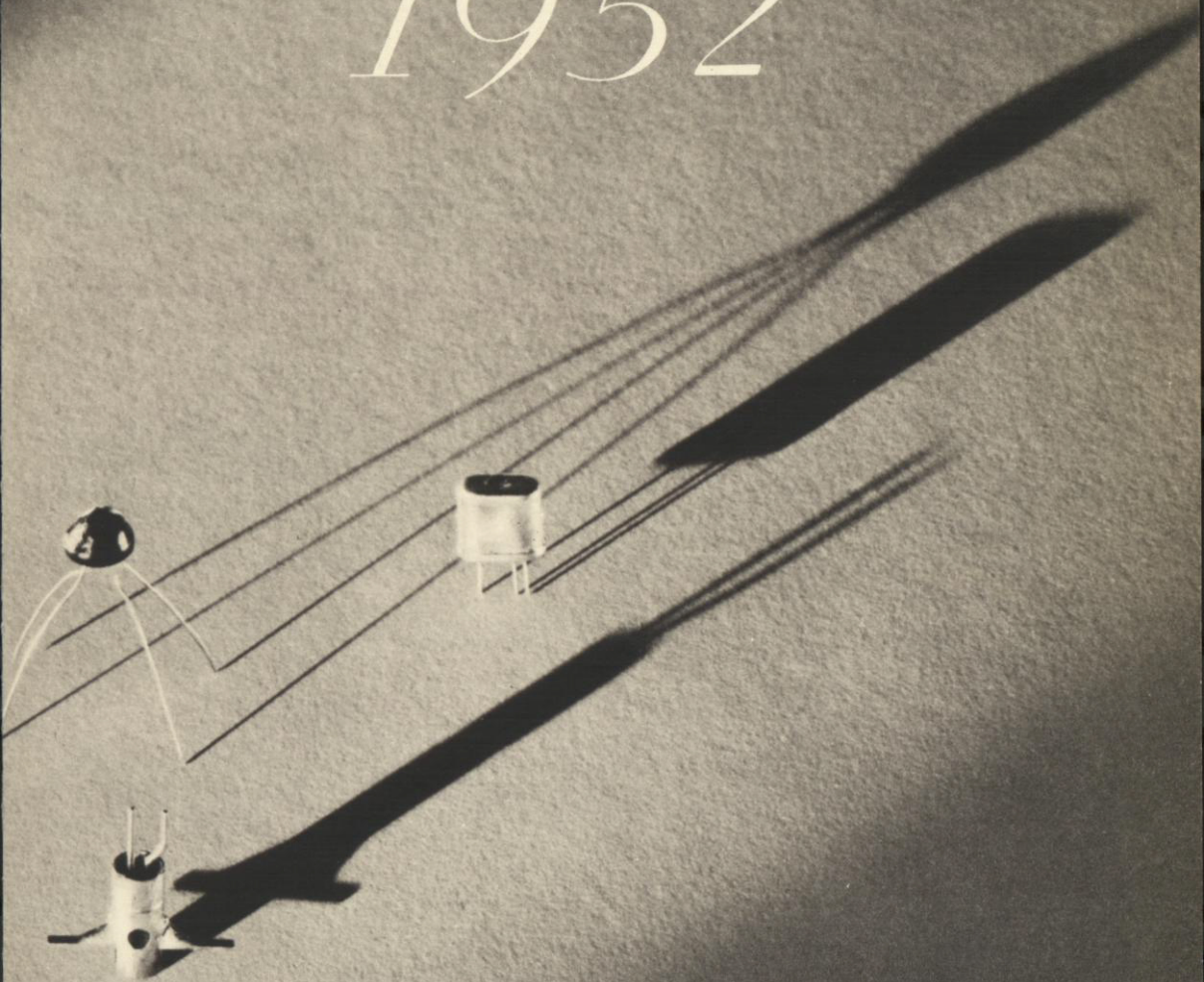


Annual Report *1952*



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AMERICAN TELEPHONE AND TELEGRAPH COMPANY

DIRECTORS

James F. Bell	John L. McCaffrey
Lloyd D. Brace	John J. McCloy
Vannevar Bush	Arthur W. Page
Cleo F. Craig	Thomas I. Parkinson
David A. Crawford	Elihu Root, Jr.
John W. Davis	Tom K. Smith
Hal S. Dumas	Myron C. Taylor
W. Cameron Forbes	Samuel A. Welldon
G. Peabody Gardner	William White
A. Lee M. Wiggins	

OFFICERS

<i>President</i>	T. Brooke Price
Cleo F. Craig	Charles E. Wampler
<i>Executive Vice President</i>	E. Hornsby Wasson
Hal S. Dumas	Eugene J. McNeely
<i>Vice Presidents</i>	<i>Secretary</i>
Bartlett T. Miller	S. Whitney Landon
William C. Bolenius	<i>Treasurer</i>
Frederick R. Kappel	Alexander L. Stott
Henry T. Killingsworth	<i>Comptroller</i>
George L. Best	William Shelmerdine

Pictured on the cover are three TRANSISTORS

Transistors are a new and highly important kind of electronic device. They can do many things that vacuum tubes do and many more besides. But they are not vacuum tubes and work on entirely different principles. The transistor was invented at Bell Telephone Laboratories and telephone scientists and engineers have since devised new and more versatile types.

The Bell System began regular production of transistors in 1952. Most of this production is for military use, but in 1952 also the transistor took its first telephone job in new equipment used in long distance dialing. This is just the beginning of many telephone uses.

Transistors take various forms for different purposes. They are very small — about two-thirds the size shown on the cover — and will be low in cost. They require only tiny amounts of power but can amplify electric signals a hundred thousand times. Invention of the transistor may well prove to be one of the great landmarks of telephone research.

Annual Report *1952*

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

195 Broadway, New York 7, N. Y.

EXchange 3-9800

The Annual Meeting of the Share Owners will be held at the
Company's office, 195 Broadway, at 1 P.M. on April 15, 1953





Highlights of the Bell

THE NATION'S NEED FOR SERVICE was greater than ever before. Telephone men and women responded ably to the need. The Bell System companies cared for some 15,000,000 orders to install, remove and relocate telephones; the net gain was about two million, including 245,000 in rural areas, and there are now 39,400,000 telephones in operation—17½ million more than at the end of World War II. Long distance conversations last year increased about five per cent over 1951 and were 70 per cent above the level of 1945.

BELL SYSTEM EARNINGS on total capital were at the rate of 5.9 per cent in 1952, substantially the same as the 5.8 per cent earned in 1951. Earnings per share of A. T. & T. stock were \$11.45, compared with \$11.76 in 1951. In 1952 there was an average of 35,528,000 shares outstanding—4,500,000 more than in 1951.

There is evidence of better understanding by regulatory authorities that good earnings and a sound financial structure are essential to providing the best in telephone service. However, telephone rates are still below the levels required to offset the effects of inflation. The Bell companies are therefore continuing to present to regulatory agencies their needs for rate increases to provide more adequate earnings.

1,220,000 SHARE OWNERS held A. T. & T. stock at the end of 1952 — 128,000 more than at the end of 1951. As already indicated, there was also an increase in the number of shares outstanding. This was due mainly to the fact that holders of the Company's convertible bonds converted many of their bonds into stock. As a result, the proportion of debt in Bell System capital decreased from a little over 44 per cent to about 40 per cent. It is important to continue this improvement of the System's financial structure.

OPERATING TAXES in 1952 amounted to \$19.28 per share. This was \$7.83 more per share than the earnings. Total taxes, including the high excise taxes on telephone service, averaged \$2.85 per telephone per month. Though the telephone is far from being a luxury, telephone excise taxes are much higher than those imposed on any other essential service or product. They discriminate against telephone users.



NEW CONSTRUCTION to meet service demands required expenditures averaging nearly \$3½ million a day. Even so, the plant is over-

Telephone Story in 1952

loaded and here and there delays in service could not be avoided. Generally however telephone service was good in 1952. Telephone people were able to reduce substantially the number of unfilled orders, and also to meet the requests of nearly 900,000 party-line customers for higher classes of service.



NEW EQUIPMENT AND METHODS are playing a more and more important part in enabling telephone men and women to better serve their communities and the nation. In 1952 operators dialed two out of every five long distance calls straight through to the called telephone. We placed in service new radio relay and coaxial cable systems; these can carry hundreds of telephone messages at the same time and can also carry television programs. Bell System facilities are meeting new needs and the telephone organization is alive to the opportunities. As one example, the service of the Bell companies to newspapers and to radio and television stations in the political campaign and elections — and later for the inauguration — made possible the widest instant news cov-

erage ever given to such events. At the end of the year long distance television channels served 114 stations in 71 cities and made it possible for more than 90 million people to view network programs. Television networks also linked audiences in theatres and at other locations.



TELEPHONE SERVICE FOR DEFENSE continued to get first attention throughout the year. The telephone companies provided many special facilities to military and defense agencies. They also took additional steps to increase the reliability of service under disaster conditions. The Army, Navy and Air Force called on Bell Telephone Laboratories and Western Electric, our research and manufacturing organizations, to perform an increasingly large amount of work, including the development, engineering and production of military communication equipment and advanced electronic weapon systems. For the third successive year, Western Electric and Bell Laboratories served the Atomic Energy Commission by operating its Sandia Laboratory at Albuquerque, New Mexico, which develops and designs atomic weapons.

MAR 9 1953



**MORE BELL TELEPHONES HAVE BEEN ADDED SINCE
THE WAR THAN WERE IN SERVICE BEFORE THE WAR**

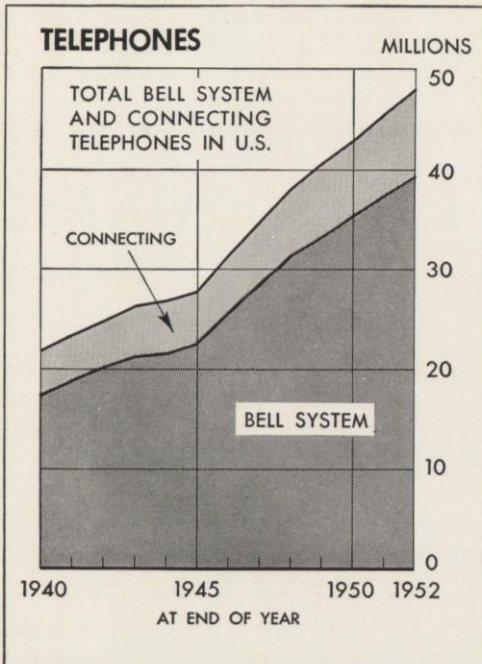
REPORT TO THE SHARE OWNERS

THE TELEPHONE served more homes and businesses, more farms, more factories and more people in 1952. The Bell System companies added two million telephones, met the requests of many party-line customers for individual lines, and made substantial headway in reducing the number of unfilled orders. Dial service continued to increase. New facilities installed during the year were the best we have ever put into use. New operating methods increased efficiency and made for better service. Our research work opened up new promise for the future.

To meet the nation's telephone needs we again built a great deal of new physical plant, and to help finance the heavy construction program we obtained from investors a large amount of new capital.

Increases in telephone rates became effective in 37 states at various times during 1952, but earnings still are adversely affected by the pressure of higher costs. Better equipment and more efficient operation have prevented costs from reaching even higher levels, but technical and operating improvements alone cannot offset the effects of inflation. As a result the telephone companies continue to find it necessary to obtain increases in the rates charged for service.

As in previous years, telephone needs of the armed forces and defense industry received special attention. The Bell companies have provided extensive networks for defense against air attack. These operate 24 hours a day in the service of the military. In addition, the companies have arranged many other lines so that they can be immediately released to enlarge the military networks if need should arise. The people of the Bell System know that nothing is more important to national defense than good communications. They are deeply conscious that this is their first responsibility.



The Government has asked Bell Telephone Laboratories and Western Electric Company, our research and manufacturing organizations, to take on a greatly increased amount of work in producing advanced weapon systems which largely depend on communications technology. The Laboratories and Western Electric have worked for many years in close cooperation with the operating telephone companies. They have thus acquired unique experience and ability in creating complete systems to communicate intelligence. This experience and skill, in addition to their value in improving

telephone service, are important in helping to keep our country's weapons ahead of the rest of the world.

About 14,000 employees, including 1,100 women, were on leave from the Bell System companies in military service at the end of 1952. Since fighting began in Korea, 85 employees have given their lives. Some 10,000 have been released from military duty and over 90 per cent of this group have returned to their companies. We are delighted to have them back.

With the continuing growth of telephone service, the work of the Bell System touches more and more people—as customers, as owners of the business, and as employees. There are now more than 1,200,000 share owners and nearly 700,000 men and women are employed. These are large figures. They are most meaningful when we remember that they represent that many individual people, and their families, in communities across the nation.

Ours is a home-town business in each community. Good telephone service has grown from the personal concern of telephone men and women to serve their neighbors well. The company's relationship with each share owner also rests on the sense of personal responsibility. And in the planning and supervising of telephone work, as well as in each act of service, it is the individual efforts of employees in each community that spell out our progress. The people of the Bell System turned in a fine performance in 1952. We can be sure that the success of the business will always depend on the experience and skill of the men and women in it, and on our devotion to meeting every telephone need of our neighbors and fellow-citizens who rely on us.

TRUSTEESHIP IN PUBLIC SERVICE

In a message to the share owners in January, 1953, the Board of Directors put into writing the considerations that guide their conduct of the business. Their statement reaffirms the basic policy of the Company and appropriately belongs with this Report of our progress in 1952. It reads:

“Each of us considers that he is a trustee for the savings of every individual who has put money in the business. It is our responsibility that the Company shall prosper.

“We are sure that to perform this duty, we must serve the public as well as possible. The Company is a servant of the public. The services it performs are necessary to the people of the United States. They are necessary to the building of our nation and to our national security. Clearly, we occupy a position of great public trust.

“We think it all-important therefore that we furnish the best telephone service it is in our power to provide—a service high in value and steadily improving—at a cost to the user that will always be as low as possible and at the same time keep the business in good financial health.

“The success of the business depends on the people in it. To serve well and prosper the Company must attract and keep capable employees. They must be well paid and have opportunity to advance in accordance with ability. And we must continually develop first-rate leaders for the future.

“Finally, it seems to us that it is always our duty to act for the long run. Sound financing, good earnings, reasonable and regular dividends—these are all long-term projects. So is our continual research to find better means for giving better service. So is the building of the human organization and character on which good service depends. So is the training of leaders. In all our undertakings, the long view is essential.

“This is the way we understand the trust you have placed in us. It is a trust that deserves, and will continue to receive, the most painstaking care we can give it.”

