



Exploding The Phone

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Abstract	The article's premise is that the phone company is under attack from three sources - phreaks, competitors and the general public.
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Source	An anonymous phone phreak

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The phone company: catching hell three ways

But it isn't nice to fool with Mother Bell

by Gerry Souter

Throughout the city of Chicago you can hear the sounds of heads banging against phone booth walls as operators botch long distance calls; the gnash of grinding teeth as something goes spritz in a telephone central office and two blocks' worth of house phones go dead. Somewhere an executive screams as his picture phone gets a case of flop-over, or an old man drums on the floor of his apartment with his cane waiting for a service man who is three hours late.

"It's awful," a friend of mine wailed, "how we're at the mercy of this big, stupid company that soaks us blind with rate increases, manipulates the government, can't complete a simple connection between here and Mattoon, and then has the guts to bleed me a monthly charge for a piece of long cord I could buy for seventy-five cents and be done with it!" "Right on!" shout the Committees for Public Indignation. "Let's turn the phone service over to the Peace Corps and go picket Standard Oil!"

Big targets are easy to hit, and American Telephone and Telegraph is one of the biggest. AT&T is the largest employer in the United States, has a larger income than many states and owns a lock on the majority of American telephone service, including all the long distance wire. It is one of the safest issues in the stock market and has recently been classed as a "growth stock." AT&T's Washington lobby, it is alleged, has been responsible for a lot of pressured legislation and the greasing of many political wheels. Yet few will deny that somehow all this monopolistic, capitalist-eat-capitalist, imperious whip wielding has given us the best communications system in the world.

Try to place a call between Bad Geshmelt an der Oder and Bon Appetit in the south of France. Be sure you have a comfortable chair and a fistful of Pfennigs. The governments control all the phone lines over there and we know what that means, don't we?

Despite our excellent communications network, AT&T and its flock of Bell operating companies is under attack from at least three sides: "Phone Phreaks" with their blue, black, and red boxes stealing phone service, affecting the banner of common cause; federally-sanctioned competition, something unheard of prior to 1968; and the new consumer awareness that organized people-power can effect change in this decade of decline in big business charisma.

The robbers

Phone phreaks have been around for years, but surfaced with great impact back in October, 1971, when Ron Rosenbaum wrote an article about their operations in *Esquire*. This joyous piece of journalism recounted the wonders of the "blue box" and the intriguing people who used the device to swipe telephone service.

This little box reproduces electronic beeps using thirteen tiny buttons which, according to Rosenbaum, "do nothing less than place the entire telephone system of the world, satellites, cables, and all, at the service of the blue box operator, free of charge." The user simply dials a toll free 800 exchange (Holidex, Hertz Rent-A-Car, etc.), beeps a button next to the mouthpiece of his phone to disconnect from the dialed number...and he is into the system. He can tap out a touch tone number to plug into a long-distance trunk, bounce over to Europe via satellite, or go around the world and come back to the phone in the next booth—and get his dime back. The device comes in a variety of colors and designs and can be manufactured by a school kid with a basic knowledge of electronics.

Rosenbaum goes on an odyssey to distant blue-box practitioners, all of whom seem to love fondling the gadgets, caressing the buttons, and frothing with excitement as they beep their way around the globe. Mostly they don't care if they are stealing from the East Pocono Cooperative Whirlpool Bath and Telephone Company or mighty monopolist AT&T. They thrive on their newfound power. As one character says in Rosenbaum's article, "They [blue box users] hardly talk to the people they finally reach. They say hello and start thinking of what kind of call to make next. They go a little crazy."

Hardly secretive about their innovations and electronic expertise, this jolly band spreads the word through under- and above-ground media. The *Youth International Party Line* (YIPL) is a catalog of wiring diagrams, credit-card codes, gossip of other blue box users, and a general guerrilla guide to ripping off Mother Bell. It includes a useful compilation of anti-AT&T information in a column called *Ammo* and legal advice under the head *Don't Get Busted* (sample: "If you are approached by Ma Bell just say, 'I want to see my lawyer first.' That's all!") Another super piece of advice is this pearl:

"Dear YIPL: Take some plaster of Paris and drop a quarter into it. Let it harden and then, very gently, take out the quarter. You should have a smooth and accurate mold. Now fill with water and put it into the freezer compartment of your refrigerator. When the water freezes you have a piece of ice you can use in all sorts of machines...BB, Mississippi."

Question: How fast can you run from your frig to the phone with a melting quarter?

This "underground" newsletter (furnished us by Illinois Bell's security office—an interested subscriber to the publication) has been occasionally joined by *Ramparts* magazines. *Ramparts* published an anonymous article detailing how to assemble a "black box." This device allows incoming calls to go unbilled by muting the current on the line just enough to allow the call to go through without tripping the relay which signals you have answered your phone. The piece claims, "Anyone who can change the plug on a toaster—use a screwdriver, a kitchen knife, and four dollars of readily available electric parts—can build...a simple device

capable of evading charges on long distance calls."

Pacific Telephone (AT&T) exploded and soon editors of Ramparts were bounding from newsstand to newsstand trying to recall 90,000 copies. In Illinois, Ramparts could have thumbed its nose at Bell. As of this writing, it's not against the law to publish such material in this state. Before you take down the mimeo machine from the back closet, however, be advised. Such legislation is now on Governor Walker's desk.

Senate Bill 319 states: "Knowingly publishing plans, diagrams, or methods for the construction, assembly, or usage of any device, instrument or gadget [which] may be used to avoid the payment of any lawful telephone toll charge...shall be deemed guilty of a Class A misdemeanor."

While we're poking around in Illinois state laws, here's a crusher. Do you have a tape recorder attached to your phone by one of those little suction cups? Article 14, chapter 38 of the Illinois Revised Statutes reads:

"Any electrically connected device or recorder connected to the telephone line must be connected through a telephone company interface and must emit a beeper tone approximately every fifteen seconds." Certain broadcast uses are exempted. If you choose to inductively record (suction cup mike), you are breaking the law. This may be done only if consented to by one of the parties of the conversation and the express permission of the state's attorney. The FCC has a similar rule and could fine the local phone company up to \$500 a day for failure to enforce the tariff which forbids such recording. This law came into focus with the Watergate hearings and President Nixon's recording of telephone conversations.

Robert Kitzinger heads Illinois Bell's security division, a band of fourteen security representatives who try to cover all of Illinois plus two counties in Indiana. Security doesn't produce revenue and the small division is a result of a belt-tightening that has been in process for the past two years. These people are not telephone cops in a strict sense. They know and understand telephone technology and play the role of bloodhounds, calling in enforcement agencies when they have tracked down the scent. Kitzinger has some good news and some bad news concerning telephone security:

"Telephone security is sophisticated," he says. "It's our job to protect consumers as well as our own facilities. At this point we're about breaking even.

"We have someone working on blue and black boxes all the time. There is a device called a dial recorder, which will print out multi-frequency tones on a line and zero in on the box while people are at work analyzing call patterns. So far we've arrested three this year and last year we confiscated twenty-five boxes from a manufacturer in Northbrook. That was part of an interstate conspiracy and federal indictments are pending leading to a five-year penalty. We waved the state indictment since the defendant has been cooperative in blowing the whistle on his co-conspirators. So far, our conviction record has been good because these dial recorder records are admissible in court. No conversations are recorded and once a dialing pattern is noticed the machine is applied. It's one hundred per cent reliable.

"The black box is harder to detect than the blue since it sends no tones over the network. Another piece of equipment is being developed to handle this by determin-



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radical kook

illustrations by Hy Roth

ing call completion patterns. Most of our help on black boxes comes from informants."

Credit card fraud is another rip-off. Illinois Bell estimates about 1.5 percent of these calls made in Illinois are phony. Other dodges include using a device to "spin" pennies through a nickel slot into the dime channel so the operator hears a dime "ding." The "red box" consists of a taped or facsimile re-creation of the sound of coins dropping into a coin phone. Other attempts involve tampering with the wiring in a remotely located pay phone and the near-absurd practice of attaching a string to a dime and fishing it back after the "ding" is registered.

Fooling around with Bell phones is not limited to the left-wing-radical kooks. "There's a generous sprinkling of establishment types: businessmen, lawyers, housewives, and even churchmen," says a Bell publication. To some, ripping off Ma Bell has therapeutic benefits; it relieves pent-up hostility toward an authority figure. To others it is a religious experience best enjoyed in the company of peers bent on a mission. Then there are those who just enjoy stealing; if they aren't robbing service from the phone company, they might be siphoning electricity or gasoline or pilfering chunks of coal in burlap sacks.

If Bell is paranoid about one aspect of their network, it's the protection of that network against "foreign installations." Some people have telephones in their home which are not Bell instruments connected by Bell people and are beating the telephone company out of a seventy-five-cent a month charge for an extension phone and four dollars a month for an interface device used to connect "foreign" phones to the Bell network. In most cases, these extra-legal phones go undetected because the owners disconnect the instruments' bells—eliminating any impedence on the line which could be metered, indicating the existence of an extra phone. In nine out of ten cases, the phones are not endangering the network, but there have been cases when faulty installation squirted straight 110-volt power into the line, frying a mess of equipment in the process.

Since Watergate, phone company security people and the company image have taken a beating in the press. Kitzinger is not amused at some of the fourth-estate ribbing.

"One sports writer for a major Chicago newspaper," he said, "used the expression: 'about as uncommon as an unbugged phone in city hall.'" This is a simple one line shot he thinks is funny, but he's a respected columnist and people right away think the phones in City Hall are bugged. Lily Tomlin pains me personally. I don't think the public in general is sophisticated enough to screen these little attempts at humor. Lord, you've got to fall short some of the time. You hope to work out problems as they come up, but if the people are on us to begin with, it reduces any rapport we might have."

Numerous cases of telephone company monitoring of conversations were uncovered by a Senate investigation of New England Telephone Company (the Bell company in Boston). During this investigation, on May 10, 1966, AT&T issued an order to abandon all monitoring practices in favor of electronic means.

Kitzinger states Bell's position as "... exempt from all regulations or laws from overhearing conversations. We are bound, however, by a company policy from divulging anything we may hear. There is nothing an employee could do that would bring the wrath of the company

down on him quicker than to divulge any information gained from telephone eavesdropping. Concerning federal agencies having access to Bell for wire taps: absolutely and categorically not. Only under federal court order showing probable cause why a specific phone should be monitored would we have to comply. We are exactly what we purport to be."

This is probably true, but a sign still hangs above some telephones in the Bell Telephone Laboratories which reads: "Remember: no classified conversations!"

All this screwing around with the phone system ultimately costs the phone subscriber. In 1971 the Bell system lost \$22.2 million to credit card and third-number fraud, plus an undetermined but large amount through electronic fraud. Illinois Bell alone lost \$1.4 million. Bell theorizes that the rip-off doctrine is a product of the New Left politics coupled with the Johnson administration's ten percent telephone tax to help pay for the Viet Nam war. This "war tax" turned a lot of people on to trying to gyp the phone company, a phone company spokesman theorized. Bell's psychologists are hard pressed, however, to find the motivation of the "average guy" who tries to pull off a sneaky trick. A Bell publication surmises, "Possibly many [see] it as a way to strike back at Ma Bell the 'rich' monopoly who, because she is big, must be bad."

The competitors

Unfortunately, the "rich, bad monopoly" tag was taken up by a small band of private companies that wanted to sell telephone equipment—heretofore the sole province of Bell by federal decree. Bell's old friend, the FCC, dropped the ball and on June 27, 1968 the commission said that anybody could hook up a telephone made by any manufacturer to a Bell line "... so long as the interconnection does not adversely affect the telephone company's operations or the system's utility for others. The vice of the present tariff... is that it prohibits the use of harmless as well as harmful devices." This decision, the result of a civil suit filed by Carter Electronics of Dallas, Texas, became known as the Carterphone decision. Bell reacted first with a whimper, then with a snarl.

Prior to the Carterphone decision, Bell had always handled competition in the same methodical manner: first the gentle warning, then possibly a buy-off if the competing idea was a good one (but refusal to sell could bring flashing and ruthless reprisals ending in decisive court action—all backed up by the federal government). This knee-jerk reaction dates back to a momentous four-to-three US Supreme Court decision which ruled that Alexander Graham Bell invented the telephone and had the right to develop his invention commercially. There were some 600 challenges to Bell's claim, but the one most hotly contested was that of Chicagoan Elisha Gray. Had he hot-footed it right over to the patent office a couple of hours earlier, Chicago would be known the world over as the birthplace of the telephone.

The Chicago Tribune stuck its nose into the controversy between Bell and Gray with a nasty article stating, "Persons acquainted with the subject need not be informed that Mr. Gray's claims are incontrovertible. Science has long recognized them... before professor Bell was so much as heard of." Gray sold his patent to Western Union, which wanted to gobble up Bell. In the end, Western Union knuckled under and Gray's invention went a-borning and he died believing he was cheated of his fame. The patent filed by Bell on his twenty-ninth

birthday (number 174,465) was to earn more money than any other patent issued by the office.

Early telephone systems were a ghastly debacle. Dozens of telephone companies sprang up after Bell's patents expired and forests of poles glutted city streets. Businesses and homes had to have telephones installed for each company that served a portion of the city—often four or five separate lines. Often you had to pay one phone company to call another company to put through your call. Farmers in the remote shrubs set up their own exchanges since the major struggle was for development of high density population centers. These rural phone services piped voices over lengths of barbed wire, fence wire, or whatever happened to be nailed to trees. These systems were little better than a tin can and string—but they were cheap. Competition was fierce, but the consumer was left in the cold. Eventually, after much padding about in the night and a series of robber-baron cut-throat exchanges typical of turn-of-the-century business practices, the federal government declared AT&T a federally regulated monopoly which would handle all the nation's telephone system—with the exception of a handful of independent companies relegated to the boon-docks. This decision did two things: It allowed AT&T to legally jump on any hapless inventor who could possibly "endanger the integrity" of this system with some petty gee-gaw screwed into the precious "network."

Considering the times and the level of electronic sophistication among the back shop tinkerers of that day, the ruling was probably a wise one, but it did spawn a paranoia that was to earn AT&T some black marks. In the late 1950s an antique dealer in New York, Ben Jamil, decided the grim "black beauty" phone then offered by Bell to be an eyesore. He began hunting up decorator sets from around the world, cleaning them up and selling to a limited market at \$200 a phone. Bell waited and watched. Jamil then began offering rather sleek multi-colored modern phones from Denmark and Japan at a lesser price—all entirely compatible with the Bell system. Amazingly, he sold 40,000 the first year. Bell rushed their own color phones into the market but at a stiff initial and monthly charge. They also warned Bell customers that Jamil's phones were "illegal." Subscribers didn't like being told by a business what they could or couldn't do. They ignored Bell.

In 1962, AT&T offered Jamil an \$800,000 development grant if he would get out of the phone business. Then they offered to hire Jamil and his entire staff over to Western Electric. He refused both offers and people were still buying his phones like crazy. The next thing Jamil saw was the face of a judge looking down at him while Bell harassed and threatened his distributors with cancellation of their phone service for peddling illegal telephones. Jamil capitulated.

While the Jamil fight was being waged, a gadget called the Hush-a-phone came on the market and set up Bell for its biggest headache. This innocuous widget fit over the end of a phone and allowed a person to speak normally when surrounded by noisy clatter or machine roar. Bell jumped on it only to have the FCC rule that Bell couldn't prohibit the use of Hush-a-phone or any other device which did not impair or injure the phone system. That ruling opened the door to the Carterphone decision and today's active competition in the telephone equipment market.

A new animal, the interconnect industry, grew up

after the Carterphone. A Chicago member of the industry Ronney L. Harlow, owner of Private Telecommunications, Inc. [Pri-Tec] has spent a life-time in telephone communications. He wrote of Bell:

"There is a tendency to regard the Bell system as a public service rather than a big business. 'Why be critical,' a public official once asked. 'Doesn't the Bell Telephone Company give good service? Hasn't AT&T and its subsidiaries seen to it that we have more phones per capita in this country than anywhere else?'"

"Improvements in home and office equipment lag in some cases ten to forty years behind European countries. Color telephones were being used in Europe thirty years before they were available to Americans. Not until after 1955 did Bell bring out Centrex equipment which enabled businesses to eliminate switchboards. This was introduced in Germany ten years before. An automatic dialer, offered now by Bell under the name of 'Rapidial' was available in France almost forty years ago. Bell concerns itself with POTS—Plain Ordinary Telephone Service. The result is excellent communications using crude equipment while in Europe, they have lousy communications with excellent equipment."

Today, Harlow has established Pri-Tec as one of the major private telephone equipment distributors. He wants Bell out of the equipment field altogether.

"Back in the 1950s," says Harlow, "I was trying to make people see that there is no reason for a telephone utility to be selling equipment—no more reason than for the electricity utility to be selling toasters. They were in the appliance business eighty years ago and when they got out the business boomed. The telephone industry would boom in the same way."

Right now, Bell claims it wins seventy-five percent of competition cases. Frank Knoll, who keeps tabs on Illinois Bell's competition says, "The first we hear of such competition is an order to take our equipment out. Approximately half the systems we lose are of this variety—where the customer signs with a competitor before we get to present our case. Where we get a chance to tell our story, our winning average jumps to ninety percent."

"We have the responsibility as a public regulatee to make damn sure the customer gets what he pays for. If there is a problem, it's incumbent on us by law to fix it. Is there a corresponding responsibility for outside suppliers?"

With about thirty active competitors in the Chicago area, Bell has had to scramble about a bit with new phone designs and new rate structures to stay even with the greater equipment selection offered by the private companies. So far, the battlefield is centered in business telephone systems. The private consumer can have a "foreign" phone in his home, but the cost is prohibitive. A "legal" non-Bell phone would cost a private owner seventy-five cents a month plus four dollars a month for the interconnect device which protects the network. But businesses, through amortization, can save quite a bit with interconnect equipment, according to industry price/service lists.

One rather embarrassing case of competition came around to haunt Bell recently. In a Bell publication, a case history of "winning" the Bank of Highland Park away from the perilous clutches of interconnect salesmen was written up in the best gung-ho manner. After a year of operation, the bank vice president, Richard M. Leonard, reconsidered new phones for their new quarters. He asked Bell to come in and sit across the table from

competitor and compare their proposals. Bell offered a five-button phone for \$25 plus \$8.50 a month, fifty cents a month for lighted buttons and \$2.50 a month maintenance. Litcom of Litton Industries offered to sell the bank a five button phone complete with a contract including four-hour service response for \$270. In two-and-a-half years the equipment would be amortized, saving the bank \$10 to \$15 thousand over a ten year period. The bank bought Litcom's deal in the spring of 1973.

Bell has suffered in this early competitive go-round because of a history of sluggish technological improvement. The job of maintaining and developing the telephone network has forced Bell to very conservative designs. When they were the only supplier, Plain Ordinary Telephone Service was alright. Another area of competition highlights this point even more.

Point to point microwave communications between cities—major industrial/headquarters cities in particular—have long appealed to the business community. Until recently, Bell offered little in developing a major microwave network interconnecting to their telephone lines. In 1963, Microwave Communications, Inc. stepped in and proposed a micro-wave link between Chicago and St. Louis to transmit point to point private voice and digital data. In 1969, the FCC approved the idea and by July of 1970 had established policies and procedures for consideration of other microwave applicants. Now there is not only competition at either end of the line, but the network itself is being challenged.

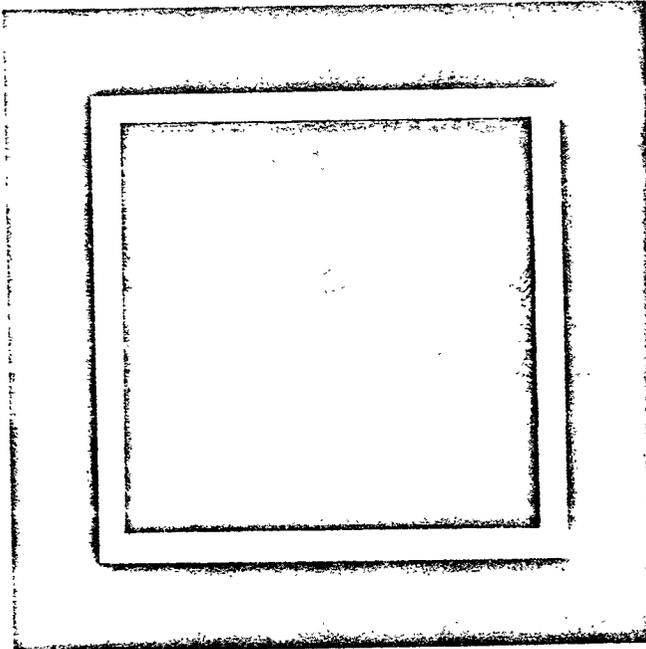
Bell refers to these johnny-come-latelies as "cream-skimmers"—trying to tap into the most profitable routes while ignoring the businesses in the boondocks which Bell, by law and tariff, is obliged to service. Bell has now asked that they be able to restructure their rates to compete with the microwave companies. What this will mean to the subscribers in the shrubs is hard to say since Bell must average their rates over the entire system. It will probably mean the guy in the outback will end up with a stiff increase.

In the January-February issue of *Business Communications Review*, a staff article on the subject offers, "... The data users complained of high error rates, slow connect times, expensive digital-to-analog conversion, not enough different types of service, and inappropriate pricing arrangements. It is mere speculation at this point, but if AT&T had acted more quickly to meet the needs of the data communications user, the FCC might never have felt compelled to offer competitive services."

Next year, Bell plans to compete with a system called Digital Data and is turning its attention to many other fields of communication outside its former interests. AT&T chairman John DeButts came out with a sample of Bell's new hard line.

Bell's pledge to compete, he says, "calls for a sustained initiative aimed at discerning—indeed anticipating—the requirements of an increasingly diverse and fast-changing market... Inevitably—and regardless what we do—it will be charged that our monopoly services subsidize our competitive services. However, I would like to think the character of our business and the integrity with which it is operated are surer guarantees against abuse in this regard than the vigilance of regulators."

In at least one state, the regulators are behind Ma Bell all the way. North Carolina plans to curb user-owned



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phone equipment next month. This is in direct conflict with the FCC, but the state's regulatory commission asserts that interconnection of private equipment would take away some of the revenue of Southern Bell, causing the company to seek higher rates from subscribers. Edward Garrity, Southern Bell vice president, commented, "We certainly support anything that is in the public interest. We are always concerned about the quality of service." Such is the world of competition.

To their credit, the FCC did take steps to clear up one thorny problem between Bell and the interconnect industry—the interface device required by Bell which must be attached between any "foreign" phones and Bell lines. The FCC asked the National Academy of Sciences to look at the need for such a device and draft a report. The Academy came out for the protecting attachment as necessary to the safety of the Bell network. They also noted there was a marked lack of communications between the interconnect companies, the microwave carriers, and Bell, leading to a number of half-truths and misunderstandings. While the report contradicted the private industry contention that the interface device was not necessary, it did support one fear of the interconnect people: That Bell, being in control of the innovations in switching service and changes in how calls are transported, had the capability to innovate customer owned interconnect equipment into obsolescence. This fear of being stuck with incompatible equipment plus reluctance to cut the umbilical to Ma Bell was making life hard for the new industry. Bell argued that users would refuse to accept changes if their equipment would become obsolete.

The Academy suggested the obvious need for dialog and the establishment of standards and enforced certification of user-supplied equipment. These standards would be enforced by a federal regulatory agency responsible for the tariffs.

It's interesting that the National Academy of Sciences didn't suggest the FCC handle the certification program. If past performance of the FCC concerning telephone matters is any hint, their hesitation is justified.

Former FCC Commissioner Nicholas Johnson charged "the agency is the product of industry pressures, staff idiosyncrasies and political judgments... [The commissioners] often decide cases they do not understand, especially concerning the complex economics of telephone regulation, where AT&T dominates the industry and repeatedly assures the commissioners that all is well. The results can be shocking. Common carrier telephone and telegraph matters have been stepchildren at the FCC. Commissioners find common carrier items boring and complicated."

Regulation of rates often puzzles subscribers, too, when their unintelligible bill arrives and there is talk of charging for directory service and raising the price of a pay phone call.

Carl Horn, Bell's assistant vice president for rate administration, tried to explain. "Who is going to sympathize with 'Poor Ma Bell' paying \$400 million in taxes—who could better afford it? We try to walk the line between a complaining company for which people have little sympathy and trying to minimize the burden. Eventually it gets passed on to the customer. Any utility is looked upon by most government authorities as an easy way to make money through taxes and most of them, in-

cluding us, have been filing new rate cases to counteract soaring inflation.

"Last year it cost \$30 million for directory service ["information"] in Illinois alone. Eventually we'll have to charge for it by the call. Today, people pay for it in their phone bill as part of the overall costs of phone service. Extra costs on convenience items beyond basic telephone service go to pay for the basic exchange service everyone is entitled to. If someone wants to drive a Cadillac and get six miles to the gallon, they are free to. We have proved to the FCC that we need this revenue from extra services to maintain our basic service."

Concerning pay phone increases, Bell cites increased demand for pay phones, new vandal-proof designs, and increased cost of manufacture. In Louisiana it still costs only a nickel to make a pay phone call. "But try and find a pay phone in New Orleans," says Horn.

Though rates are regulated, who does the regulating makes a difference according to Horn. "The Illinois Commerce Commission has proved to be innovative—no always a crowd pleaser from our point of view, but the commission has proved to be of higher quality than some states.' Partly responsible for this is the salary paid to ICC members (about \$30,000 plus). The ICC is able to attract a higher quality individual."

Louisiana elects its commissioners. Huey Long got his start as a regulatory commissioner. The three elected officials—northern, southern, and New Orleans area—can consider their jobs as jumping off places for bigger state political positions.

Why do I have to pay for a telephone long after it should have been amortized? "We lump all our sets into one pot," says Horn. They are written off as they are junked. A set may remain in a home for thirty years because it receives good care. Another may be shot in a year through a fire or abuse. It would be impossible for us to keep track of every set in every home and set a particular rate. We would have to have thousands and thousands of these separate rates. There are six million Bell telephones in Illinois.

"Maybe honestly, maybe arrogantly," adds Horn "we feel we can do a better job of optimizing the national communications network than suboptimizing through other companies. We are not interested in increasing our income, because our fair rate of return is government regulated by our ability to raise capital and continue business. I have a feeling customers will end up paying more for this interconnect business. They will pay for their freedom of choice."

Last year Bell installed 28 million phones and took out 23 million. They moved almost half the total number of phones in the Bell system to gain five million phones. It costs Bell about \$65 to hook up a phone. They charge about \$15 for an average installation. They want to boost the charge up \$40 eventually. Comparing this cost to similar installations overseas, it costs \$60 to \$84 in Great Britain and approximately \$300 in Japan. They hope to mitigate these increases by inaugurating new service like "snip and take", where you just cut your old cord and take the phone along when you move. Bell will then credit you \$5 on your new installation. Other innovations (long since a common practice with some interconnect company phone systems) include plug-in cords to speed installations and modular components for easing service

The people

Another problem facing AT&T and its companies is the rising consumer coldness toward big business in general

A number of polls have reflected this trend.

The Harris Poll claims there is a "sharp rise in the public expectations for business in the area of 'public responsibilities.'" Yankelovich says the "public is looking for a 'scapegoat' and business is it." Opinion Research Corp. goes further, stating, "Business has great power over the lives of the public—people appear fearful of the political and social power associated with economic concentration in big business."

Objectors coming before regulatory bodies have found greater acceptance and a realization that bucking the big institutions is no longer weighted down with the usual futility. In the Chicago area a case of "get with it, or get out of it" appeared about six years ago. Centel (Central Telephone Company) is the regulated telephone utility which handles Des Plaines, Park Ridge, and bits of some surrounding communities. It has done this since the 1890s and is one of the independent companies which were relegated to the boonies when Bell took over the cities and all long distance calling. Now the growth cycle has turned. The suburbs have taken off as growth centers and these independent phone companies (1,760 in the US) are burgeoning—actually outstripping Bell's statistics.

Centel buys phones and equipment from Stromberg-Carlson, GTE-Automatic Electric, and other private phone producers. This allows them a wider range of equipment to offer subscribers. This diversity, however, almost sank their ship in 1967.

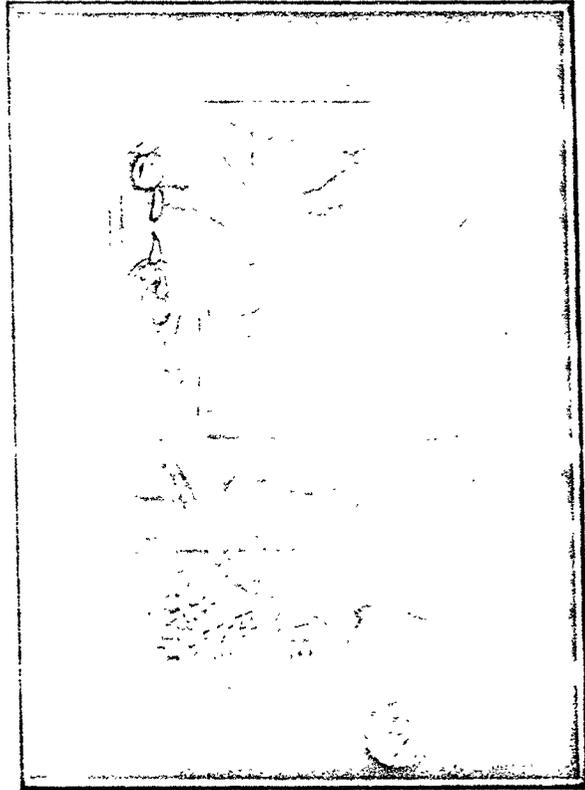
They had just changed their name from Middle States Telephone Company and their system was falling apart. Surrounded by the Bell network and lacking modern cross-bar switching equipment to be compatible with Bell, Centel was being squeezed hard by public pressure. The Golf Mill Merchants Association—a large shopping center complex—filed suit against Centel for inadequate and inefficient service. Mayors were inviting Centel representatives to special meetings where everyone glared at each other. There was a widespread desire for Bell to step in and take over the whole mess. One town asked a former Bell employe-turned-alderman to make a report on Centel's problems. His ambivalent whitewash of the company passed over the lousy planning fumbles and read like a critique of the subscribers—who came off sounding too stupid to figure out the complicated dial on their phones.

A story in the Park Ridge *Herald* reported what the real hang-up was. "Illinois Commerce Commission engineer John Kissel in the case of modernizing Central Telephone's switching set-up testified: 'The delay is due to the production scheduling of the Western Electric Company.' Kissel said the ICC had to apply considerable pressure to Western Electric to break its policy of selling exclusively to Illinois Bell. Only Western Electric had suitable cross-bar equipment."

Eventually the equipment was forthcoming and Centel's service began to improve, but for a long time, the "pus-colored" trucks of Central Telephone were subject to much derision. Eventually, Centel could brag, "We're the only independent telephone company in the US that can buy Western Electric equipment." It is surprising that people in those affected suburbs speak of that trouble as though it were last month instead of between 1966 and 1970. It's not often that you go to the wall with a monopoly and come out on top. People remember.

Poor Ma Bell; things are no longer as sweet as they once were.

It's not easy being the Almost Only Telephone Company in Town



How fast can you run from your
frig to the pay phone with
a melting quarter?