

S.E.C. Said to Have Begun Southwestern Bell Inquiry

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SAN ANTONIO, Tex., Jan. 20.—An investigation of Southwestern Bell Telephone Company by the Securities and Exchange Commission is under way and may spread to other divisions of the Bell Telephone system, sources here said today.

Southwestern Bell has been accused of using false records to get rate increases in Texas and of illegal wiretapping public officials' telephones.

After questioning a former company employe, S.E.C. investi-
gated the Southern Bell Telephone Company, and discussed with him that company's practices in the southeastern United States.

The commission has refused to say if it has an investigation under way, but sources said that S.E.C. investigators were interested in "any and all information" about the Bell system, which operates throughout much of the United States.

The former Southern Bell executive who was questioned, John J. Ryan, 55 years old, was reportedly forced by the company to retire last year after nine years as head of Bell's North Carolina operations.

He is reported to have said that like Southwestern Bell, Southern Bell had forced its executives to contribute to "political slush funds" and had sanctioned illegal wiretapping.

Questioned Over Weekend

Mr. Ryan spent three hours on Saturday and two yesterday giving S.E.C. investigators details of Southern Bell's activities.

The investigation of Southwestern Bell, which operates in Texas and eight other states, has barely begun. More than a dozen telephone company executives are said to be on a list of persons still to be questioned.

The investigation was apparently prompted by a \$29-million damage suit filed against Southwestern Bell last November by a former Southwestern Bell rate negotiator, James H. Ashley, and by the relatives of the late T. O. Gravit, a Southwestern Bell vice president who was found dead in his garage in Dallas last Oct. 17. His death was ruled a sui-

cide by carbon monoxide poisoning.

In the damage suit, Mr. Ashley and Mr. Gravit's family said that the company had investigated them after they complained that Southwestern Bell was padding its cost figures in seeking rate increases.

Southwestern Bell has not said why it was investigating Mr. Gravit, but has said that Mr. Ashley was suspended and later dismissed because of "irregular" expense accounts and because he sought sexual favors from women employes. Mr. Ashley has denied these allegations.

Trial Expected in March

The damage suit is expected to come to trial in March.

Since Texas has no public utilities commission, the telephone company and other utilities set prices under agreements with cities.

Mr. Ashley said that in the contracts he had negotiated for Southwestern Bell, the cities either were in capable of disputing the company's figures or the company "had the officials in its pocket."

He said that company security officers had eavesdropped on telephone calls of city officials to learn ways to apply pressure to them, and that in many instances, that the company had made campaign contributions to the officials or "threw business their way."

Mr. Ashley said that Southwestern Bell's political slush fund totaled \$85,000 to \$100,000 a year, with top executives of the company being required to give at least \$50 a month to it.

Mr. Ryan said that in North Carolina telephone company executives were expected to give \$100 a month.

The Bell System has consistently denied any intentional improprieties. The new head of Southwestern Bell for Texas, Charles Marshall, said this weekend that publicity about the system has been "sensational" and "beyond the facts."

Mr. Marshall, who was transferred to Texas from Chicago after Mr. Gravit's death, said the "allegations, no matter how distorted, make good copy" and that the result had been to cause customers to begin losing faith in telephone companies.