

Is the Telephone a Natural Monopoly?

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That the telephone is a natural monopoly, is an oft-repeated statement. The statement has always, however, been made by those who, actuated by personal interests, did not wish to invite competition. In other words, this doctrine has always been preached by the friends of monopoly, as a plausible reason with which to console a long suffering people, who for so many years were the victims of an inefficient telephone service at exorbitant rates.

I wish you to note that the assertions in support of the contention that the telephone is a natural monopoly, is the evidence of interested parties, and therefore should be treated accordingly. On the other hand it may be argued that those who advocate the theory that the telephone is *not* a natural monopoly, are desirous of maintaining competitive telephone systems, and consequently their evidence is only of a value equal to that of their opponents. I think you will also agree with me that if you were operating a telephone plant in some town where you were fortunate enough to be in sole possession, you would incline to the belief that the telephone should be considered a natural monopoly so far as your territory was concerned.

My subject, however, is too important a one to be decided by the views of those who are pecuniarily interested in the success of monopoly or competition. The telephone is one of the greatest public benefactors the world has ever known. By its invention science conferred upon humanity a sixth sense (if I may so use the term) viz: the power of conversing with countless thousands of our distant and unseen fellow beings, at times, it may be, when this was the last available recourse which stood between the loss of property, fortune or often of life itself.

By its contribution to the needs of humanity the telephone has proved its claim to rank as one of the most necessary of those utilities which inventive genius has placed at the service of man.

There are hundreds of thousands of citizens right here in Chicago and millions of people on the North American Continent not enjoying the benefits of the telephone to-day, who would take it if proper methods were adopted to furnish the service. It is in the consideration of these methods that the question arises, which forms the title of my paper.

If the telephone is a natural monopoly I must say that nature has been very unkind to it, for a more stunted production it would be impossible to imagine, than that presented by the telephone industry when it emerged from twenty years' monopolistic control. Just think of it, from twenty years of monopoly in the United States and Canada, it emerged a sickly plant some twelve inches high. To-day after fourteen years of healthy competition it is a sturdy tree towering twenty-eight feet above the ground. In other words twenty years of monopoly placed less than a quarter of a million telephones at the service of the people, while fourteen years of competition has extended the use of this utility to over seven million subscribers. Judged, therefore, by the growth of business there is no doubt that the verdict of the people is emphatically on the side of competition.

It is further a significant fact that in the past no company has been able to retain a monopoly in the telephone business without the protection of the State, Province, or Municipality. Wherever this protection has been withdrawn the result has been the establish-

ment of a competitive telephone system. In some parts of Canada, for instance, the one obstacle to the establishment of an independent service in the principal towns and cities, has been the granting of five years' exclusive agreements to the Bell Telephone Company, or the reluctance of municipal councils to grant franchises upon equitable terms to independent companies. In no case can it be truthfully stated that a Bell Company is enjoying a monopoly anywhere on this continent because the natural conditions surrounding its business are such as to render competition impracticable or undesirable. On the contrary the "Bell" system remains a monopoly just so long as the State, Province, or municipality keeps the door closed against competition. In other words, the monopoly is kept alive by artificial means, and therefore cannot be a natural one.

Almost the only argument which has been used in support of the theory that the telephone is a natural monopoly, is the assertion that competition means that the majority of people must have two telephones, thereby entailing the payment of two rentals, which increases the cost of service to the user. This argument has been amply refuted by a recent statement showing conditions existing in eighteen cities in Illinois, Iowa, Indiana, Michigan, and Ohio, which records that out of 44,293 "Independent" and 33,305 "Bell" stations, only 4,304 business and 1,662 residence subscribers have both telephones. That is only 5,966 subscribers out of 77,598 duplicate the service. Less than eight per cent.

In Iowa, out of a total of 168,148 "Bell" and "Independent" subscribers there are only 5,426 duplications, or 3.2 per cent.

A careful analysis of telephone figures in Cleveland, Dayton, and Toledo, Ohio; Indianapolis, Ind.; Kansas City, Kan.; and Louisville, Ky., shows an average duplication of only twelve per cent. That is twelve out of each hundred subscribers take both "Bell" and "Independent" telephones, while the remaining 88 get all the service they require by renting one telephone. It is further conceivable that six out of each twelve subscribers who have now both services, would still require two telephones to handle their business, if there were only one system in each of the cities named. These facts prove beyond doubt that telephone competition means "The greatest good to the greatest number" in that it secures to at least ninety per cent. of telephone users, lower rates and an improved service.

In regard to the Dominion of Canada before the advent of the Independent Telephone movement in 1905, the policy of the monopoly was to select the large and more densely populated centres where the largest profits could be earned. The smaller towns and villages were absolutely neglected, or at least had to be content with a toll office. The request of the farmer for service invariably met with either a curt refusal, or a demand for terms so exorbitant as to be absolutely prohibitive. Hundreds of cases might be quoted illustrating the arrogant treatment which the farmer received from the "Bell" monopoly. Every conceivable effort was made to stifle the movement for rural telephones at its inception. Time and again farmers have established a service which this monopoly had refused to furnish, only to find their lines paralleled and their capital placed in jeopardy by the threats, intimidation, and other forms of persecution of "Bell" agents. In the early days, before rural telephone systems became so popular as they are to-day, small companies in Quebec and Ontario have been forced into bankruptcy by the unscrupulous methods of "Bell" agents, and in this way thousands of dollars have been lost by farmers and others. In some cases men have