From: Susan Burgess
Sent: Friday, March 09, 2007 1:49 PM
To: Susan Burgess

"Firms such as J.P. Morgan and Kidder Peabody sought to establish industrial order. This translated into providing financing for only one firm – AT&T. To do otherwise would have promoted competition. These underwriters were closely tied with other large financiers and they used these connections to deny the independents access to funds. For example, …. When the president of AT&T learned [that a member of the New York Stock Exchange wanted to finance an independent phone company," he asked an official of J.P. Morgan & Co to talk to Sheldon about withdrawing his support…." David Gabel, Competition in a Network Industry: the Telephone Industry, 1894-1910 at 565 citing <u>Read</u> et al. v. Central Union Tel. Co., Superior Court of Cook County Illinois, Chancery General Number 299,689, "Testimony of Leroy Kellogg," tr. 8464, 8519 (avail in AT&T archives); John Moody, The <u>Masters of Capital: A Chronicle of Wall Street</u>, pp. 117-18; Morton Keller, <u>Life Insurance Enterprise 1885-1910: A Study in the Limits of Corporate Power</u>; Fritz Redlich, <u>Molding of American Banking: Men and Ideas</u>, (N.Y. 1951) vol. 2, pp. 379-80; Vincent Carosso, <u>Morgans: Private International Bankers, 1854-1913</u> (Cambridge MA 1987). See also same citing AT&TCA, Fish/Steele, June 19, 1902, PPLB, vol. 1, Fish/Sheldon, Jan. 23, 1903, PLB, vol. 26, and Sheldon/Fish, July 30, 1902, box 66.

From: Clay T. Whitehead
Sent: Friday, February 16, 2007 3:27 PM
To: Susan Burgess
Subject: RE: benefit of Kingsbury commitment to AT&T

Actually, this does answer it. The key point is > 50 miles. It's not that it HELPED AT&T, but that it didn't hurt them.

From: Susan Burgess
Sent: Friday, February 16, 2007 2:56 PM
To: tom@cwx.com
Subject: benefit of Kingsbury commitment to AT&T

Tom,

You asked me to look into the benefits of one of the Kingsbury Commitment provisions. You explained to me that, under the terms of the Kingsbury Commitment, Bell had to open up lines to competitors, making it impossible for other long distance companies to enter the market. The agreement permitted independent subscribers to call into Bell exchanges, but not the other way around. You asked me, why is this term considered a victory for Bell?

Mueller's observations in Universal Service suggest that this term Bell knew actually benefited Bell, not the independents, by depriving independents exclusive access to their customers. First, Mueller writes that the agreement permitting independent subscribers to call into Bell exchanges applied only to exchanges that were more than 50 miles apart. At 130. Since 95% of all phone calls at that time were to points within fifty-mile radii, id. at 131, this term benefited few independent phone calls. "More important, there is no evidence that any sizable independent company availed itself of the opportunity to establish long-distance connections with AT&T under its terms." Id. at 131. This is not surprising because "[t]o make long-distance connections over the Bell System, an independent had to build its own lines to the nearest Bell exchange and pay the regular toll charges, as well as a ten-cent fee for every call handled." Finally, "[t]he agreement also stipulated that an entire toll circuit should be over Bell facilities and under the control of Bell operators. Independent long-distance lines, in other words, could not be used to make up any part of the circuit, except to get a call to the nearest Bell switchboard in cases where there were no Bell lines. That excluded independent long-distance companies from the entire market for long-distance traffic flowing from independent to Bell telephones." Id. at 131-32.

Mueller cites a journalist for characterizing this lopsided provision as Bell's final step "to deprive the independents of their exclusive control of portions of the telephone business" by "opening up a significant number of independent exchanges to Bell connections without allowing competing independents access to Bell exchanges." Id. at 132.

I'm not sure if this answers your question because I know you've looked at Mueller closely and you may have been dissatisfied with his explanation. If not, let me know and I'll check journal articles for more information. I've reviewed all our books and only Mueller's touches on this issue.

Susan

From: Clay T. Whitehead
Sent: Monday, February 26, 2007 2:13 PM
To: Susan Burgess
Subject: RE: copper phone wires

An inconvenient truth. Thanks.

From: Susan Burgess
Sent: Monday, February 26, 2007 2:08 PM
To: tom@cwx.com
Subject: copper phone wires

Tom,

You asked me to find out when phone companies switched from steel (or iron) to copper wires.

J.E. Kingsbury marks this date as around 1884 / 1885. Kingsbury explains in *The Telephone and Telephone Exchange* that the American Bell Telephone Company's installation of a copper line between New York and Boston in 1884 led the way to the general use of copper wire for phones. Id. at 422. An 1884 article stated that "Soon after [experimenters proved that copper was the best wire for long lines], the hard-drawn copper wire was perfected and introduced largely." Id. And an 1885 article reported that "copper was gradually superseding iron for aerial telegraphs, owing to its greater durability." Id. Apparently, by 1885 copper wire was used between Chicago and Elgin and Detroit and Saginaw. Id.

Susan