

Book Excerpt

The following is an excerpt from the AT&T-commissioned centennial history book, Telephone - The First Hundred Years, by John Brooks (Harper, Row publishers, 1975, ISBN 0-06-010540-2).

A great new challenge faced AT&T as it entered the 1920s -- the challenge of radio. Development work was going forward leading toward the establishment of regular transatlantic telephone service by radio. But radio, of course, had another and equally exciting dimension, that of broadcasting. By November 1920, when the first radio broadcasting station -- the Westinghouse station KDKA, in Pittsburgh -- inaugurated service by sending out the returns of the Harding-Cox presidential election, Western Electric already had three experimental stations, 2XB at West Street, 2XF at Cliffwood, New Jersey, and 2XJ at Deal Beach, New Jersey, sending out test messages to each other and to the few radio operators and ships and ambitious radio amateur buffs who happened to be listening. That same year -- at the urging of the federal government, which sought to forestall the monopolization of radio equipment by any single patent holder -- AT&T entered into a cross-licensing agreement with General Electric Company; the agreement was later extended to include the other two corporate leaders in radio research Radio Corporation of America and Westinghouse Electric Company.

AT&T's attitude toward radio in early 1921 was later summed up by Walter S. Gifford, then controller and later president: "Nobody knew ... where radio was really headed. Everything about broadcasting was uncertain. For my own part I expected that since it was a form of telephony ... we were sure to be involved in broadcasting somehow. Our first vague idea, as broadcasting appeared, was that perhaps people would expect to be able to pick up a telephone and call some radio station, so that they could give radio talks." But by the end of that year, the situation had clarified somewhat; hundreds wanted to broadcast, millions wanted to listen, and no one was sure how broadcasting was to be supported. AT&T decided to get into broadcasting on an experimental basis, as Thayer explained in the 1921 Annual Report: "A field in which the radio telephone has possibilities as the furnishing of ... one-way service ... news, music, speeches and the like, ... We are preparing to furnish this broadcasting service to such an extent as may meet the commercial demands of the public."

This promise began to be fulfilled on July 25, 1922, when station WBAY -- the call letters were changed a month later to WEAJ -- began broadcasting from the Long Lines building on Walker Street in New York City. The transmitter, built by Western Electric, had a power of 500 watts, and the plan was to derive revenues from renting program time to anyone who wanted to use the facilities, at \$40 or \$50 per fifteen minutes. Unrented time was to be filled by musical programs and the like.

It soon became evident that any dreams of a flood of people eager to air their messages were in vain; the station had to wait a month for its first paying customer, and its gross revenues for its first two months of operations was \$550. Meanwhile it filled up time by calling on local talent; one evening's program featured vocal selections by Miss Helen Graves and Miss Anna Hermann accompanied by Mrs. M. W. Swayze, piano solos by Mr. F. R. Marion, a recitation of James Whitcomb Riley's poem An Old Sweetheart of Mine by Miss Edna Cunningham, and violin selections by Mr. Joseph Koznick. All of these performers were employees of the AT&T Long Lines, except for Mr. Koznick, who was from the AT&T Drafting Department. Audience reaction to the program is not recorded. At last, on August 28, the Queensborough Corporation, a real estate promotion of Jackson Heights, New York City, bought fifteen minutes to announce a development called Hawthorne Court, and thus WEAJ gained the perhaps dubious distinction of carrying the first radio commercial.

There were thirteen commercial customers by December 1922 and a total of about two hundred and fifty during 1923, by the end of which there were nearly half a million radio receiving sets within the station's range. But WEAf officials quickly learned what all radio officials would later know -- that listeners will accept commercials only when leavened by information and professional entertainment. In 1922 and 1923, WEAf broadcast sports, opera from the Metropolitan, lighter music from the Capitol Theatre, theatrical performances from the stages of Broadway, and radio's first comedy team, a pair of vaudeville performers called The Happiness Boys. Also, Graham McNamee, soon to become the best-known of early radio announcers, made the first of his many appearances on WEAf. The station's audience grew rapidly, and by the end of 1923, letters and cards from listeners were coming in at the rate of about eight hundred per day. Meanwhile the concept of sponsorship of entertainment programs by commercial enterprises gradually the original one of simply leaving the use of time to advertisers. Moreover, in the interest of gaining public goodwill, the station imposed on its sponsors a set of rules that by the standards of later radio seem downright quaint: No direct sales pitches; no mention of such hard-sell details as the color of a can; no ad-libbing of advertising material, and no advertising that the station officials considered possibly offensive to good taste. On this ground, the first commercial for toothpaste was held up for several weeks because the WEAf station manager felt that toothpaste, regardless of how treated, might be too personal a matter to mention on the air.

In April 1923, the studios of WEAf were moved to the fourth floor of AT&T headquarters at 195 Broadway. While people on the upper floors went about the workaday business of maintaining the national telephone network and advancing the telephone art, a glamorous show-business atmosphere flourished down below, with stars like John McCormick and Ethel Barrymore regularly passing in and out. As radio expanded, AT&T sought to expand its radio operation -- a task for which it was uniquely equipped because it had telephone wires to use in the establishment of the first radio network. In July 1923, the Bell System opened its second radio station, WCAP at Washington, D. C.; that June, an address by President Harding in St. Louis was broadcast to every state in the union by the first nationwide hookup, made possible by Bell System telephone lines; and by the end of 1925, there was a national network of seventeen Bell-owned or Bell-licensed stations serving over 60 percent of all receiving sets in the United States, and bringing in gross annual revenues of about \$750,000.

It was all heady stuff for a sober telephone company, now suddenly deep in the tensions and delights of show business. All the while, a furious struggle was going on for position in the new and fast-growing radio business, between AT&T and competing companies. Was AT&T, through its radio patents and its telephone network, attempting to monopolize radio broadcasting? Almost immediately after the signing of the cross-licensing agreement of July 1920, it became the subject of conflicting interpretations and disputes among the rival communications companies. Up to early 1922, it was AT&T's policy to refuse the use of Bell telephone wires -- necessary for remote pickups or for linking up distant stations -- to radio stations not owned by Bell. There was a relaxation of this hard-line policy in April, 1922, when AT&T informed its operating companies that it now seemed desirable, until further notice, to be liberal in the matter of leasing private lines to broadcasters. However, the stations owned by AT&T's chief competitors in broadcasting -- Radio Corporation, General Electric and Westinghouse -- were specifically excluded from the new liberal policy, under AT&T's interpretation of the 1920 agreement. Those stations were forced to resort to the use of telegraph wires AT&T's interpretation was challenged in 1923 by Radio Corporation, which contended that the right to broadcast implied the right to use telephone wires as an adjunct; the matter went to arbitration, but the arbitrator's decision was so equivocal as to leave both parties dissatisfied. Another aspect of the same matter came to a head in February 1924, when AT&T was accused of offering telephone wires to non-Bell stations at a prohibitive cost. That month, the Rotary Club of Chicago planned a nationwide broadcast of an address to be made from Washington by President Calvin Coolidge, using a hookup of eighteen well-scattered stations to be connected by wires, AT&T agreed to broadcast the address from Washington, New York and Providence via its own facilities, and announced it would charge \$2,500 to connect the Washington station by wire with station WJAZ in Chicago, which the Rotarians wanted to use to reach western listeners. Station WJAZ protested that

the charge was extortionate, and pointed out that ordinary long-distance service between Washington and Chicago for the ten minutes of the President's speech would cost only \$14.40. AT&T retorted that a radio hookup installation was in no way comparable technically to a long-distance telephone call; that the installation and operation of the hookup for the President's speech would require more than twenty-five man-days of work, and that radio hookup charges could *never* be comparable to regular toll charges. WJAZ refused to pay the charge, and Coolidge's address was not broadcast in the Chicago area.

Whatever the proper charge for such a connection or the correct interpretation of the 1920 license agreement, there is no doubt that AT&T's balkiness about leasing wires to rival broadcasters in 1923 was motivated in part by a desire to gain a commanding position in radio broadcasting. In February 1923, A. H. Griswold, the company's assistant vice-president in charge of radio matters, said to a Bell System radio conference, "We have been very careful, up to the present time, not to state to the public in any way ... the idea that the Bell System desires to monopolize broadcasting, but the fact remains that it's a telephone job, that we are the telephone people, and that we can do it better than anyone else. ... in one form or another, we have got to do the job." Griswold went on to assure his listeners that his view was shared by the company's top officers, including President Thayer. A year later, however, the company view -- at least, as publicly expressed -- had changed sharply. A statement to the press by Thayer in March 1924 -- by which time AT&T was in the thick of patent-infringement suits against rival radio stations and arbitration of the dispute with Radio Corporation over the availability of telephone lines -- declared that AT&T "has not attempted and does not desire a monopoly of broadcasting"; that "any broadcasting station now infringing [AT&T's] patent rights can acquire a license ... upon reasonable terms" and that "a monopoly, either of broadcasting or entertainment of the public or for hire, is not desirable from any point of view." The statement also strongly expressed approval of federal regulation of broadcasting. Evidently, there was taking place within AT&T a change of heart as to broadcasting monopoly and regulation closely analogous to the one that had taken place as to telephone monopoly and regulation in the Vail, and had culminated in the Kingsbury Commitment. But meanwhile, as the suits and the arbitration dragged on, AT&T was vigorously pursuing the enlargement of its radio network, and was continuing to make it difficult or impossible for rival broadcasting companies to use AT&T telephone wires. [...]

And -- although it is arguable that the same thing would not have happened without his intercession -- Gifford got AT&T out of broadcasting. By a series of three contracts entered into on July 1, 1926, AT&T agreed to supply wire services to the Radio Corporation for broadcasting purposes, and gave the Radio Corporation an option to buy station WEAf outright, along with the licenses to operate what had been the rest of the AT&T radio network. The sale was consummated on November 1 for one million dollars, and was accompanied by a pledge not to return to the field of radio. As Gifford explained in the annual report for that year, "The Company undertook to develop radio broadcasting in order to ascertain how it could be made most useful in the business. ... The further the experiment was carried, the more evident it became that the objective of a broadcasting station was quite different from that of a telephone system."

The sale and agreement to provide wires constitute another, if lesser, Kingsbury commitment, and evidence that Gifford was indeed Vail's spiritual successor. It meant that AT&T -- under pressure, to be sure -- had given up another dream of monopoly, and that entertainment stars would no longer enliven the scene at 195 Broadway.