ANNUAL REPORT

OF

THE DIRECTORS

OF

AMERICAN TELEPHONE & TELEGRAPH COMPANY

TO THE STOCKHOLDERS

FOR THE

YEAR ENDING DECEMBER 31, 1900.

BOSTON:
ALFRED MUDGE & SON, PRINTERS,
24 FRANKLIN STREET.
1901.

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OFFICE OF

AMERICAN TELEPHONE AND TELEGRAPH CO.,

NEW YORK, MARCH 26, 1901.

TO THE STOCKHOLDERS:

It is my painful duty to record the great loss which this Company has sustained by the death of Mr. John E. Hudson, October 1, 1900. He had held the office of president of this Company since 1887. Immediately upon the organization of The American Bell Telephone Company in 1880, Mr. Hudson became its official attorney. Afterwards he was successively its general manager, vice-president and general manager, and, after 1889, its president. In all these relations he displayed exceptional ability and sound judgment. He gained the respect and confidence of all who were associated with him, as well as of the public, and contributed in large measure to the successful development of the corporation of which he was so long president.

The output of telephones from 1891 to the first of the current year, and the various statistics of the companies operating under our licenses, are exhibited in a consolidated form in the tables which follow: —

INSTRUMENTS IN THE HANDS OF LICENSEES, UNDER RENTAL.

THE FIGURES IN LOWER LINE SHOW INCREASE FROM YEAR TO YEAR.

Dec. 20, 1891.	Dec. 20, 1892.	Dec. 20, 1893.	Dec. 20, 1894.	Dec. 20, 1895.
512,407	552,720	566,491	582,506	674,976
	40,313	13,771	16,015	92,470

Dec. 20, 1896.	Dec. 20, 1897.	Dec. 20, 1898.	Dec. 20, 1899.	Dec. 20, 1900.
772,627	919,121	1,124,846	1,580,101	1,952,412
97,651	146,494	205,725	455,255	372,311

EXTRA-TERRITORIAL AND TOLL LINES.

	Jan. 1, 1892.	Jan. 1, 189 .	Jan. 1, 1894.	Jan. 1, 1895.	Jan. 1, 1896.	Jan. 1, 1897.	Jan. 1, 1898.	Jan. 1, 1899.	Jan. 1, 1900.	Jan. 1, 1901.	Increase.
Miles of Pole Lines......	41,298	42,894	46,727	49,324	52,873	60,453	67,791	75,718	89,292	101,087	11,795
Miles of Wire,	115,088	133,002	154,106	180,557	215,687	268,866	324,883	385,911	501,832	607,599	105,767

TOLL CONNECTIONS.

The average daily number of toll connections is	148,528
Or a total per year of about	47,800,000
The toll revenue reported by all companies for the year 1900 was . .	$8,972,030.90*

*Not including herein earnings of the American Telephone and Telegraph Company, which will be found in the comparative statement of revenue and expenses appended hereto.

EXCHANGES.

	Jan. 1, 1892.	Jan. 1, 1893.	Jan. 1, 1894.	Jan. 1, 1895.	Jan. 1, 1896.	Jan. 1, 1897.	Jan. 1, 1898.	Jan. 1, 1899.	Jan. 1, 1900.	Jan. 1, 1901.	Increase
Exchanges . .	788	812	838	867	927	967	1,025	1,126	1,239	1,348	109
Branch Offices .	509	539	571	572	686	832	937	1,008	1,187	1,427	240
Miles of wire on poles . .	180,139	201,259	214,676	232,008	260,324	286,632	327,315	396,503	509,036	627,897	118,861
Miles of wire on buildings .	14,954	14,980	16,492	14,525	12,861	12,594	13,776	15,329	15,087	16,833	1,746
Miles of wire underground .	70,334	90,216	120,675	148,285	184,515	234,801	282,634	358,184	489,250	705,269	216,019
Miles of wire submarine .	1,029	1,336	1,637	1,856	2,028	2,818	2,675	2,973	3,404	4,203	799
Total miles of wire . . .	266,456	307,791	353,480	396,674	459,728	536,845	626,400	772,989	1,016,777	1,354,202	337,425

EXCHANGES — Continued.

	Jan. 1, 1892.	Jan. 1, 1893.	Jan. 1, 1894.	Jan. 1, 1895.	Jan. 1, 1896.	Jan. 1, 1897.	Jan. 1, 1898.	Jan. 1, 1899.	Jan. 1, 1900.	Jan. 1, 1901.	Increa
Total Circuits .	186,462	201,322	205,891	212,074	237,837	264,645	295,904	338,293	422 620	508,262	85,642
Total Employés,	8,376	9,970	10,421	11,094	11,930	14,425	16,682	19,668	25,741	32,837	7,096
Total Stations .	216,017	232,140	237,186	243,432	281,695	325,244	384,230	465,180	632,946	800,880	167,934

EXCHANGE CONNECTIONS.

The estimated number of exchange connections daily in the United States, made up from actual count in most of the exchanges, is 5,668,986

Or a total per year of about 1,825,000,000

The number of daily calls per station varies in different exchanges from 1 to $15\frac{9}{10}$, the average throughout the United States being $7\frac{1}{10}$.

The average cost to the subscriber varies, according to the size of the exchange and character of the service, from less than 1 to 9 cents per connection.

The tables of mileage on page 5 include the Long Distance toll system owned and operated by this Company. This system consisted on the 1st of January, 1901, of 12,427.63 miles of pole line and cable, and 167,410.39 miles of wire, connecting 359 offices; a gain during the year of 420.80 miles of pole line and cable, 17,030 miles of wire, and 36 offices.

The following comparative statement shows the number of exchange stations of the companies with which the Long Distance lines directly connect, and which furnish the terminals of that system.

	Number of Stations.	Connected by Metallic Circuit.	
		Stations.	Per Cent.
January 1, 1900	557,979	311,129	55.76
January 1, 1901	697,674	438,222	62.81
Increase	139,695	127,093	7.05

The investment in line construction, equipment and supplies for this system, up to December 31, 1900, amounted to $16,152,020.72. The gross revenue from the toll traffic upon these lines shows an increase of 13 45-100 per cent. over the amount earned in 1899.

At the close of the year 1899, the property and business of The American Bell Telephone Company, except its holdings in the stock of this Company, were taken over by this Company.

The revenue statement appended to this report, on pages 14 and 15, exhibits, therefore, as there stated, the result of operations of the combined properties for the entire year 1900, as compared with the total of revenues and expenses of both companies in 1899.

The exchange of shares under the circular of The American Bell Telephone Company dated April 18, 1900, by the terms of which two shares of the stock of the American Telephone and Telegraph Company were given for each share of The American Bell Telephone Company has been substantially completed.

By a circular dated April 18, 1900, this Company offered for subscription by its shareholders one new share for each five shares held by them after the exchange before referred to.

Of the total number of shares so offered (103,545), 103,018 were subscribed for and 52,175 shares were issued on August 1, 1900, and 50,843 shares on January 15, 1901: those remaining (527 shares) were sold by auction and issued in February, 1901.

Collateral Trust Four Per Cent Bonds to the amount of ten million dollars were sold during the year.

The past year has been one of marked progress in the development of the business, the increase in number of exchange subscribers having exceeded that recorded in any previous year.

During the last three years the number of exchange stations has increased from three hundred and eighty-four thousand to more than eight hundred thousand. This remarkable growth has been due in great measure to the adaptation of improved methods of construction and operation to the needs of subscribers.

The general adoption of the measured service system and metallic circuit party lines, with corresponding lower rates, has attracted many thousands of subscribers, both business and residence, who were previously deterred by the higher cost of other classes of service.

All this has been brought about moreover without impairment of the quality of service: as a whole, the standard of construction and efficiency of service has been steadily advanced throughout the country.

In the larger exchanges, the old type of multiple switch boards is fast being replaced by relay boards equipped with electric lamp signals and central battery plant, installed in buildings specially designed for the purpose, and owned by the companies.

Material progress has been made also in underground construction, so that at the close of the year, seven hundred and five thousand miles, or more than half the entire mileage of exchange conductors, were operated under the surface of streets.

Most of the gain of exchange stations consists of those connected by metallic circuits. At the end of 1900, there were five hundred and thirty-eight thousand of that class, making an increase of one hundred and fifty-four thousand during the year.

It is doubtless true that, in certain localities, rates too low to cover current expenses and necessary allowance for renewal have been offered, to meet similar rates offered by competitors. We believe, however, such conditions cannot be lasting, and the growth throughout the country, as a whole, has been of a healthy and substantial character.

The expenditure to provide for extensions of the business throughout the country has been larger than that of any previous year. The new construction completed in 1900, by this Company and the companies operating under our licenses, amounted to $28,862,970.85. Of this sum, $21,914,542.94 was expended upon exchange construction and equipment, and $6,948,427.91 upon toll lines. In addition to the above, $2,349,103.28 was invested in real estate, to be utilized for exchanges and company offices. The entire expenditure for construction, including real estate, to the close of the last year, has been $168,474,517.83.

Estimates already made indicate that the extensions of operating plant during the current year will require further expenditure on a large scale.

The year just passed rounds out the quarter century, within which is compassed the discovery and application of the art of transmitting speech by telephone. A brief review of the development and growth of this new industry, which has become so important a factor in commercial and social life, seems appropriate at this time.

Twenty-five years ago the wonderful invention of Professor Bell was made known to the world. Twenty-three years ago the first telephone exchange in the world was established in the United States, and from that beginning has been built up the great system of exchanges, and the network of connecting lines over which conversation can be held between points over a thousand miles apart.

Twenty years ago there were 47,880 telephone subscribers in the United States, and 29,714 miles of wire in use for telephonic purposes. At the end of last year, there were 800,880 exchange stations equipped with our instruments, and 1,961,801 miles of wire were employed for exchange and toll line service.

The United States has, from the beginning, held the leading place among nations in respect not only of the extensive development of the business, but in the employment of modern and improved appliances, tending to greater efficiency of service.

In connection with the record of development of telephone service in this country, some comparison of the systems of foreign countries is of interest.

The latest reports that can be obtained, part of which are for the year 1899, others to the close of 1900, show the countries next in order to the United States, as respects the development of telephone service, to be the German Empire, having 229,391 stations; Great Britain, 171,660; Sweden, 73,500; France, 59,927; Switzerland, 38,864; Austria, 32,255; Russia, 31,376; Norway, 29,446.

As before stated, there were, at the close of last year, more than 800,000 stations connected with the exchanges of our licensee companies, which exceeds the aggregate number of subscribers in all the countries of Continental Europe.

In addition to this, there were over 40,000 private line stations equipped with our telephones.

The number of exchange and toll line connections in the United States now reaches almost two thousand millions yearly.

The suits of The American Bell Telephone Company *v.* National Telephone Manufacturing Company, *et als.*, and of The American Bell Telephone Company *v.* Century Telephone Company, *et als.*, brought under the Berliner patent in the Circuit Court of the United States for the District of Massachusetts, were argued before Judge Brown in November, 1899. On February 27, 1901, Judge Brown filed a decision for the defendants in each case. An appeal will be taken to the Circuit Court of Appeals.

For the Directors,

ALEXANDER COCHRANE,

President pro tem.

LEDGER BALANCES, DEC. 31, 1900.

DEBTORS.

Construction, Equipment and Supplies	$16,152,020 72	
Telephones	4,311,928 75	
Real Estate	1,567,018 85	
Stocks and Bonds . . .	71,719,324 01	
Patent Account . . .	24,101 00	
Machinery and Tools . .	31,477 94	
Cash and Deposits . .	1,078,071 70	
Bills and Accounts Receivable,	5,240,640 27	
American Bell Telephone Co.,	22,110,400 00	
CREDITORS.		
Capital Stock . . .		$89,100,500 00
Surplus		1,813,199 74
Bonds		10,006,000 00
Reserves		2,416,363 34
*Bills and Accounts Payable .		2,928,709 91
Contingent		15,970,210 25
	$122,234,983 24	$122,234,983 24

WM. R. DRIVER, *Treasurer.*

MARCH 26, 1901.

*Of this amount, $1,282,277.25 is for the dividends payable Jan. 15, 1901, to stockholders of record Dec. 31, 1900.

Comparative Statement of Earnings and Expenses.

EARNINGS.

	1899.	1900.
Dividends	$3,044,908 89	$3,846,821 67
Rental of Instruments	1,714,526 54	2,427,037 52
Telephone Traffic	2,668,359 01	3,027,171 85
Real Estate	42,285 11	31,824 67
Interest	217,301 53	201,643 50
	$7,687,381 08	$9,534,499 21

EXPENSES.

Expenses of Administration . . .	$591,826 34		$746,259 48
Legal Expenses	103,748 46		85,134 07
Interest and Taxes	1,234,275 83		1,376,199 94
Telephone Traffic	1,487,021 88		1,840,847 86
	$3,416,872 51		$4,048,441 35
Net Revenue	$4,270,508 57		$5,486,057 86
Net Revenue, 1900			$5,486,057 86
Dividends Paid			4,078,601 25
			$1,407,456 61
Carried to Reserves		$937,258 22	
Carried to Surplus		470,198 39	$1,407,456 61

N. B. The foregoing statement for 1899 is for the purpose of comparison and is made up of the transactions of The American Bell Telephone Company and the American Telephone and Telegraph Company in the same form as those which appear above for 1900.

WM. R. DRIVER, *Treasurer.*

MARCH 26, 1901.