



Exploding The Phone

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Bibliographic Cover Sheet

- Title** **2 Attempted Murders, Suicide Link Mafia to Phone Company**
- Publication** *The National Tattler*
- Date** 1975-03-30
- Author(s)** Moulder, John
- Abstract** Article covers the allegations involved in the case brought by Gravitt & Ashley against Southwestern Bell. It also includes information about two lawyers who were shot while investigating Southwestern Bell and the attempt to connect Bell to the Mafia.
- Keywords** Mafia; American Telephone & Telegraph Co. (AT&T); Southwestern Bell Telephone Co. (SBTCo); Securities & Exchange Commission (SEC); Carlos Marcello (aka Little Man, mafia don, New Orleans); T.O. Gravitt; wiretapping; James H. Ashley; U.S. Rep. Charles Wilson, dem. TX (alleged SBTCo wrongdoing for years); Fort Worth, TX; J. Randall Henderson (lawyer, shot while investigating SBTCo); James Sims (lawyer, shot while investigating SBTCo); C.L. Todd (SBTCo VP); J.M. Good (SBTCo VP); miniframe wiretapping device; FBI
- Notes** Portion of article missing.
- Source** An anonymous phone phreak

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nies. You learn how to do business with a city councilman who has a printing company or a hauling and storage company or an architect or contractor.

"From the very beginning you learn to get along with key community leaders, to win their confidence, their loyalty and their commitment to win higher telephone rates."

Ashley said he was familiar with a \$150,000 contract awarded to San Antonio City Councilman Alvin Padilla by Western Electric, a wholly owned Bell subsidiary. Ashley said Padilla had received the contract because his firm, a machine shop, had been suffering financial difficulties.

Padilla was not available for comment.

"Gravitt and I started getting flak when we complained about the excessive rates and the way they were arranged. People who were working for me, district managers handling the rates, became nervous wrecks. They knew they were doing wrong," Ashley said.

"I got tired of riding the corporate rocket. I began to have a lot of doubts about the Bell system way of doing things. All my career I had been trained to push rates up.

"We had a belly full. I guess Gravitt couldn't take it. When you promise service to people but just take their money, it's wrong."

Many of the Ashley-Gravitt allegations have been backed by a third high-ranking former Bell System executive, one who resigned after 26 years. The man, who asked to remain anonymous, said in an interview, "There's plenty of dirty linen to be brought out into the public, but mainly it's the wiretapping and the slush funds."

Ashley and the company have made several unsuccessful attempts to settle the suit out of court. Ashley said he once had sent an attorney to St. Louis to try to settle the issue for \$483,000. The company refused. He said he later had refused when the company offered to settle.

C. L. Todd, a vice president in San Antonio, wrote in a document, "If he (Ashley) were willing to drop the

whole matter, we shall make every effort to quiet the situation in the media . . ."

Ashley alleged that 142 top Southwestern Bell executives had been required to make political contributions in the 1960s and that for a long period they each had given \$50 a month. Later, officers simply were given \$1,000 raises and were specifically instructed to donate it to who could help the company most, he said.

Ashley said a large part of the company's political efforts were directed at "combating the forces of evil—the liberals who were out to get us."

"We had no choice," he said. "We were required to make the 'voluntary' contributions."

Ashley said Texas had become the highest earner in Southwest of five states, in part, because the state had no public utility commission and, consequently, little regulation. The company deals with individual communities, few of which have the knowledge to deal with complicated rate increase cases.

Ashley's allegations are bolstered at least in part by a March, 1974, memorandum written by J. M. Good, then a Southwestern vice president, who advised Gravitt when he took over the Texas operations:

"There is no question to what the Southwestern approach in Texas rate cases is out of step with its approach in Missouri and Kansas and with that used by other Bell System companies." Good continued that "it is quite possible the present approach may become untenable" and that Southwestern Bell's approach "is also out of step with that of other utilities in Texas."

Ashley sums up the rate increase tactics by calling them a "flimflam system."

Documents obtained from Gravitt and Ashley and other sources indicated that in Texas Bell could earn more on its capital investment than it could in other states.

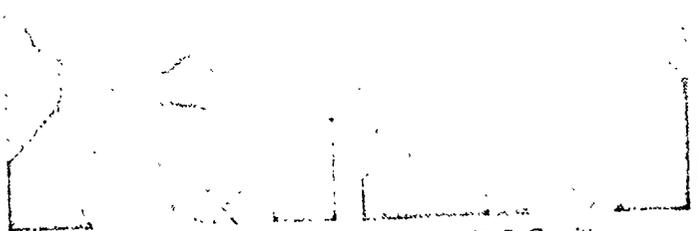
By law, Texas is a so-called fair-value state, which means that utilities may ask for a reasonable profit on their investment after computing the amount of inflation. But the statutes do not state how much emphasis should be given to inflation. In most of the nation, utility investment is figured without an inflation factor, and in determining rate increases this usually results in a lower profit.

This can result also in two sets of books being used by a company, one for fair value and one for book value, on which taxes are paid, according to a spokesman for the Federal Communications Commission.

Last year the Houston tax assessor-collector, Gary Webb, boosted Southwestern Bell's taxes by 25% after his staff determined that the company used grossly different valuations for its properties—a high figure on which to base rate increase requests and a low figure on which to base property tax payments to the city.

But perhaps the most important aspect of the company's operation has been the lack of regulation by any agency, federal or state. Todd, the San Antonio Southwestern vice president, insisted that the company was closely regulated by the FCC, and the company ran full-page newspaper advertisements in Texas stating this as the controversy mounted.

But the FCC conducts only a loose and superficial regulation of Southwestern Bell's books, according to agency spokesmen.



James H. Ashley

T. O. Gravitt

AP photos

William White, an official of the common carrier accounting bureau of the FCC on Washington, expressed concern that Southwestern's advertisements did not state that FCC auditing of company books was sketchy at best because of a lack of manpower.

Kelly Griffith, deputy bureau chief of the common carrier accounting office, said there were only three accountants and one secretary in the St. Louis office to audit Bell System books from the Midwest to the Pacific Coast.

Griffith said also that the FCC did not even have a copy of the Gravitt-Ashley suit and that it had little knowledge of the developments.

"We do as much as a small staff can keep up with. We haven't made any investigation of allegations in this suit," Griffith said.

The wiretapping allegations have provoked considerable interest.

A former top-ranking Bell executive said the Bell System "owns a private detective agency" of security people, many of them ex-FBI agents. A company spokesman said there were 665 security personnel in the Bell System, not counting clerical help. Southwestern Bell has 78,500 employees.

"They can become prosecutor, judge and jury when they're in an inner sanctum like the Bell System," the former Bell officer said in an interview.

"It's a tremendous power and when they put the pressure on someone like Gravitt, I can see how he might have simply collapsed."

Ashley was a staff manager in Southwestern's St. Louis headquarters and once supervised local com-

pany security. He alleged that the miniframe telephone tapping instrument was abused extensively because "the capacity is always there."

He alleged there existed numerous "gentlemen's agreements" between various law enforcement agencies, including the FBI, and the Bell System. He said police responded to cooperation from the telephone company by informing telephone executives when a large customer was involved in a serious investigation.

"We were able to collect about \$30,000 from Billy Sal Estes before he was arrested in 1962 on an advanced tip from the FBI," Ashley said. "It was a little embarrassing, but we got the money."

Before he was fired Ashley himself tape-recorded some statements from company officers, apparently in an effort to gain information to use against them. He did not disclose how many conversations he recorded but he has turned several over to his attorney, Pat Maloney of San Antonio. The tapes were made without the knowledge of the persons to whom Ashley was speaking.

Texas Bell has lost about \$5 million a month in new revenues as the controversy simmers, Ashley said, because many rate increases have been held up by Texas cities since the allegations of the Ashley-Gravitt suit became public.

"What we are doing is important," he said. "No one else has done it before, but things need to be made right."