# States of the Union
# STANDING UP FOR MA BELL
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ALEXANDER GRAHAM BELL

In the course of gathering information for this story I made several long distance telephone calls to persons living in thinly populated regions of the country. The rates were reasonable, the service was excellent—equal in all respects to the prices and services I enjoy when dialing persons who reside in more thickly settled areas. But some of our leaders in Washington are now considering measures that could eventually wipe out adequate telephone support in places inhabited by 60 million rural and small-town Americans.

That is what my story is about: the growing possibility that Congress and elements inside the Carter Administration will effect a vast communications rip-off without ever bothering to communicate their intentions to the rest of us.

Like so many Washington scenarios, this one is both complicated and obscure. It involves quite a few interesting items: the plans of such telecommunications behemoths as AT&T, ITT and Southern Pacific; the survival of thousands of small, relatively independent telephone companies, including 235 cooperatives; and the just-emerging clash of convictions between Juanita Kreps' Department of Commerce (home of the new Telecommunications and Information Administration) and Bob Bergland's Department of Agriculture (home of the old Rural Electrification Administration).

The central issue raised by these disparate actors pertains to the distribution both of our wealth and of the blessings our wealth can bring. Should every American citizen have an equal opportunity to reach for the telephone? If so—if we care to have a truly universal telephone system that links every crossroad and hamlet—who will pay for it?

Questions of this kind have been asked before, and shrewdly answered. Let me put you on hold while I sort out the history.

It began on March 10, 1876, when Alexander Graham Bell said to his assistant in the next room, "Watson, come here; I want you." That was the first complete sentence ever spoken and heard over a telephone, and after Bell and Watson hung up they lost no time spreading the news. In the next four years, Bell established 148 separate telephone companies operating 34,000 miles of wire that extended as far west as Milwaukee. The network eventually became the American Telephone & Telegraph Company (AT&T). By the end of the century, with Americans already using more than a million telephones, AT&T was in firm control of the national switchboard.

Very quickly, then, Americans grasped the meaning of Bell's miracle; everyone wanted to be "hooked up," the sooner the better. Farm families, especially, saw the telephone as a device that might take the curse off their isolation. It could be a lifesaver. An old farmer named Walter Burkhart, in Grainger County, Tennessee, has reminisced about his family's phoneless life on the farm. One night his child contracted a painful ear infection: "I'd have given anything I owned if I had only been able to pick up a phone and call for help. . . . When Jimmy recovered, we vowed that we would do everything we could to get service in this area."

Such vows were encouraged by the Bell system, which needed local exchanges to link up with its long-distance network. The result was thousands of farmer-organized telephone cooperatives—a remarkable albeit little-noted phenomenon in our social history. We have a contemporary description of those co-ops, provided by G. Harold Powell, who worked for the Federal Bureau of Plant Industry.

Writing in the *1910 Yearbook of Agriculture*, Powell noted that most of the telephone "mutuals" were of "the most primitive type. . . . A group of farmers who lived within a reasonable distance of each other would meet together and arrange to establish a telephone system. . . . If the country was wooded, the farmers . . . agreed to cut and supply the poles and to haul them to the places where they were needed. . . . The farmers' boys and the farm hands did the work of setting the poles and putting on the cross-arms. . . . The wire and the insulators, the switchboard and the instruments, would have to be bought, and so a cash assessment would be levied on each member. . . ."

Still, it was population density, not user enthusiasm, that ruled the telephone market. Thanks to economies of scale, AT&T could net more dollars per long distance call placed in Chicago than it could per long distance call placed in, say, Clarksville, Illinois. So the dilemma we now confront arose very early—namely, should Clarksville be made to shoulder the burden of its own higher costs, or should Chicago subsidize Clarksville?

The man at AT&T who made the case for subsidy was Theodore Newton Vail, a telegrapher from Minerva, Ohio, who became AT&T president in 1885. Vail lost his initial fight for uniform long-distance rates—rates based on mileage rather than on locale—and had to resign the presidency in 1889. But 18 years later he regained the job, and his policies triumphed. From that day to this, AT&T's rate system has for the most part been geographically nondiscriminatory.

As things worked out over the years, it was AT&T's status as a regulated monopoly that maintained this equitable rate structure. Regulation began to seep into the body politic after World War I, when several states created utility commissions; it came with a rush a decade later when Congress passed the Communications Act of 1934, the measure that brought us the Federal Communications Commission (FCC). Congress was eminently clear as to its purpose. It wished "to make available, so far as possible, to all the people of the United States a rapid, effecient, nationwide and worldwide wire and radio communications service with adequate facilities at reasonable charges. . . ."

Even so, and with the best of will, rural telephone systems were lagging far behind their urban counterparts. The small-town residents, borne down by a depression, did what they could for their telephone companies. They paid for services with bushel baskets of tomatoes or corn, with eggs or hams or chickens—good eating, but hardly the stuff needed to modernize and capitalize. Many of these tiny companies soon ran out of cash and closed down, leaving their erstwhile customers right back where they'd been at the turn of the century—without telephones.

Enter now the Rural Electrification Administration (REA), the agency that was lighting up farms with loans to rural electric cooperatives. In 1939, REA's director, John M. Carmody, wrote to a North Carolina editor, "It seems to me that rural people have just as much right to up-to-date communications as they have to up-to-date power. There's no question in my mind but that government assistance will be required. . . ."

Government stepped in 10 years later, when Congress authorized the REA to make low-interest improvement loans to rural telephone companies. Rural wires have been humming ever since. At the time the amendment was passed, fewer than 35 per cent of all farm families had telephones; today the comparable figure is 96 per cent.

THIS SITUATION, in one way or another satisfactory to nearly everybody, might have continued forever, had it not been for the introduction of new technology in the '60s and '70s. The technology—mainly computer circuitry and space satellites—has made it possible for corporate telephone users to bypass the old Bell system. They can now transmit and receive long-distance information by bouncing it off the satellites, and they can buy the necessary equipment from any number of AT&T competitors, including ITT, Southern Pacific and an outfit called Microwave Communications, Inc.

It is largely these companies that are pushing in Congress for new legislation. Their purpose is to deregulate the telecommunications industry—to deprive AT&T of its most-favored, monopoly status, and in the process to enshrine what they are pleased to call "an alternative long-distance rate structure." That would lead to "cream skimming"—the offering of cheap rates wherever the market is dense and rich, and the substitution of exorbitant rates wherever the market is thin and poor. It could mean the un-Vailing of America.

Congress is considering three such measures, and there is little difference among them. The one that has attracted most attention is H.R. 3333, the Communications Act of 1979, introduced by Representative Lionel Van Deerling, a conservative Democrat from California, and cosponsored by two Republicans, James M. Collins of Texas and James T. Broyhill of North Carolina. Van Deerling et al. are promoting their bill in the name of free competition, and they are getting plenty of support from Carter's National Telecommunications and Information Administration (NTIA). Until last year, the NTIA folks were part of the White House policy advisory staff; now they've been moved to Commerce, possibly under orders to deregulate the world.

On the other side in Carter-land is the REA. Its director, Robert Faragon, has testified bravely, if circumspectly, against H.R. 3333, and the staff misses few opportunities to snipe at its NTIA counterparts. ("They think they're still making policy over there in Commerce," snickered an REA man recently.)

A version of Van Deerling's bill is expected to come before the full House some time in July. If you want to let your congressman know how you feel about it, don't be diffident. He's as close a your nearest telephone.