Creation Stage 1876-1896

- Bell patents telephone
- Original investors included Boston bankers, George Bradley, W.G. Salastonn and G.Z. Salisby had organized

- Western Union immediately replies by using their telegraph network only to be forced to give up its infrastructure in 1879
- Bell acquires Western Electric and signs an exclusive contract that created uniformity and also proved very profitable for Western
- Bell culminates a process of constant restructuring by moving the company to New York under ATT
- ATT shifts from holding company to centralized management structure

- AT& T acquires numerous patents and begins to prepare for competition

- *1899,1900, 1906 the annual rate of growth exceeded 22%

Competition and Early Regulation

The most serious threat to Bell was the American Telephone, Telegraph and Cable company (headed by rival banker, Rockefeller) attempted to consolidate independents. *The Financial History of American Telephone and Telegraph Company;* Stehlman, page 57

- Sublicensing becomes a "powerful weapon"

- Morgan finances ATT and breaks up consolidation efforts of the competitors

- States begin regulation of telephone institute common carrier laws

Vail Years 1906-1914

- streamlines company
- includes marketing and concept of service provider
- "embraces" regulation
- Western Union under the control of ATT
- Loading coil introduced
- Mann-Elkin widens state efforts of regulation but proves ineffective

Kingsbury Commitment 1913

- forces divestiture of WUnion,
- puts ATT under ICC
- requires connection/access

World WAR and "Nugatory period" p. 184, Page

- First Air-to ground and Ground to Air radio communications developed by Bell labs

- President Woodrow Wilson issued a proclamation assuming control of the telephone and telegraph systems in the United States, placing them under the direction of the Post Office Department as of July 31, 1918. This proclamation is issued under authority of a joint resolution of Congress.
- Western Electric and ATT become vital source of technology and manufacturing during wartime.

- The Bell System announces plans for the introduction of machine switching (dial telephones) in its exchanges..

- dual system emerged

- Western Electric expands global manufacturing base
  "through all cities of consequence in the world"

1921_____Graham-Willis Act

- solidifies the theory of natural monopoly and precludes it from anti-trust suits

- allows greater flexibility to merge and acquire control of companies

- Cross-licensing agreement further expands monopoly status, creates stability in telecom

- Transcontinental service (1915)becomes an increasingly important aspect for both the military and the consumer market

- ATT invents and patents sound motion picture

- Radio Act of 1927

- ATT goes into agreement with RCA and agrees to get out of broadcasting

- Lloyd Espenschied and Herman Affel applied for a patent for broadband coaxial cable, the first broadband transmission medium.

Key aspects of 1934 Communications Act

1. Federal-State division of responsibilities
2. Common carrier obligations including interconnection
3. Rate regulation
4. Universal services
5. Creation of Federal Communications Commission (FCC) to assume telecom duties of ICC and FRC (radio)

Defines carrier services and how offered

- Descriptions and rates for various services, features, & options
- Terms and conditions of transaction
- Limits on carrier liability
- A substitute for a contract with customer

State-Fed regulations

- FCC to regulate interstate telephone service

- Regulation of intrastate (wireline) communications left to the states
- No clear division between state and federal
- Can divide individual calls (intrastate/interstate)
- Many network components serves both types of calls and cannot be physically separated
- FCC can preempt state on some issues, but must clearly show why it is necessary

Common Carriers

- Carriers must provide (interstate communications) "service upon request"

- Must interconnect with other carriers when FCC decides it is "in the public interest"

- Charges, practices, classifications, and regulations must be "just and reasonable"
- No "unjust or unreasonable discrimination

- Regulators decided when carriers had to interconnect

Other Factors that contributed to Monopoly status

- Carrier cannot construct facilities until FCC issues "certificate of public convenience"

- Carrier also need FCC approval to dismantle facilities

- Thus, FCC empowered to control entry into and exit from the industry
- FCC used this power (for years) to keep competitors out and retain monopoly status

- In theory, FCC could set rates on each individual service/option (rate elements)

- FCC chose a loose approach to monitor overall earnings, especially of AT&T