

MUTUAL RELATIONS AND INTERESTS OF THE BELL SYSTEM AND PUBLIC

The suit brought by the United States questioning the purchase of certain telephone properties in the northwest, as well as the pending Interstate Commerce Commission telephone investigation, have caused many inquiries. Without taking up anything going to the merits of these proceedings, it has seemed to us proper to state generally what has been our policy and purpose in the conduct of our business.

We have found, or thought that we had, that our interests were best served when the public interests were best served; and we believe that such success as we have had has been because our business has been conducted on these lines.

We believe that our company has an interest as vital as that of the public in the proper administration of the problems of electrical inter-communication. The success and prosperity of our company depend upon a solution of these problems which shall be sound from both the standpoint of the company and the public which it serves.

Following our own best judgment supplemented by the best obtainable advice, we have endeavored to do what would best serve the public interest; wherever possible our plans have been disclosed to the public in advance, and what has been done in carrying them out has been along ordinary business lines, with the implied, and generally, with the expressed approval, authorization or consent of the municipal and state authorities directly interested. Our effort has been not only to obey the law, but to avoid everything which might even have the appearance of an attempt at evasion.

Our business methods and policy, and practically all of the details as to the transactions of our business, are matters of common knowledge and are, and for many years have been, well known to the government. We will willingly furnish the government any additional information which is in our possession or under our control, and will cordially co-operate with it in obtaining such further information as it may require. Every possible assistance will be given by us to the courts in their effort to determine whether our policy is or has been inimical to the public interest. We desire that anything wrong be corrected; we will voluntarily rectify any wrong that may be pointed out to us; and, so far as it may be determined that our policy or any act under it is against the public interest, we will promptly conform to such determination.

We believe that if each of our exchanges were made an independent unit and if each connecting line were put under a separate control, the effect upon the telephone service of the country would be a condition so intolerable that the public would refuse to submit to it and would immediately require such physical connection and common control of these various units as would amalgamate them into a single system. Physical connection in the case of telephone or telegraph does not mean transfer of messages from one line to the other. It means such a connection as will permit one person to have the actual possession of the particular line of communication from one end of it to the other and this can only be given efficiently by exchange systems and connecting lines under a common control; and that is what the Bell System is.

In this connection, and for general information, we will restate the policy which controlled the building up of the Bell System, and our belief as to what a telephone system should be, and what are its relations to the public.

We believe in and were the first to advocate state or government control and regulation of public utilities; that this control or regulation should be by permanent quasi-judicial bodies, acting after thorough investigation and governed by the equities of each case; and that this control or regulation, beyond requiring the greatest efficiency and economy, should not interfere with management or operation. We believe that these bodies, if they are to be permanent, effective and of public benefit, should be thoroughly representative; they should be of such character and should so conduct their investigations and deliberations as to command such respect from both the public and the corporations that both will without question accept their conclusions.

We believe that the public would in this way get all the advantages and avoid all the manifest disadvantages of public ownership.

We believe that centers of business and population exist for the convenience of the public as a whole, and that no such center can prosper without sufficient and efficient means of intercourse with other centers, and tributary territories; that such means can only be afforded by prosperous utility and service companies and that fair rates are essential to prosperous companies. We do not believe that any public either desires or can obtain, nor can any service or utility furnish, permanent and efficient service at less than cost, including capital charges. We believe that ultimately by the public either directly or indirectly pays the losses involved in the efforts to furnish such service at less than its fair cost, either through the loss of the capital involved, the losses incident to poor service or the necessary increases in charge required to pay for duplication of capital.

We believe that the highest commercial value of the telephone service depends on its completeness—the extent and comprehensiveness of the facilities for intercommunication, not only between individuals but between centers of population; that no isolated section can be considered independently of any other section or of the whole; that rates must be so adjusted as to make it possible to obtain the maximum development by making it possible for every one to be connected who will add to the value of the system, thus giving the greatest value to the greatest number; that the interdependence of the telephone service and the value of complete and universal intercommunication justify and require some service partly at the expense of the whole for the benefit of the whole.

We believe that this highest com-

mercial value can only be attained by one system under one common control and that it cannot be given by independent systems unless that are operated under agreements which result in one common control and one common interest, in effect making them a single system.

We believe that rates should be so adjusted as to afford the company sufficient revenue to pay such wages and compensation as will secure the most efficient service; to maintain the very highest and most advanced standards of plant and apparatus, to carry on such scientific and experimental research and inventions as to apparatus and methods as to insure the highest standards, and to carry to reserve and depreciation such amounts as will enable the company at any time to replace old plant and old methods with new plant and new methods as fast as they may be developed and found to be to the advantage of the service. We believe that in addition, such fair charges should be paid upon the investment in plant as will enable the company at any time to obtain money necessary to provide the plant required to meet the continuing demands of the public; and in order that waste and duplication of effort may be avoided and uniformity of purpose and common control be enforced, that there should be a centralized general administration in close communication with and having general authority over the whole on matters common to all or matters of general policy.

We believe that any surplus beyond that necessary to equalize dividends on a fair basis should be used by the company for the benefit of the public and should be inalienable for any other purpose, and should be either invested in revenue-earning plant until necessary to substitute plant which may become inadequate or obsolete, or should be used to make the service cheaper or better.

We believe that under proper governmental control and regulation the profits from promotion or operation allowed to be distributed should not be so large as to warrant or tempt complete duplication of plant and organization, with its duplication of its capital charges and its organization, operating, maintenance and depreciation expenses; and we do not believe that utilities giving at fair rates an efficient and sufficiently comprehensive universal service should be subject to limited competition, not giving the obligation to furnish a complete and comprehensive service is not competition, is not for the benefit of the public in that it does not reach the whole public interested.

If, therefore, complete duplication, with its dual exchange connection and dual bills for service, is a prerequisite to complete competition, government control and regulation cannot go hand in hand with competition.

We believe that the record of the Bell System will be accepted by the public as fully in accord with these declarations. Consistent adherence to this policy has given the public of the United States the best, most comprehensive and cheapest telephone service in the world and made the Bell standards the standards of all nations.

To remove any possible excuse for misapprehension on account of the many misleading statements which have been circulated as to the alleged unnecessary and overcapitalization and excessive charges of the Bell System, the following statistics are given. Except where stated, the figures are for the Bell System; that is, the American Telephone and Telegraph, and its Associated Companies.

The entire Bell System on June 30, 1913, had outstanding in the hands of the public obligations (i. e., notes, open accounts, bonds and shares) to the par value of \$775,000,000.

The book value of the total tangible assets, which is considerably less than their replacement value, amounted to \$960,000,000. Many appraisals of property included in these assets have been made, and most of them under the direction of public authorities. In no case has the value as it stands on the books failed to be sustained, and in most cases it has been very largely exceeded.

The total dividends and interest paid during the year 1912 amounted to only 6.1 per cent. on the average of its outstanding obligations, and to less than 5 per cent on the average value of its assets.

The actual cash which has been paid into the treasury of the American Telephone and Telegraph Company on account of the capital obligations now outstanding amounts to \$22,000,000 more than the par of such outstanding obligations.

The Associated Companies collected from the public and paid back in taxes over \$10,000,000 during the year 1912.

The steadily increasing necessities of the public not only for additional but for new telephone service can only be met by new construction, involving capital outlay. To meet these demands during the six and one-half years from 1907 to June, 1913, inclusive, the increase in telephone plant was as follows: Toll line wire increased from 1,460,000 miles to 2,242,000 miles; exchange wire increased from 6,000,000 miles to 13,900,000; the number of exchange stations increased from 2,730,000 to 5,200,000; the number of stations of independent companies connected with the Bell System increased from 343,000 to 2,650,000. The number of independent companies connected with the Bell System is about 25,000. The number of employees in the Bell system, not including the employees of connected companies, on December 31, 1912, was 141,000.

During this same period the number of shareholders of the American Telephone and Telegraph Company, not including either the associated or connected companies, increased from 17,000 to about 54,000. About 47,000 shareholders hold less than 100 shares each; 6,500 shareholders hold from 100 to 1,000 shares each; 347 shareholders hold from 1,000 to 5,000 shares each, while there are only 16 shareholders of 5,000 shares or over in their own right. A majority of the shareholders are women.

American Telephone and Telegraph Co.
THEO. N. VAIL, President.

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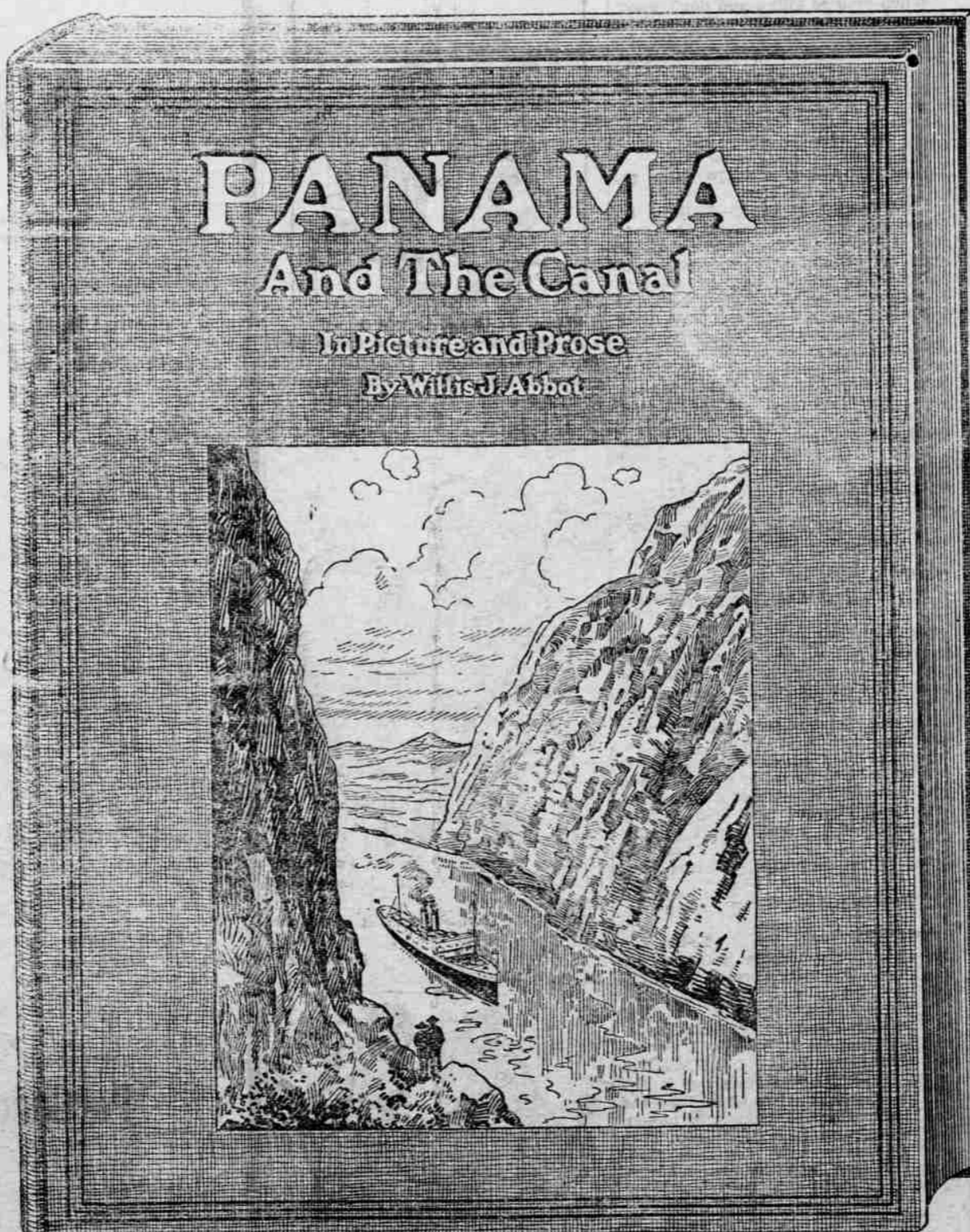
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