

EIGHTH

ANNUAL REPORT

OF

THE DIRECTORS

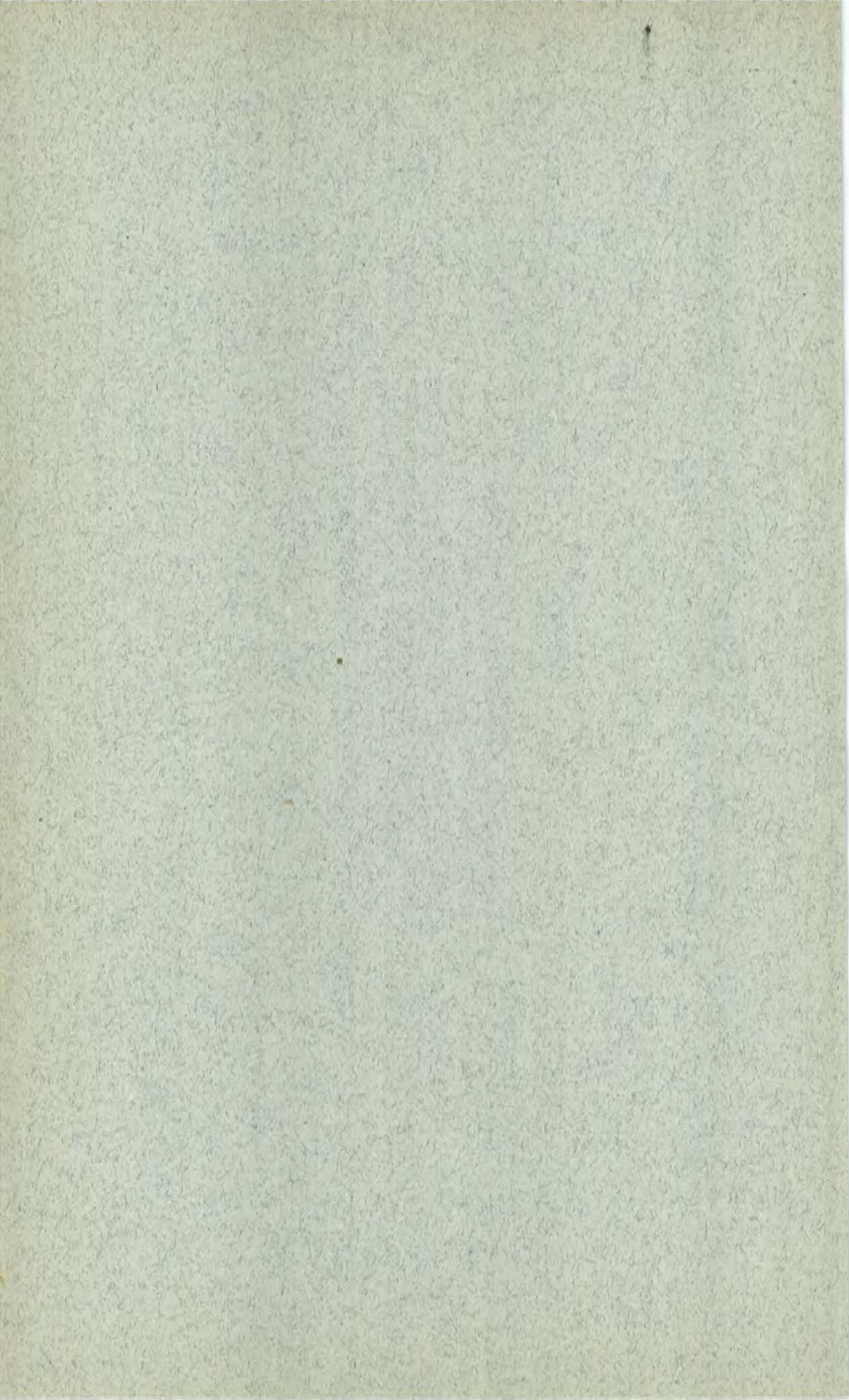
OF

THE AMERICAN BELL TELEPHONE CO.

TO THE STOCKHOLDERS,

YEAR ENDING DECEMBER 31, 1887.

BOSTON:
ALFRED MUDGE & SON, PRINTERS,
24 FRANKLIN STREET.
1888.



OFFICE OF THE AMERICAN BELL TELEPHONE COMPANY,
BOSTON, March 27, 1888.

TO THE STOCKHOLDERS :

The business of the company for the year 1887 has been, on the whole, satisfactory.

The receipts for royalties show a reasonable increase ; and the licensed companies, with few exceptions, have improved and extended their plant.

The statistics are given in the following tables : —

EXCHANGES.

	1883	1884	1885	1886	1887	1888	Decrease from 1887.	Increase over 1887.
Exchanges	725	906	772	747	736	743	.....	7
Branch offices....	345	419	481	428	446	444	2	
Miles of wire on poles			88,481	100,332	111,349	127,902	.....	16,553
Miles of wire on buildings			11,886	10,043	10,587	9,458	1,129	
Miles of wire un- derground.....			1,225	3,417	6,030	8,009	.....	1,979
Miles of wire sub- marine				254	265	363	.....	98
Total miles of wire	68,571	85,896	101,592	114,046	128,231	145,732	.....	17,501
Total circuits....	74,484	97,422	107,440	112,067	121,260	131,896	.....	10,636
Total employees..	3,716	4,762	5,168	5,438	5,843	6,182	.....	339
Total subscribers	97,728	123,625	134,847	137,750	147,068	158,732	.....	11,664

EXTRA-TERRITORIAL LINES.

	Jan. 1, 1883.	Jan. 1, 1884.	Jan. 1, 1885.	Jan. 1, 1886.	Jan. 1, 1887.	Jan. 1, 1888.	Increase during 1887.
Number of lines...	247	598	826	897	911	927	16
Miles of pole lines,	6,154	20,592	25,766	30,697	31,143	32,478	1,335
Miles of wire.....	13,653	29,359	35,631	41,745	43,767	56,179	12,412

UNDERGROUND WIRES.

EXCHANGES.	Jan. 1, 1886. Miles.	Jan. 1, 1887. Miles.	Jan. 1, 1888. Miles.	Increase over 1887. Miles.
Albany .....	....	1	1	....
Boston.....	289	347	736	389
Brooklyn.....	134	1,233	1,443	210
Chicago	760	1,462	2,000	538
Detroit.....	....	82	175	93
Louisville .....	....	9	238	229
Milwaukee	1	1	....	Loss 1
New York	627	627	1,120	493
Pittsburgh	614	966	958	Loss 8
Washington.....	992	1,302	1,338	36
	3,417	6,030	8,009	1,979
American Telephone and Tel- egraph Company's long-dis- tance wires.....	....	....	140	140
	....	....	8,149	2,119

INSTRUMENTS.

	Dec. 20, 1882.	Dec. 20, 1883.	Dec. 20, 1884.	Dec. 20, 1885.	Dec. 20, 1886.	Dec. 20, 1887.	Increase during the year.
In the hands of Li- censees, under rental	237,728	298,580	325,574	330,040	353,518	380,277	26,759

EXCHANGE CONNECTIONS.

The estimated number of exchange connections	
daily in the United States is	1,011,517
Or a total per year of	369,203,705
The number of daily calls per subscriber varies	
in different exchanges from 3 to 14, the	
average throughout the United States	
being	6 37-100
As compared with	5 82-100
The number reported last year, an increase of	9 percent.

The average cost to the subscriber varies according to the size of the exchange and character of the service, from 2 to 8 cents per connection.

EXTRA-TERRITORIAL CONNECTIONS.

The average daily number of Extra-Territorial	
connections is	6,796
Or a total per year of	2,480,540
The Extra-Territorial earnings for the year	
amounted to	\$565,718 46
Of which this company's share is	76,076 36
An increase over 1886 of	459 06

In the case of five companies which have not reported December earnings, the amount is computed at the average of the previous eleven months.

The Treasurer's statement shows —

Gross earnings from all sources	\$3,453,027 70
Expenses	1,242,430 89
Net earnings	\$2,210,596 81
Miscellaneous credits	27,011 31
Total	\$2,237,608 12

Regular dividends paid . . .	\$1,176,252 00	
Extra dividend paid . . .	392,084 00	
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Total dividends . . .	\$1,568,336 00	
Reserve for depreciation of instruments	132,616 38	\$1,700,952 38
	<hr/>	
Balance to surplus account		\$536,655 74
Surplus account Dec. 31, 1886		1,491,380 18
		<hr/>
Total surplus		\$2,028,035 92

The so-called Government case, begun in January 1887, came up June 13 for argument on our demurrer to the bill of complaint, and on September 26 the Court sustained the demurrer and dismissed the bill. The Government has taken an appeal to the Supreme Court, and a motion to advance the case for speedy hearing was made in October, upon which there has as yet been no decision.

The Globe Telephone Company, owning the Meucci claim, was finally enjoined in July. This case has also been appealed to the Supreme Court.

The case against the American Cushman Company is now ready for final hearing, and the Directors have every reason to expect a favorable result.

In the cases before the United States Supreme Court on appeal (Dolbear case, Drawbaugh case, Molecular, Clay and Overland cases, which, it will be remembered, were argued the latter part of January and first of February, last year) a decision was rendered on the 19th March current. The opinion was by Waite, Chief Justice. All the cases on all points are determined in favor of the Company.

The scope of the patent for which we have contended was sustained by the Court. Mr. Justice Bradley, in behalf of himself and Justices Field and Harlan, expressed an oral dissent on the question of fact concerning Drawbaugh's pri-

ority of invention. Otherwise the opinion of the Court expresses the unanimous opinion of all the members of it.

Bills for the regulation of telephone rates have been again introduced in a number of State Legislatures, but the result of the Indiana legislation has been so unsatisfactory to the subscribers, and the inexpediency of so crippling the companies that they would not be able to give the best possible service is so obvious, that we may hope that no such measures will be adopted.

The committee appointed by the Legislature of the State of New York to investigate telephone charges has reported a bill limiting rates for combination line service in cities of over one million inhabitants, but the report of the committee itself furnishes the best arguments against the passage of such a bill, recognizing, as it does, the great cost of underground work, and the frequent changes in switch-boards, cables, etc., made necessary by the rapid strides in electrical inventions.

The long-line service has been extended from New York to Albany, and to Boston, making a total of 550 miles of pole lines and about 10,000 miles of wire.

The success electrically, as well as commercially, has been beyond our expectations.

The income from the long lines is now more than sufficient to meet the current expenses, and there is every reason to expect that before next year it will pay a moderate profit. The great cost of the plant is to be borne in mind in considering the direct profit from the long-line service, but the importance of the system as a safeguard to our business cannot be overestimated.

It is intended to complete this year the lines between New York and Boston, to extend from Albany towards Buffalo, and to build a line from Chicago to Milwaukee. The estimated cost is about \$1,000,000.

The Patent division has continued its work of collecting, digesting and studying information upon electrical matters,

and preparing reports upon questions submitted to it by officers of the Company.

It has also during the year considered and passed upon specifications for inventions for which the Western Electric Company intend applying for patents.

The Electrical division has been mainly occupied in investigation for the accumulation of technical information for the use of our counsel. It has also begun, and is now pursuing, a series of experiments on multiplex telephony and on simultaneous telephony and telegraphy.

The Mechanical department has experimented with a large number of instruments sent to it for examination, and it has also given much time to experimentation with a view to the improvement of our standard instruments, and to the solution of the problems which have been brought out by the long-line service.

Considerable time has also been spent in the study of magneto transmitters and in devising different forms for local uses.

On the first of September the Company suffered a serious loss in the resignation of the President, Mr. Forbes. At a subsequent meeting of the Board of Directors the following resolutions, reported by Messrs. G. G. Hubbard, Cochrane and Sanders, a committee of the Directors, were unanimously adopted, and ordered to be presented to the stockholders:—

“ *Whereas* our associate, Mr. Forbes, was chosen President of the National Bell Telephone Company at its organization on the 11th of March, 1879, and continued in that office until the merging of that Company into this The American Bell Telephone Company, and has been the President of this Company since its organization in April, 1880, to the date of his resignation, in September, 1887; and

“ *Whereas* during this long service the telephone business has grown in a most remarkable manner, the net income having increased from less than two thousand dollars per annum to about two million two hundred thousand dollars, and the number of instruments in use from about twenty-one thousand to three hundred and seventy-five thousand; and

"Whereas the vast and unparalleled litigation which this Company has been forced to undertake, and the many and various interests occasioned by the system of licensing persons and corporations in every part of the country, and the intricate relations with the Western Union Telegraph Company and others have demanded qualities of an unusual character ; and

"Whereas, Mr. Forbes has given constant attention to the interests of this Company, and has displayed eminent ability, great dignity, uniform fairness, courtesy, and great tact in grasping the main points of the questions that have come before him, and has thereby won the confidence of his associates, of the licensees of this Company, and of those with whom he has been brought officially in contact ; and

"Whereas, Mr. Forbes, by these qualities, as well as by the marked moral courage and pluck exhibited on several trying occasions, and by his excellent judgment, has largely contributed to the success of this Company ;

"Therefore resolved, That the thanks of the Directors be and they hereby are given to Mr. Forbes ; and that this preamble and resolution be recorded in full in the minutes of the Board, and a copy be presented to the stockholders at the annual meeting of this Company.

" GARDINER G. HUBBARD.
ALEXANDER COCHRANE.
THOMAS SANDERS.
FRANCIS BLAKE.
GEO. L. BRADLEY.
CHARLES P. BOWDITCH.
CHANNING CLAPP.
CHAS. EUSTIS HUBBARD.
JOHN E. HUDSON.
CHARLES E. PERKINS.
H. STOCKTON."

The books of the Company have been examined four times during the year, and the reports of the Auditing Committee are appended.

For the Directors,

HOWARD STOCKTON,

President.

LEDGER BALANCES, DEC. 31, 1887.

DEBTORS.

Telephones	\$663,081 93
Stocks and Notes	23,233,975 03
Merchandise and Machinery	8,730 11
Bills and Accounts Receivable	640,615 48
Cash and Deposits	59,211 25

CREDITORS.

Capital Stock	\$9,802,100 00
Bills and Accounts Payable*	470,402 71
Patent Account (Profit and Loss)	8,554,752 18
Profit and Loss	3,365,018 63
Reserves	385,304 36
Surplus	2,028,035 92
	<hr/>
	\$24,605,613 80
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	\$24,605,613 80
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*Of this amount, \$294,063 is the dividend payable Jan. 14, 1888, to stockholders of record Dec. 31, 1887.

WM. R. DRIVER, *Treasurer.*

Boston, March 27, 1888.

Comparative Statement of Earnings and Expenses.

EARNINGS.

	1886.	1887.
Rental of Telephones	\$2,109,492 44	\$2,264,823 94
Dividends	844,555 76	1,013,036 99
Extra-territorial and Branch Lines	78,109 81	80,443 67
Telegraph Commission	16,681 22	19,962 31
Interest	34,560 77	70,235 68
Miscellaneous	13,600 91	4,525 11
	<u>\$3,097,000 91</u>	<u>\$3,453,027 70</u>

EXPENSES.

Expenses of Operation	\$230,968 05	\$242,205 06
Legal Expenses	210,550 20	207,679 95
Interest and Taxes	82,458 25	139,174 80
Commission	404,111 30	433,578 37
Royalty	14,501 36	11,000 00
Rental Concessions	207,128 63	189,765 38
Miscellaneous		19,027 33
	<u>\$1,149,717 79</u>	<u>\$1,242,430 89</u>
Net Earnings	\$1,947,283 12	\$2,210,596 81
Misc. Items to Surplus Account	26,067 64	27,011 31
	<u>\$1,973,350 76</u>	<u>\$2,237,608 12</u>
Surplus Account, Dec. 31, 1886	\$1,491,380 18	
Net Earnings, 1887	2,210,596 81	
Miscellaneous Items	27,011 31	\$3,728,988 30
Regular Dividends in 1887	\$1,176,252 00	
Extra Dividend in 1887	392,084 00	
Reserve for Depreciation of Instruments	132,616 38	1,700,952 38
Surplus Account, Dec. 31, 1887		<u>\$2,028,035 92</u>

REPORT OF AUDITING COMMITTEE.

BOSTON, April 25, 1887.

W. H. FORBES, Esq.,

President Am. Bell Tel. Co.:

Dear Sir,—I forward herewith the report of Mr. C. T. Plimpton, the Auditor employed by me to examine the books and accounts of the American Bell Tel. Co. for the quarter ending March 31, 1887.

Respectfully yours,

ALEXANDER COCHRANE,

Committee on Accts. of A. B. T. Co.

BOSTON, April 25, 1887.

ALEXANDER COCHRANE, Esq.,

Committee on Accts. Am. Bell Tel. Co.:

Dear Sir,—I have examined the books and accounts of the Treasurer of the American Bell Telephone Co. from Dec. 31, 1886.

Have verified the balances of Cash, Bank, and Notes Receivable accounts, and the Trial Balance for April 1, 1887, also the outstanding Certificates of Stock issued to Stockholders. In this examination have found everything correct.

Respectfully yours,

CHAS. T. PLIMPTON,

Accountant.

BOSTON, July 20, 1887.

WM. H. FORBES, Esq.,

President Am. Bell Tel. Co.:

Dear Sir,—I forward herewith the report of the Auditor employed by me to examine the books of the American Bell Telephone Co. covering the period of six months ending June 30th, 1887.

Yours truly,

ALEXANDER COCHRANE,

Committee on Accounts.

Boston, July 12, 1887.

I hereby certify that I have audited the books and accounts of the Treasurer of the American Bell Telephone Co. twice for the six months ending June 30th, 1887, and have to report that I have verified the cash book, its debits and credits, the rentals, commission, concession accounts, pay-rolls, journalizings, stock ledger, stock investments, notes receivable, trial balances, and cash on hand.

Have found all disbursements sustained by approved vouchers, have carefully examined the bank accounts, and the balances on hand July 1st agree with the Company's books after making allowances for outstanding checks; the certificates of stock investments and bills receivable which the ledger calls for are on hand or properly accounted for, and the books are accurately kept.

CHAS. T. PLIMPTON,

Auditor.

BOSTON, November 9, 1887.

HOWARD STOCKTON, Esq.,

President Am. Bell Tel. Co.:

Dear Sir, — I enclose herewith the report of Mr. Plimpton, whom I requested to make an examination of the books of the Company up to the first of November.

Yours truly,

ALEXANDER COCHRANE,

Committee on Acc'ts.

BOSTON, November 5, 1887.

ALEXANDER COCHRANE, Esq.,

Com'tee on Acc'ts Am. Bell Tel. Co.:

Dear Sir, — I have examined the books and accounts of the Treasurer of the American Bell Telephone Co. from July 1st to November 1st, 1887.

Have verified the Cash, Bank, and Notes Receivable accounts, and Trial Balance for November 1st, 1887; also the outstanding certificates of Stock issued to Stockholders. In this examination have found everything correct. I make no formal report at this time, inasmuch as I shall give you a report covering the six months when the books are examined in January next.

Respectfully yours,

CHAS. T. PLIMPTON.

Boston, January 14, 1888.

I hereby certify that I have examined the books and accounts of the Treasurer of the American Bell Telephone Company twice for the six months ending December 31st, 1887, and have to report that I have verified the Cash book, its debits and credits, the rentals, commission, concession accounts, pay-rolls, the journalizings, Stock ledger, Stock investments, bills receivable, trial balances, bank accounts and Cash on hand.

Have found everything in connection with the above correct; the disbursements as entered in Cash book sustained by approved vouchers.

Have examined the Certificates of Stock investments, also bills receivable, and find all which the ledger calls for on hand, and the books accurately kept.

CHAS. T. PLIMPTON,

Accountant.

Approved and forwarded.

ALEXANDER COCHRANE,

Committee on Accts.

