

ANNUAL REPORT
of the
AMERICAN TELEPHONE
AND TELEGRAPH COMPANY
FOR 1933



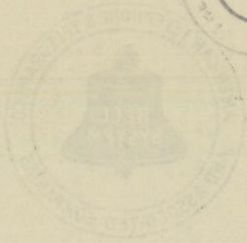
NEW YORK
1934

MRB
STRAWBOARDS

653.6

Am 38

ANNUAL REPORT
of the
AMERICAN TELEPHONE
AND TELEGRAPH COMPANY
FOR 1933



NEW YORK
1934

American Telephone and Telegraph Company

195 Broadway
New York

OFFICERS

President

WALTER S. GIFFORD

Vice Presidents

BANCROFT GHERARDI
F. B. JEWETT
E. F. CARTER

E. S. WILSON
C. P. COOPER
T. G. MILLER

C. M. BRACELEN
A. W. PAGE
ROBERT W. CURRAN

Secretary

R. H. STRAHAN

Treasurer

JAMES F. BEHAN

Comptroller

C. A. HEISS

DIRECTORS

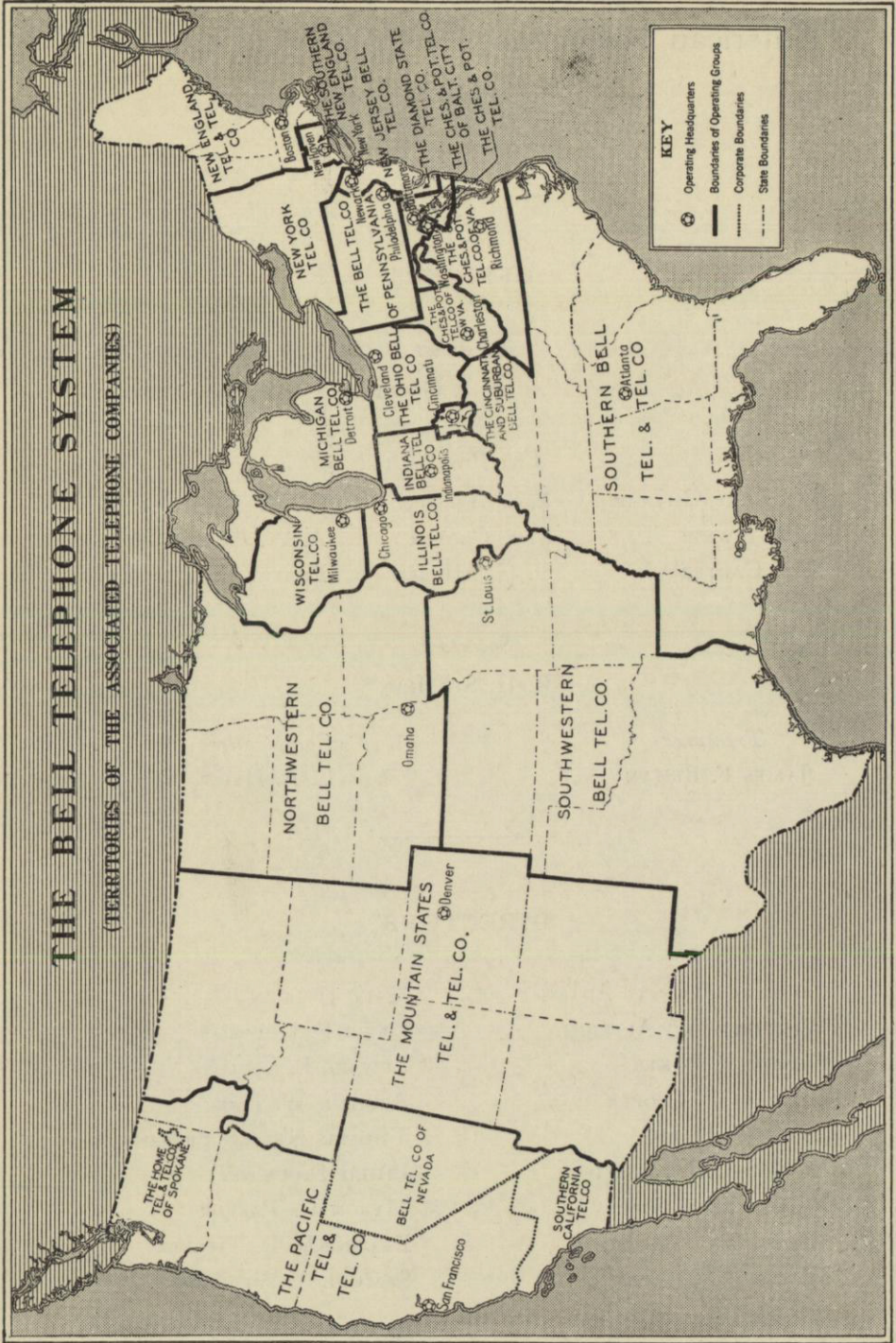
CHARLES FRANCIS ADAMS
WINTHROP W. ALDRICH
GEORGE F. BAKER
CHARLES P. COOPER
JOHN W. DAVIS
EDWARD D. DUFFIELD
W. CAMERON FORBES
GEORGE P. GARDNER
WALTER S. GIFFORD

HALE HOLDEN
DAVID F. HOUSTON
EDWARD E. LOOMIS
ARTHUR W. PAGE
THOMAS NELSON PERKINS
PHILIP STOCKTON
MYRON C. TAYLOR
EUGENE V. R. THAYER
SAMUEL A. WELLDON

DANIEL WILLARD

THE BELL TELEPHONE SYSTEM

(TERRITORIES OF THE ASSOCIATED TELEPHONE COMPANIES)



Report of the Directors
of
American Telephone and Telegraph Company

New York, February 16, 1934.

TO THE STOCKHOLDERS:

This country is entitled in good times and bad to the best possible telephone service at the lowest possible cost. The success of the American Telephone and Telegraph Company and its Associated Companies must be measured by that standard and depends on giving at all times, day and night, dependable, accurate and speedy telephone service, constantly improved and extended in scope by research and invention, at a cost to the users as low as efficient operation can make it, consistent with fair treatment of employees and such return to the stockholders as will insure the financial safety of the enterprise.

Telephone service was never better than in 1933, research for the future was continued at an adequate level, operations were carried on economically, wage rates were maintained and in some instances increased and while due to the reduced volume of business the System's earnings of 3.7 per cent on the cost of plant and other assets were inadequate, the past financial policy made it possible to continue the dividend to stockholders at the usual rate.

Prior to 1932, the Company had never in any year paid out all of its earnings in dividends. Thus, in its nearly fifty years of existence, it accumulated a surplus, which together with its proportion of the surplus of its Associated Companies and the Western Electric Company amounted to \$31 per share of its stock outstanding. In the past two years \$6.66 per share of this surplus, \$3.04 in 1932 and \$3.62 in 1933, has been used in order to maintain the dividend on the stock. The Company has no "watered stock" but, on the contrary, has received an average of \$114 a share for the 18,662,275 shares of stock outstanding. The dividend of \$9.00 a share was therefore at the rate of

6.4 per cent and the 1933 net income of \$5.38 per share was 3.8 per cent on the stockholders' investment, including the surplus.

As stated in the 1932 Annual Report, "during the boom period, culminating in 1929, in spite of considerable pressure growing out of the speculative fever, the Company paid no extra or stock dividends and did not split up its stock." This was in accord with the policy followed for many years and formally stated in 1927—"there is not only no incentive but it would be contrary to sound policy for the management to earn speculative or large profits for distribution as 'melons' or extra dividends. On the other hand, payments to stockholders limited to reasonable regular dividends with their right, as the business requires new money from time to time, to make further investments on favorable terms, are to the interest both of the telephone users and of the stockholders."

This policy has enabled a stability of return to stockholders during the depression that has in thousands of cases helped to provide the bare necessities of life for those who have invested their savings in the business. Of the 681,000 stockholders, 381,000 are women and about 115,000 are Bell System employees. No stockholder owns as much as one per cent of the stock outstanding, the average holding per stockholder being 27 shares.

In 1933 there was an improvement in business generally in which the Bell System shared. While in the first eight months of the year the System lost 715,000 telephones, during each of the last four months of the year there was a gain, totalling 85,000, leaving a loss for the year of 630,000 telephones as compared with a loss of 1,650,000 during 1932. There were 13,163,000 telephones in service at the end of the year—16 per cent below the maximum development reached in 1930.

Toll and long distance conversations were 9 per cent less than in the previous year, although during the last six months, with 7 per cent less telephones in service, they were only 2.4 per cent under the corresponding period of 1932. The total for 1933 was, however, 30 per cent below 1930, the year of maximum toll and long distance use.

During the year plant which cost \$195,000,000 was retired from service, and total plant added amounted to \$164,000,000,

resulting in a net decrease in plant investment of \$31,000,000. The property was fully maintained and adequate provision was made for depreciation.

Total assets of the System amounted to \$4,907,000,000 at the end of the year. Cash assets—including funds temporarily invested in Government obligations—were \$218,000,000. In addition some \$3,000,000 was in closed banks against which amount adequate reserves have been set up. The System has no bank loans outstanding and no obligations of substantial amount maturing until 1937, when approximately \$42,000,000 of bonds become due.

The total operating revenues of the System were \$872,400,000, which is 7.7 per cent less than in 1932.

The total expenses of the System were \$701,500,000 or 8.7 per cent under the expenses of the previous year. These expenses included taxes of \$84,800,000, or an average of about \$6.42 a year per telephone in service.

The net earnings were \$182,900,000, a decrease of \$11,500,000 as compared with 1932. These net earnings were at the rate of 3.7 per cent on the cost of plant and other assets, but as less than one-third of the System's capital obligations are debt obligations, they were nearly three and one-half times the System's interest charges. The net income after interest charges was short of dividends paid by \$54,600,000. As the Western Electric Company, which is not included in the above figures, operated at a net loss of about \$13,800,000, the net income of the System, including the Western Electric Company, was \$68,400,000 less than dividends paid. This amount was charged against surplus.

Treating the System as a whole and including the Western Electric Company, the 1933 net income after interest charges amounted to \$5.38 per share of American Telephone and Telegraph Company stock outstanding compared with \$5.96 in 1932. Considering the American Telephone and Telegraph Company by itself, its net income, which includes dividends received from Associated Companies paid by them in part out of their surpluses and which does not reflect the Western Electric Company's net loss for the year, was \$7.37 per share.

Despite the cumulative effects of four years of depression

with the continued need for every practicable economy in operation, the Bell System telephone service continued to improve. In 1933 the best previous service records were well maintained and in a number of respects further improvement was effected, including the speedier handling of calls, better business office service and greater uniformity of performance in all branches of service.

That the service improvements are appreciated by the public is evident from their general comments and from the fact that there were fewer criticisms in 1933 than ever before. Since 1929, mistakes by operators have been reduced one-third. In 1933, more than 99 per cent of the calls were handled without error. Local calls completed on the first attempt have increased from 80.9 to 83.1 per cent. These two items alone mean better service on about 600,000,000 calls a year. On long distance and toll board calls the time taken to make the connection was the lowest and the percentage of calls completed the highest of record. The average speed of making those connections, which was 2.8 minutes in 1929, was reduced to 1.6 minutes in 1932 and 1.5 minutes in 1933.

During 1933, through the Bell System's newest radio-telephone station near Miami, Florida, commercial telephone service was inaugurated with Panama and the Canal Zone, Costa Rica, Guatemala and Nicaragua. A new short-wave channel across the Pacific to Manila brought the Philippine Islands into telephone contact with the United States early in the year. Transatlantic service was broadened to include Jugoslavia and the principal cities of India, as well as Jerusalem and other points in Palestine. Ship-to-shore telephone service was extended to five additional transatlantic liners, making 19 ships which can now be reached while at sea from any Bell System telephone.

A coastal radio-telephone station established in the vicinity of Boston has been in operation during the past year and has provided experimental telephone service with fishing vessels and other boats equipped for this class of service. As in the case of the radio-telephone stations established for service with transatlantic liners, this coastal station is established as an integral part of the Bell System and through it connections are made with the general telephone network of land-lines.

As a result of the research work of the Bell Telephone Laboratories the first transatlantic telephone service was inaugurated in 1927. Since that time the foreign connections have been increased so that at the end of 1933 practically all the telephones in the world, except those in China, Japan, New Zealand and Russia, can be reached from any Bell System telephone. In the near future some, if not all, of these countries will be brought into telephone connection with this country.

Fundamental research has been continued with prospects of simplifying and reducing the cost of future central office equipment, of improving the volume and quality of transmission through telephone instruments, of increasing the capacity of toll line plant at less cost than heretofore, and of bettering operating methods which will make ultimately for faster and more economical toll service.

During 1933, regulatory bodies in states having about 5 per cent of the total Bell System telephones in service issued orders for general rate reductions. It is believed that when these rate cases are finally adjudicated, it will be made clear that these reductions in rates cannot be made with safety to the service and the financial integrity of the business.

The business of the Western Electric Company declined further in 1933. Its sales, which in 1929 amounted to \$411,000,000 and had decreased to \$118,000,000 in 1932, were only \$70,000,000 in 1933.

The Bell System during the depression has employed every practical means of mitigating the ills of unemployment arising from the decreased use of the telephone by the public which inevitably decreased the work opportunities in furnishing telephone service, particularly those opportunities for employment associated with new construction.

In August, the Bell System signed the President's Re-employment Agreement, embodying a schedule of minimum wages and maximum hours approved by the National Recovery Administration. Wage rates had not been reduced during the depression and at the time of signing the agreement, as a

result of the System's practice of spreading work which began in 1930, some 42,000 people who would otherwise have been laid off were being retained on the pay-roll. Since August 1, the Bell System has added 7,500 employees and made adjustments in wages, increasing the pay-roll by about \$19,000,000 a year.

The Bell System, including the Western Electric Company and the Bell Telephone Laboratories, had 270,000 employees at the end of the year.

At the time of the bank holiday it was found advisable to discontinue the acceptance of further subscriptions under the Employees' Stock Purchase Plan and to suspend the Employees' Savings Plans, under which employees may arrange for regular deductions from salary in specified amount to be deposited for them in savings banks. Since the end of the year, Employees' Savings Plans are being generally resumed.

Under the Payroll Deduction Plans for Life Insurance, by which monthly premium payments are made through deductions from salary which are forwarded to the insurance companies, 53,000 employees, including those of the Western Electric Company and the Bell Telephone Laboratories, were purchasing insurance at the end of the year. The amount of monthly premium deductions was \$360,000 and the amount of insurance in effect \$137,000,000. In addition monthly deductions from pay-roll were made aggregating \$15,000 for 1,700 employees, veterans of the World War, who are paying for approximately \$7,500,000 of United States Government insurance.

Under the Plan for Employees' Pensions, Disability Benefits and Death Benefits which has been in operation for twenty-one years, pensions paid in 1933 to retired employees of the Bell Telephone Companies amounted to \$3,361,000, sickness disability benefits \$3,481,000, accident disability benefits \$498,000 and death benefits \$1,062,000—a total of \$8,402,000. At the end of the year there were 4,973 retired employees on the pension rolls receiving under the Plan an average pension of \$65 per month.

Vail Medals in recognition of unusual acts of service were awarded in twenty-one cases. Three silver medals with \$250 cash each were awarded to the following:

IRENE REGINA DUNCAN

Operator, St. Joseph, Missouri
Southwestern Bell Telephone Company

For courage and perseverance in delivering an urgent telephone message.

LILA COOK GADDY

Operator, Streetman, Texas
Three States Telephone Company

For alertness and initiative which led to the apprehension of two desperate criminals.

HENRY R. BELL

Line Foreman, Salem, Massachusetts
New England Telephone and Telegraph Company

For prompt, courageous, intelligent and effective action in rescuing a man caught by fallen debris in a partially burned building.

Telephone service of the quality the people of this country are accustomed to cannot be given without the spirit of service exemplified in these awards and without the closest co-operation and teamwork throughout the organization. The management and the employees approached the difficult problems of 1933 with patience, understanding and sympathy to the end that the high standard of telephone service not only was maintained, but was improved. There could be no better evidence of the character, skill and high sense of responsibility of the employees of the Bell System.

For the Directors,

WALTER S. GIFFORD,

President.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Balance Sheet, December 31, 1933

ASSETS

INVESTMENTS:

Stocks of Associated Companies	\$1,992,245,687.42
Investment, at cost, in stocks of associated telephone companies. Increase for the year \$50,027,500. See page 11.	
Controlled companies.	\$1,969,863,905
Noncontrolled companies	22,381,782
 Stocks of Other Companies	 169,898,358.57
Investment, at cost, in stocks of companies other than associated telephone companies. Increase for the year \$550,920. See page 11.	
Controlled companies.	\$150,510,076
Noncontrolled companies	19,388,283
 Notes of, and Advances to, Associated Companies	 239,663,052.50
Temporary financing of associated telephone companies. Decrease for the year \$88,992,925.	
Controlled companies.	\$233,363,053
Noncontrolled companies	6,300,000
 Notes of, and Advances to, Other Companies	 21,632,000.00
Loans and advances to companies other than associated telephone companies. Decrease for the year \$12,880,000. See page 11.	
Controlled companies.	\$21,397,000
Noncontrolled companies	235,000

PLANT AND EQUIPMENT:

Long Lines Plant	453,975,368.60
Cost of long distance plant and equipment mainly for providing interconnection between and through territories of associated tele- phone companies. Increase for the year \$229,318.	
 General Equipment	 1,533,681.53
Cost of office furniture and equipment other than that included in Long Lines Plant.	

CURRENT ASSETS:

Accounts Receivable	12,975,760.76
Current accounts including dividends, interest, tolls and other re- ceivables.	
 Temporary Cash Investments	 175,260,486.49
Funds temporarily invested in state and United States Government obligations, bank acceptances and special bank deposits in anticipa- tion of financial requirements.	
 Cash	 11,384,270.14
Cash and deposits in banks available for current requirements.	
 Total Assets	 <u>\$3,078,568,666.01</u>

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Balance Sheet, December 31, 1933, Continued

LIABILITIES

CAPITAL STOCK:

Stock Issued and Outstanding (Authorized \$2,500,000,000) . . .	\$1,866,227,500.00
Total par value of shares outstanding.	
Premiums	268,749,077.67
Amount received in excess of par value of capital stock.	
Installments	12,405,180.93
Installments paid on stock subscribed for but not issued. Decrease for the year \$1,361,406.	

LONG-TERM DEBT:

Bonds and Debentures	445,056,400.00
Face value of debt obligations in the form of bonds and debentures. Decrease for the year \$2,279,000. See page 19.	
Notes	11,022,112.57
Notes sold to Trustee of Pension Fund.	

CURRENT LIABILITIES:

Dividend Payable January 15, 1934	41,990,118.75
Dividend declared for last quarter of 1933.	
Accounts Payable	8,400,655.08
Current accounts for supplies and services, and obligations payable on demand.	
Interest and Taxes Accrued, Not Due	10,730,332.06
Interest and taxes payable after close of year.	

SURPLUS AND RESERVES:

Reserve for Depreciation	76,645,411.11
Provision for the ultimate retirement of plant and equipment used up in furnishing telephone service. Increase for the year \$12,331,515.	
Reserve for Contingencies	64,664,444.18
Surplus	272,677,433.66
Decrease for the year \$30,673,310 comprising:	
Dividends charged against Surplus	\$30,503,699
Miscellaneous deductions (net)	169,611
Total Liabilities	<u><u>\$3,078,568,666.01</u></u>

C. A. HEISS, Comptroller.

NOTE: On December 31, 1933, the American Telephone and Telegraph Company was surety on a bond for \$13,112,668.94, executed by The Ohio Bell Telephone Company as principal, providing for the refund by that Company to telephone users of sums, if any, which may be found to have been collected under rates in excess of those ultimately held legal. The Company was also surety on a similar bond of the Southwestern Bell Telephone Company in the amount of \$3,000,000.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Statement of Earnings and Expenses for the Year Ending December 31, 1933

EARNINGS

Dividends	\$127,913,090.47
Dividends on stocks owned. The companies which paid these dividends did not as a whole earn them during 1933 by about \$23,-571,000.*	
Interest	20,231,713.69
Interest on notes and advances, on temporary investments and bank deposits, and on other accounts.	
Telephone Operating Revenues	86,695,109.37
Revenues from operation of the long distance lines and payments from the associated telephone companies for services furnished them under the license contracts.	
Miscellaneous Revenues	432,516.45
Total	\$235,272,429.98

EXPENSES

Expenses incurred in conducting the business, including federal, state and local taxes and including depreciation at 3.94 per cent of the cost of the average depreciable plant in service.

73,103,930.21

NET EARNINGS

\$162,168,499.77

Interest Deductions

24,711,723.43

Interest on bonds, debentures and other indebtedness.

NET INCOME

\$137,456,776.34

DIVIDENDS DECLARED

\$167,960,475.00

Dividends at the rate of \$9.00 per share per annum on capital stock:
Charged against Net Income for 1933 \$137,456,776.34
Charged against Surplus 30,503,698.66

Average number of shares of capital stock outstanding during year
Net earnings per share available for dividends (after interest
charges)

18,662,275

\$7.37

*No dividends were received during the year from Western Electric Company, Inc.; that company, including its subsidiaries, operated in 1933 at a net loss of about \$13,772,000.

C. A. HEISS, Comptroller.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, N. Y., February 6, 1934.

American Telephone and Telegraph Company,
195 Broadway, New York, N. Y.

We have audited the accounts of American Telephone and Telegraph Company for the year ended December 31, 1933. We have reviewed reports rendered to American Telephone and Telegraph Company by its associated companies, Western Electric Company, Incorporated, and the other companies in which it has stock ownership and find that the American Telephone and Telegraph Company's proportion of the aggregate net income of those companies (and of its indirectly controlled subsidiaries) for the year 1933 as shown by the income statements in such reports was approximately \$37,100,000 less than the dividends of \$127,913,090 this company received on the stocks owned. We have not, however, audited the accounts of the directly or indirectly controlled subsidiaries of the company.

We certify that, in our opinion, the accompanying balance sheet (on pages 8 and 9) and the above statement of earnings and expenses (subject to the explanation in the preceding paragraph) set forth correctly the financial position of American Telephone and Telegraph Company as at December 31, 1933 and the results of its operations for the year 1933.

LYBRAND, ROSS BROS. & MONTGOMERY.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Stocks of Associated and Other Companies December 31, 1933

	Par Value of Holdings	Per Cent of Total Outstanding
Stocks of Associated Companies—Common:		
New England Telephone and Telegraph Company	\$ 87,094,200	65.31
Southern New England Telephone Company	13,337,400	33.34
New York Telephone Company	421,300,000	100.00
New Jersey Bell Telephone Company	120,395,200	100.00
Bell Telephone Company of Pennsylvania	110,000,000	100.00
Diamond State Telephone Company	5,000,000	100.00
Chesapeake and Potomac Telephone Company	18,000,000	100.00
Chesapeake and Potomac Telephone Co. of Balt. City	30,000,000	100.00
Chesapeake and Potomac Telephone Co. of Virginia	18,000,000	100.00
Chesapeake and Potomac Telephone Co. of West Virginia	16,200,000	100.00
Southern Bell Telephone and Telegraph Company	124,998,700	99.99
Ohio Bell Telephone Company	129,999,200	99.99
Cincinnati and Suburban Bell Telephone Company	8,169,150	29.72
Michigan Bell Telephone Company	109,988,607	99.99
Indiana Bell Telephone Company	32,999,100	99.99
Wisconsin Telephone Company	40,000,000	100.00
Illinois Bell Telephone Company	148,742,600	99.16
Northwestern Bell Telephone Company	75,000,000	100.00
Southwestern Bell Telephone Company	172,998,800	99.99
Mountain States Telephone and Telegraph Company	34,987,500	72.82
Pacific Telephone and Telegraph Company	153,919,900	85.27
Stocks of Associated Companies—Preferred:		
Pacific Telephone and Telegraph Company	64,095,700	78.17
Stocks of Other Companies—Common:		
Bell Telephone Laboratories, Inc.	50,000	(a) 50.00
Bell Telephone Securities Company	1,000,000	100.00
Bell Telephone Company of Canada	18,749,800	24.32
Cuban American Telephone and Telegraph Company	432,500	50.00
Western Electric Company, Inc. (no par value)	(b) 5,950,712	99.18
195 Broadway Corporation	5,500,000	100.00
Eastern Telephone and Telegraph Company (Canada)	75,000	100.00
Transpacific Communication Company, Ltd.	25,000	100.00
Stocks of Other Companies—Preferred:		
Cuban American Telephone and Telegraph Company	371,000	50.00

(a) Remaining 50% owned by Western Electric Company, Inc.

(b) Number of shares.

In addition to the above-mentioned Associated Companies there are three such companies all of whose stock is owned by The Pacific Telephone and Telegraph Company: the Bell Telephone Company of Nevada, the Home Telephone and Telegraph Company of Spokane and the Southern California Telephone Company.

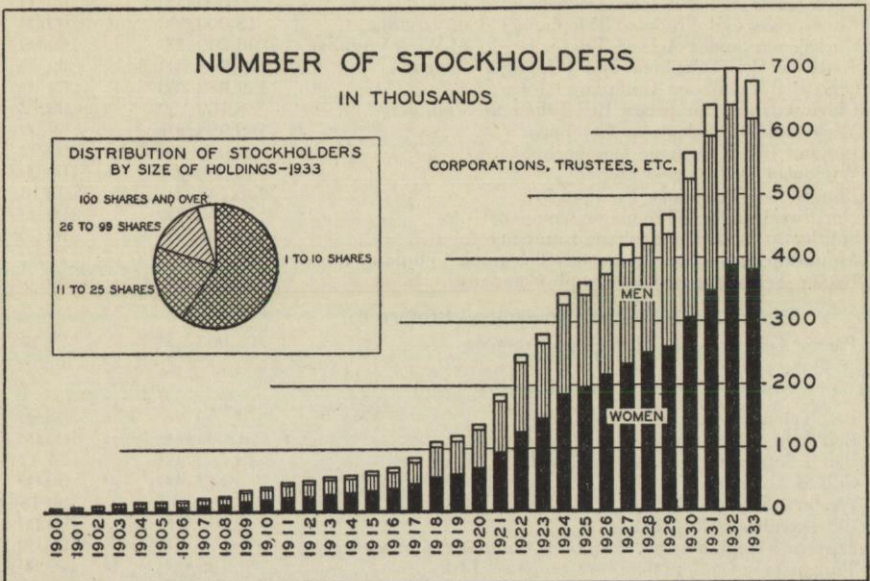
Notes of, and Advances to, Other Companies December 31, 1933

195 Broadway Corporation	\$16,390,000	
Bell Telephone Laboratories, Inc.	2,800,000	
Bell Telephone Company of Canada	235,000	
Eastern Telephone and Telegraph Company (Canada)	1,445,000	
Transpacific Communication Company, Ltd.	762,000	
Total	\$21,632,000	

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Number and Distribution of Stockholders

On December 31, 1933, the number of stockholders of record of the Company was 680,939, and the average number of shares held per stockholder was 27. The number of stockholders decreased 19,912 from the number at the end of 1932, the decrease being in line with the general tendency toward reduction in the number of stockholders in large corporations during the year.

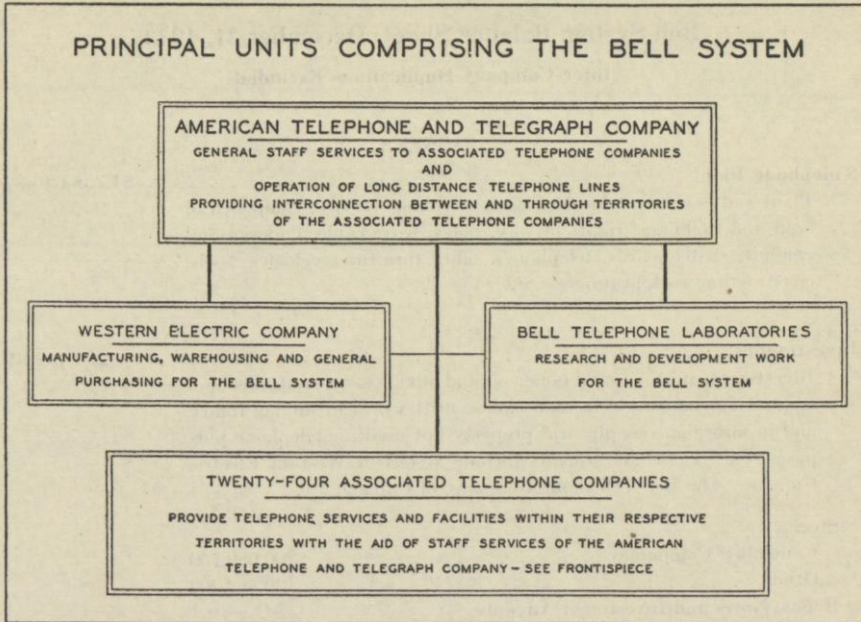


Stockholders of the American Telephone and Telegraph Company are located in every state of the Union, 12 states each having more than 10,000 stockholders, 23 states more than 5,000 stockholders and no state less than 500 stockholders. Of the stockholders 56 per cent are women, 35 per cent are men, 5 per cent are joint accounts, and the remaining 4 per cent comprise private firms, corporations, trustees and brokers.

At the end of 1933, 400,000 or 59 per cent of the stockholders owned from 1 to 10 shares each, while 650,000 or 95 per cent owned less than 100 shares each. No stockholder owns as much as 1 per cent of the total stock.

In addition to the 680,939 holders of stock of the American Telephone and Telegraph Company, there were also at the end of 1933 about 33,000 holders of common stock and 108,000 holders of preferred stock of the Associated Companies. Allowing for duplications in these totals, there are now about 750,000 owners of stock of Bell System telephone companies.

BELL SYSTEM



BELL SYSTEM FINANCIAL STATEMENTS

The Bell System Balance Sheet and Income Statement which follow on pages 14 to 17 inclusive, combine and summarize the accounts of the American Telephone and Telegraph Company and its 24 associated telephone companies. Inter-company duplications are excluded from these statements so that they represent the business of the Bell Telephone System as a whole. The accounts of the Western Electric Company, Inc., the Bell Telephone Laboratories, Inc., The Bell Telephone Company of Canada and of other subsidiary and connecting companies in which either the American Telephone and Telegraph Company or its associated telephone companies have investments, are not included; but the investments in these companies appear in the Bell System Balance Sheet under "Investments," and dividends and interest received from them are included in the Bell System Income Statement under "Other Earnings."

Bell System telephone companies maintain their accounts in accordance with the Uniform System of Accounts prescribed by the Interstate Commerce Commission for telephone companies. A revision of this accounting system made effective by the Commission as of January 1, 1933, required changes in classification and in nomenclature of accounts and made necessary certain rearrangements and changes in the form of both the Balance Sheet and Income Statement. Many of the items in these statements are therefore not comparable with corresponding data appearing in the financial statements published in reports for prior years.

BELL SYSTEM FINANCIAL STATEMENTS

Bell System Balance Sheet, December 31, 1933

(Inter-Company Duplications Excluded)

ASSETS

Telephone Plant		\$4,238,646,324
Plant and equipment for furnishing telephone service; comprised of land and buildings, rights of way, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, tools, construction work in progress, etc.		
Investments		293,432,810
Investments in stocks and bonds of, and advances to, controlled and connecting companies; in cash and securities held in sinking funds; and in miscellaneous physical property not used for telephone purposes, etc. These investments include stocks of Western Electric Co., Inc., The Bell Telephone Company of Canada, etc.		
Stocks		
Controlled Companies	\$200,089,750	
Other	36,863,202	
Bonds, Notes and Investment Advances		
Controlled Companies	22,931,688	
Other	13,992,221	
Cash and Securities in Sinking Funds	3,373,197	
Miscellaneous Property	16,182,752	
Current Assets		364,832,437
Cash	\$ 37,371,120	
Temporary Cash Investments	181,548,715	
Material and Supplies	53,564,348	
Accounts Receivable	77,233,958	
Current amounts due for telephone service, etc., less provision for uncollectible accounts.		
Miscellaneous Current Assets	15,114,296	
Interest and dividends receivable, working advances, etc.		
Deferred Debits		10,765,032
Prepayments of rents, taxes, directory expense, etc., and other deferred debit items.		
Total Assets		\$4,907,676,603

NOTE: Intangible assets, including debt discount, carried in the asset accounts of Bell System telephone companies are excluded from the Bell System Balance Sheet through a corresponding reduction of Surplus.

BELL SYSTEM FINANCIAL STATEMENTS

Bell System Balance Sheet, December 31, 1933, Continued

(Inter-Company Duplications Excluded)

	LIABILITIES
Capital Stock	\$2,097,312,843
Par value of capital stock outstanding in hands of public. See page 19.	
Common Stock	
American Telephone and Telegraph Co.	\$1,866,227,500
Associated Companies	133,147,743
Preferred Stock	
Associated Companies	97,937,600
Premiums on Capital Stock	268,333,447
Amount received in excess of par value of capital stock outstanding in hands of public.	
Capital Stock Installments	12,405,181
Amount paid in on stock of American Telephone and Telegraph Company subscribed for but not issued.	
Long-Term Debt	1,037,624,760
Face value of debt obligations outstanding in hands of public. See page 19.	
Mortgage Bonds	
Associated Companies	\$466,728,230
Collateral Trust Bonds	
American Telephone and Telegraph Co.	66,389,000
Debenture Bonds	
American Telephone and Telegraph Co.	365,160,400
Associated Companies	10,000,000
Convertible Bonds	
American Telephone and Telegraph Co.	12,923,000
Real Estate Mortgages	
Associated Companies	2,539,150
Notes sold to Trustee of Pension Fund	
American Telephone and Telegraph Co.	11,022,113
Associated Companies	102,550,867
Notes—Miscellaneous	
Associated Companies	312,000
Current Liabilities	49,306,050
Current bills for supplies, services, etc.; includes also customers' deposits and advance payments for telephone service.	
Accrued Liabilities Not Due	113,843,205
Taxes, interest, dividends and rents payable after the close of the year.	
Deferred Credits	2,532,616
Miscellaneous credit items not yet classified to final accounts.	
Reserves for Depreciation of Plant and Equipment	891,437,886
Provision for the ultimate retirement of plant and equipment used up in furnishing telephone service.	
Reserves for Contingencies	88,972,546
Surplus	345,908,069
Total Liabilities	\$4,907,676,603

BELL SYSTEM FINANCIAL STATEMENTS

Bell System Income Statement*

For Year Ending December 31, 1933

(Inter-Company Duplications Excluded)

Local Service Revenues	\$617,253,153
Revenues from local exchange service.	
Toll Service Revenues	243,905,775
Revenues from long distance and local toll service.	
Miscellaneous Revenues	20,960,449
Revenues derived from directory advertising, rents and miscellaneous sources.	
Less: Uncollectible Operating Revenues	9,713,150
Estimated portion of revenues earned which, based on experience, cannot be collected.	
Total Operating Revenues	<u>\$872,406,227</u>
Current Maintenance	\$163,645,649
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition, representing 3.9 per cent of the cost of the average plant in service during the year.	
Depreciation Expense	171,846,193
Provision to meet loss of investment when telephone property is retired from service, based on rates of depreciation for the different classes of property which spread this loss of investment uniformly over its service life. Depreciation expense during 1933 represented 4.4 per cent of the cost of the average depreciable plant in service.	
Traffic Expenses	125,008,390
Expenses incurred in the handling of telephone calls, principally operators' wages.	
Commercial Expenses	68,245,295
Expenses incurred in business relations with subscribers; also, the cost of advertising, sales activities, directories, pay station commissions, etc.	
General and Miscellaneous Expenses	73,976,459
Cost of the Executive, Accounting, Treasury and Law Departments, employees' sickness, accident and death benefits, provision for pensions and other items of general expense incurred in operating the properties.	
Operating Rents	13,929,106
Rents paid for the use of buildings, poles, conduits and other facilities.	
Total Operating Expenses	<u>\$616,651,092</u>
Net Operating Revenues (Carried forward)	<u><u>\$255,755,135</u></u>

BELL SYSTEM FINANCIAL STATEMENTS

Bell System Income Statement, Continued*

Net Operating Revenues (Brought forward)	\$255,755,135
Taxes	\$ 84,880,862
Federal, state and local taxes applicable to the current year.	
Operating Earnings	\$170,874,273
Other Earnings—Net.	\$ 12,062,108
Principally dividends and interest received from investments in controlled and other companies, and interest on temporary cash investments.	
Total Net Earnings	\$182,936,381
Interest Deductions	\$ 54,351,433
Interest charges on funded and other debt obligations including amortization of discount on funded debt and interest on capital stock installments.	
Net Income	\$128,584,948
—————	
Dividends Declared	\$183,239,975
To holders of preferred stock of Associated Companies. \$ 6,425,085	
To holders of common stock of Associated Companies. 8,854,415	
American Telephone and Telegraph Co. 167,960,475	
From Net Income for 1933. 128,584,948	
From Surplus. 54,655,027	
—————	

NOTE: The Bell System's proportion of the net loss of its directly and indirectly controlled subsidiaries as a whole for the year—not reflected in the above Income Statement—was approximately \$13,920,000. This amount includes the System's proportion of the net loss from operations of the Western Electric Company, Inc., and its subsidiaries.

* Due to changes in classification made effective January 1, 1933, in the Uniform System of Accounts prescribed for telephone companies by the Interstate Commerce Commission, most of the items in this statement are not comparable with similar data in reports of prior years.

BELL SYSTEM STATISTICS

	Dec. 31, 1915	Dec. 31, 1920	Dec. 31, 1925	Dec. 31, 1930	Dec. 31, 1933	Increase* During 1933
Number of Telephones.....	5,968,110	8,333,979	12,035,224	15,682,059	13,162,905†	630,324
Number of Central Offices.....	5,300	5,702	6,017	6,585	6,763	15
Miles of Pole Lines.....	330,602	358,091	386,064	422,489	396,612	5,906
Miles of Wire:						
In Underground Cable.....	10,573,000	15,748,000	30,483,000	50,225,000	52,801,000	82,000
In Aerial Cable.....	4,602,000	5,885,000	10,672,000	20,785,000	22,748,000	6,000
Open Wire.....	3,331,000	3,744,000	4,319,000	5,238,000	4,732,000	134,000
Total.....	18,506,000	25,377,000	45,474,000	76,248,000	80,281,000	210,000
Per Cent Total Wire Mileage in Cable.....	82.0	85.2	90.5	93.1	94.1	..
Average Daily Telephone Conversations:†						
Exchange.....	25,184,000	31,836,000	46,702,000	62,365,000	55,199,000	3,614,000
Toll and Long Distance.....	819,000	1,327,000	2,098,000	2,933,000	2,047,000	204,000
Total.....	26,003,000	33,163,000	48,800,000	65,298,000	57,246,000	3,818,000
Total Plant§.....	\$889,413,000	\$1,386,083,000	\$2,568,631,000	\$4,122,206,000	\$4,238,646,000	\$31,031,000
Number of Employees ††.....	156,294	231,316	293,095	324,343	248,497	17,860
Number of A. T. and T. Co. Stockholders...	65,512	139,448	362,179	567,694	680,939	19,912

* Decreases shown in italics.

† Including telephones of 6,700 connecting companies and 25,400 connecting rural lines, the total number of telephones in the United States which may be interconnected is approximately 16,600,000.

‡ For year ending December 31.

§ Includes General Equipment.

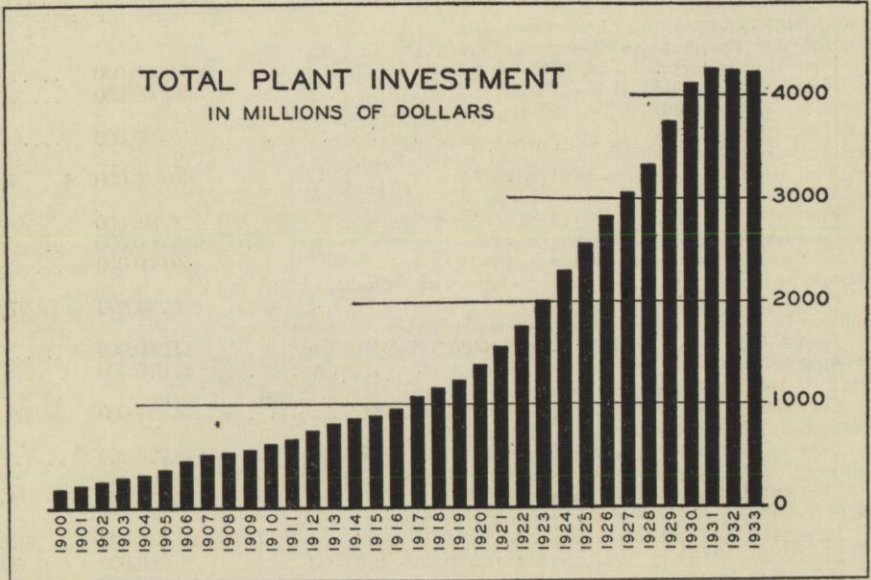
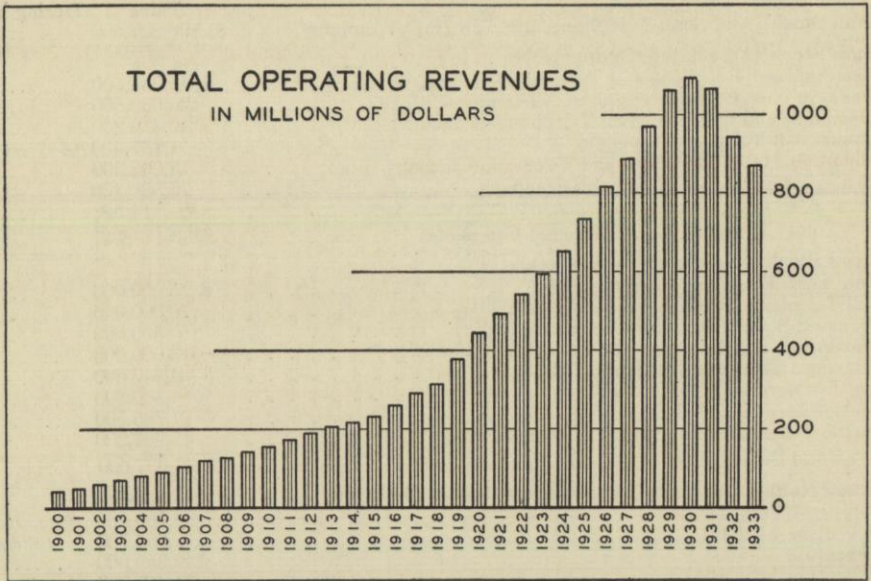
†† The employees of the Western Electric Company, Inc., and the Bell Telephone Laboratories, Inc., numbering 22,163 on December 31, 1933, are not included.

BELL SYSTEM STATISTICS
Security Issues Outstanding December 31, 1933
 (Inter-Company Holdings Excluded)

	Par Value	Increase* During Year
Common Stock (American Telephone and Telegraph Company)	<u>\$1,866,227,500</u>	.....
Common Stock (Associated Companies):		
New England Telephone and Telegraph Company	\$ 46,251,600	.....
Southern New England Telephone Company	26,662,600	.....
Cincinnati and Suburban Bell Telephone Company	19,319,250	.....
Illinois Bell Telephone Company	1,257,400	\$ 1,700
Mountain States Telephone and Telegraph Company	13,062,200	.....
Pacific Telephone and Telegraph Company	26,580,100	33,000
Other Associated Companies	14,593	.....
Total Common Stock, Associated Companies	<u>\$133,147,743</u>	<u>\$ 34,700</u>
Preferred Stock (Associated Companies):		
New York Telephone Company 6½%	\$ 25,000,000	.....
Bell Telephone Company of Pennsylvania 6½%	20,000,000	.....
Diamond State Telephone Company 6½%	500,000	.....
Chesapeake and Potomac Tel. Co. of Baltimore City 7%	3,000,000	.....
Wisconsin Telephone Company 7%	4,947,000	.....
Northwestern Bell Telephone Company 6½%	4,800,800	.....
Southwestern Bell Telephone Company 7%	21,785,500	.....
Pacific Telephone and Telegraph Company 6%	17,904,300	.....
Total Preferred Stock, Associated Companies	<u>\$ 97,937,600</u>	.....
Bonds and Notes (American Telephone and Telegraph Company):	Face Value	
Collateral Trust 5s, 1946	\$ 66,389,000	\$ 301,000
Debenture 5s, 1960	117,954,700	1,206,000
Debenture 5s, 1965	149,959,000	.....
Debenture 5½s, 1943	94,657,700	790,000
Convertible 4s, 1936 (a)	2,589,000	.....
Convertible 4½s, 1939	12,923,000	.....
Notes (sold to Trustee of Pension Fund)	11,022,113	3,414,395
Total Bonds and Notes, American Tel. and Tel. Co.	<u>\$455,494,513</u>	<u>\$ 5,711,395</u>
Bonds and Notes (Associated Companies) (b):		
New England Telephone and Telegraph Company:		
First Mortgage Series A 5s, 1952	\$ 35,000,000	.....
First Mortgage Series B 4½s, 1961	40,000,000	.....
Southern New England Telephone Company:	10,000,000	.....
Debenture 5s, 1970	.....	.....
New York Telephone Company:		
First and General Mortgage 4½s, 1939	60,855,030	\$ 7,020
Bell Telephone Company of Pennsylvania:		
First Mtge. 5s, 1943 (Central District Telephone Co.)	8,555,500	86,000
First and Refunding Mortgage 5s, 1948	35,000,000	.....
First and Refunding Mortgage 5s, 1960	50,000,000	.....
Chesapeake and Potomac Telephone Company of Virginia:		
First Mortgage 5s, 1943	4,230,800	97,900
Southern Bell Telephone and Telegraph Company:		
First & Gen. Mtge. 5s, 1937 (Cumberland Tel. & Tel. Co.)	14,969,000	.....
First Mortgage 5s, 1941	47,070,500	.....
Ohio Bell Telephone Company:		
Consolidated 5s, 1944 (Ohio State Telephone Co.)	4,811,000	59,000
Illinois Bell Telephone Company:		
First and Refunding Mortgage 5s, 1956	48,726,200	.....
Southwestern Bell Telephone Company:		
First and Refunding Mortgage 5s, 1954	48,836,600	9,000
Pacific Telephone and Telegraph Company:		
First Mortgage and Collateral Trust 5s, 1937	26,234,000	597,000
First & Ref. Mtg. 5s, 1947 (Southern California Tel. Co.)	6,289,000	2,000
Refunding Mortgage 5s, 1952	23,890,000	.....
First Mtg. 5s, 1936 (Home Tel. & Tel. Co. of Spokane)	2,999,900	.....
Minor Bond Issues (13 in number)	9,260,700	1,967,050
Notes (principally notes sold to Trustee of Pension Funds)	102,862,867	3,044,718
Real Estate Mortgages	2,539,150	1,005,019
Total Bonds and Notes, Associated Companies	<u>\$582,130,247</u>	<u>\$ 571,431</u>

* Decreases in italics. (a) Conversion privilege expired. (b) Includes issues assumed or guaranteed.

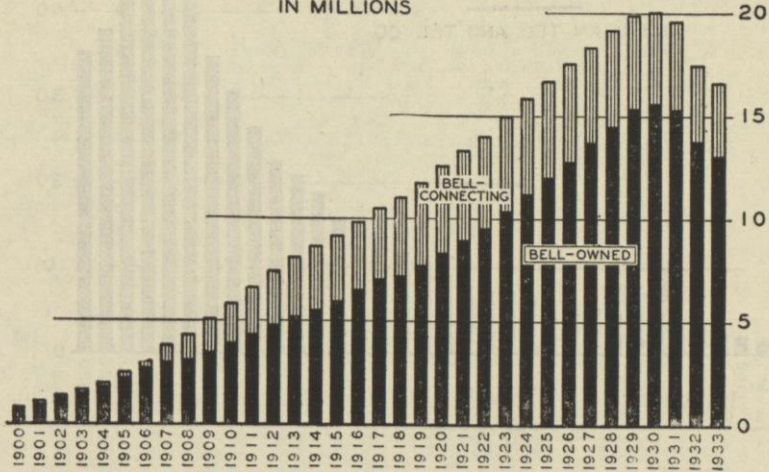
BELL SYSTEM



BELL SYSTEM

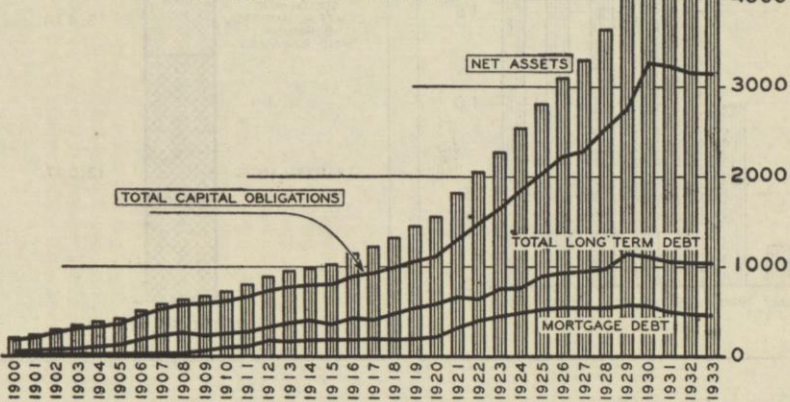
TELEPHONES IN THE BELL SYSTEM

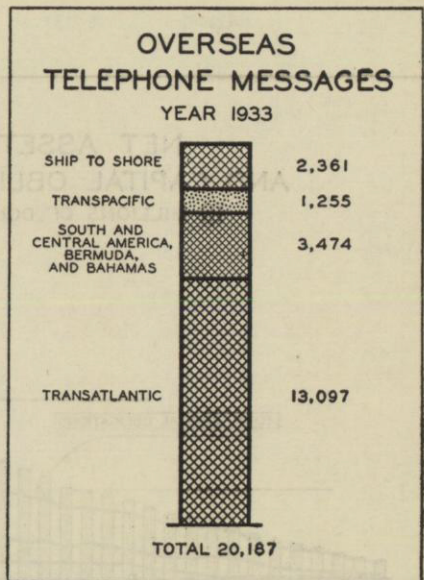
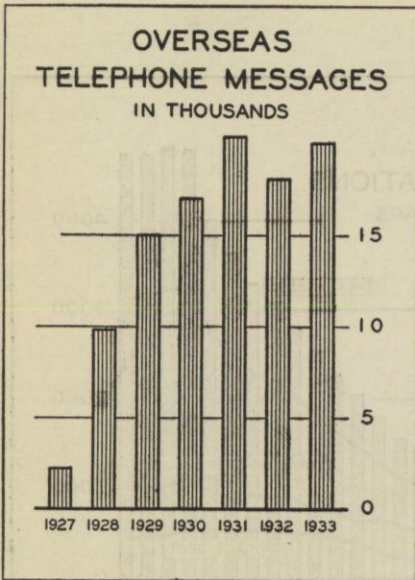
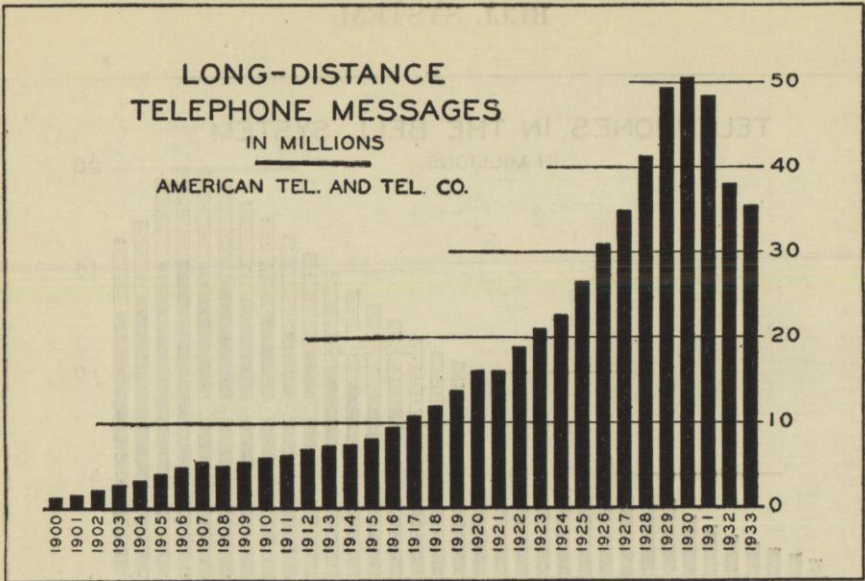
IN MILLIONS



NET ASSETS AND CAPITAL OBLIGATIONS

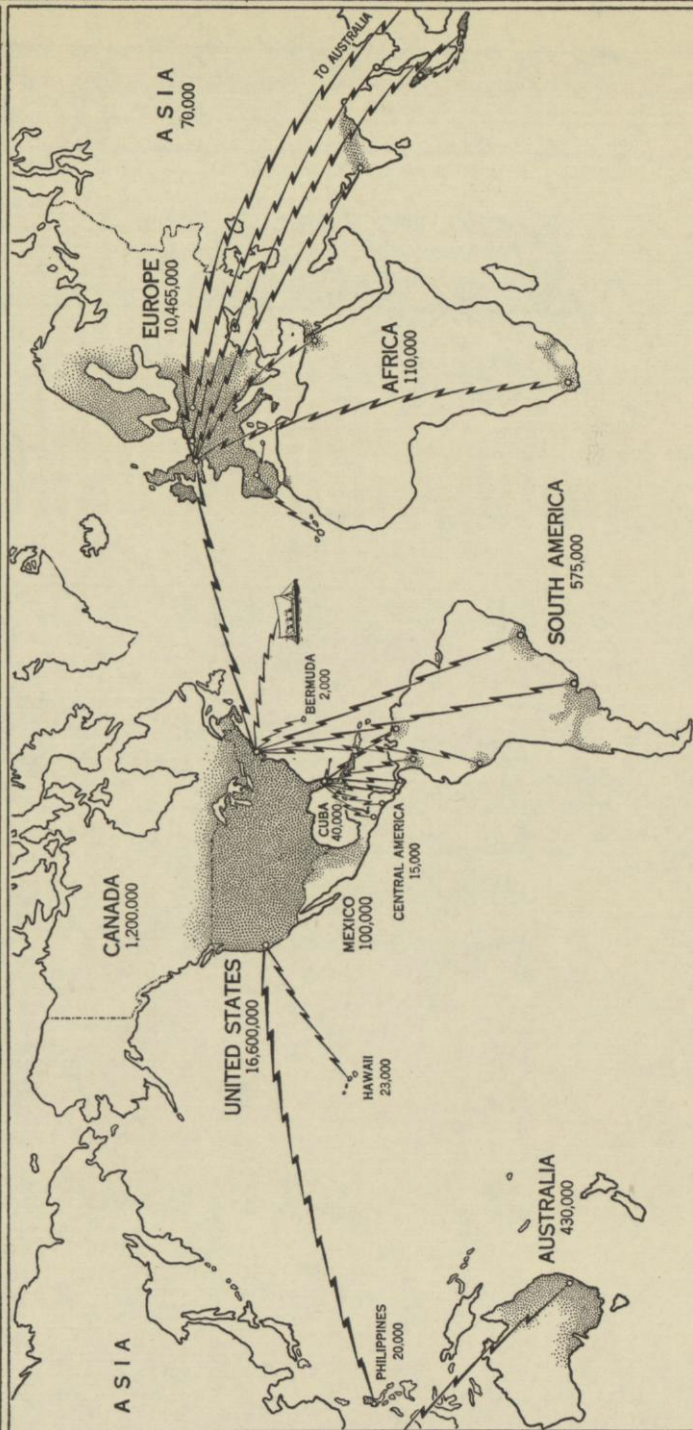
IN MILLIONS OF DOLLARS





OVERSEAS TELEPHONE SERVICE OF THE BELL SYSTEM

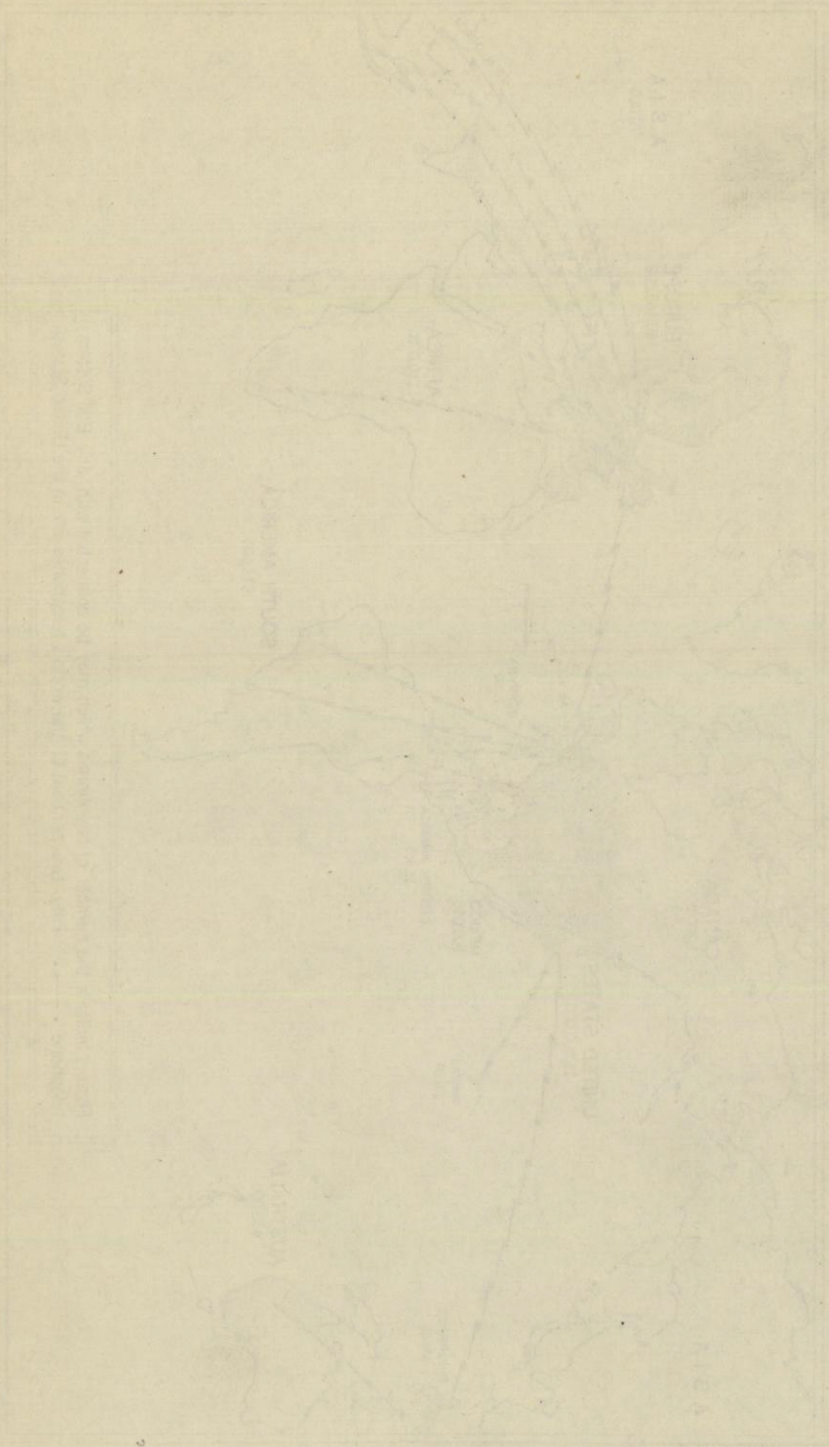
CONNECTING 92% OF THE WORLD'S 32,400,000 TELEPHONES



Figures indicate the number of telephones which may be connected with any Bell System telephone • ——. Fifty-two per cent of the world's telephones are in the United States

MESSY LEE THE TO ENVIRES THROUGH THE PASSAGE

REMARKABLE COURSE OF THE BELL



THE COURSE OF THE BELL THROUGH THE MOUNTAINS