West Virginia University, Morgantown, W. Va. 12/12-16/27	Regulation of Public Utilities
College of Law, Ohio State University, Columbus, Ohio. 12/5-8/27	Regulation of Public Utilities
School of Law, Washington Univ. St. Louis, Mo. 1/10-12/28	Regulation of Public Utilities

<u>Organization</u> <u>Place</u> <u>Date</u>	<u>Subject</u>
School of Law, Washington and Lee University, Lexington, Va. 1/16-18/28	Regulation of Public Utilities
Department of Law, University of Virginia, Charlottesville, Va. 1/19-21/28	Regulation of Public Utilities
School of Law, University of Oklahoma, Norman, Okla. 1/30-2/3/28	Regulation of Public Utilities
School of Law, University of Texas, Austin, Texas. 2/6-10/28	Regulation of Public Utilities
School of Law, University of Alabama, Tuscaloosa, Ala. 2/20-24/28	Regulation of Public Utilities
College of Law, University of Florida, Gainesville, Fla. 2/27-29/28	Regulation of Public Utilities
Lamar School of Law, Emory University, Atlanta, Ga. 3/1-3/28	Regulation of Public Utilities
School of Law, Georgetown University, Washington, D.C. 3/12-14/28	Regulation of Public Utilities
Law School, Western Reserve University, Cleveland, Ohio. 3/19-23/28	Regulation of Public Utilities
School of Law, University of North Carolina, Chapel Hill, N.C. 3/26-30/28	Regulation of Public Utilities

5207

5223

<u>Organization</u> <u>Place</u> <u>Date</u>	<u>Subject</u>
College of Law, University of Tennessee, Knoxville, Tenn. 4/11-13/28	Regulation of Public Utilities
College of Law, University of Illinois, Urbana, Ill. 4/16-20/28	Regulation of Public Utilities
School of Law, University of Minnesota, Minneapolis, Minn. 4/23-27/28	Regulation of Public Utilities
Special Session of Graduate School of Business Administration Harvard University, Cambridge, Mass. 7/8-10/28	Regulation and Management, etc.
Special Session of Graduate School of Business Administration Harvard University, Cambridge, Mass. 7/24-25/28	Regulation and Management, etc.
College of Law, West Virginia University, Morgantown, West Virginia. 10/15-19/28	Regulation of Public Utilities
College of Law, State University of Iowa, Iowa City, Iowa. 10/22-26/28	Regulation of Public Utilities
School of Law, Marquette University, Milwaukee, Wis. 10/29-11/2/28	Regulation of Public Utilities
Graduate School of Business Administration Harvard University, Cambridge, Mass. 11/7-9/28	Regulation and Management, etc.

S 209

<u>Organization</u> <u>Place</u> <u>Date</u>	<u>Subject</u>
School of Law, University of Denver, Denver, Colo. 11/19-21/28	Regulation of Public Utilities
College of Law, University of Illinois, Urbana, Ill. 12/10-14/28	Regulation of Public Utilities
Graduate School of Business Administration, Harvard University, Cambridge, Mass. 2/14-20/29.	Regulation and Management, etc.
Law School, Western Reserve University, Cleveland, Ohio. 4/15-19/29	Regulation of Public Utilities
Columbia University, School of Law, New York 4/26/29	Rates
School of Law, Columbia University, New York 4/30/29	Valuation
School of Law, Columbia University, New York 5/3/29	Depreciation
Western Conference of Railway Counsel, Chicago, Ill. 11/1/29	Regulation of Public Utilities
College of Law, State University of Iowa Iowa City, Iowa 11/4-8/29	Regulation of Public Utilities

Organization  
Place  
Date

Subject

Special Session of Graduate  
School of Business Administration  
Harvard University,  
Cambridge, Mass.  
1930.

Regulation and Management, etc.

School of Law,  
Washington University,  
St. Louis, Mo.  
2/12-14/30

Regulation of Public Utilities

S 210