

1904

ANNUAL REPORT

OF

THE DIRECTORS

OF

AMERICAN TELEPHONE & TELEGRAPH COMPANY

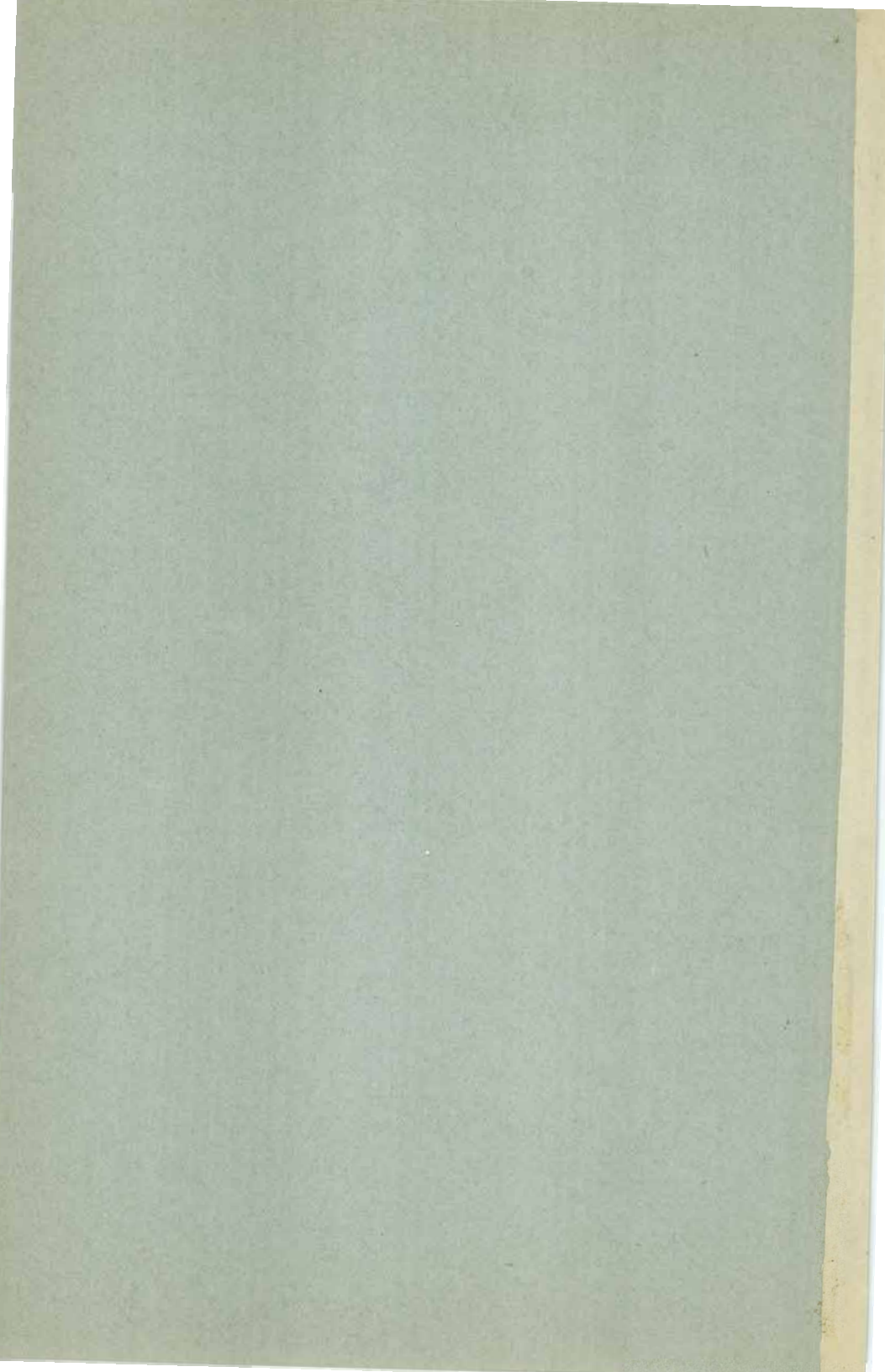
TO THE STOCKHOLDERS

FOR THE

YEAR ENDING DECEMBER 31, 1904.

PRESS OF
ALFRED MUDGE & SON,
BOSTON.

1905.



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1905.

AMERICAN TELEPHONE & TELEGRAPH COMPANY

OFFICERS FOR THE YEAR 1904.

| | | |
|-------------------------|-----------|------------------------|
| FREDERICK P. FISH, | | <i>President.</i> |
| EDWARD J. HALL, | | <i>Vice-President.</i> |
| THOMAS SHERWIN, | | <i>Vice-President.</i> |
| C. JAY FRENCH, | | <i>Vice-President.</i> |
| WILLIAM R. DRIVER, | | <i>Treasurer.</i> |
| CHARLES EUSTIS HUBBARD, | | <i>Secretary.</i> |

DIRECTORS

| | |
|----------------------------|-------------------------|
| CHARLES W. AMORY. | HENRY S. HOWE. |
| GEORGE F. BAKER. | CHARLES EUSTIS HUBBARD. |
| FRANCIS BLAKE. | CHARLES E. PERKINS. |
| CHARLES P. BOWDITCH. | WILLIAM LOWELL PUTNAM. |
| GEORGE L. BRADLEY. | THOMAS SANDERS. |
| ALEXANDER COCHRANE. | NATHANIEL THAYER. |
| T. JEFFERSON COOLIDGE, JR. | THEODORE N. VAIL. |
| W. MURRAY CRANE. | JOHN I. WATERBURY. |
| FREDERICK P. FISH. | MOSES WILLIAMS. |

REPORT OF THE DIRECTORS
OF
AMERICAN TELEPHONE AND TELEGRAPH COMPANY.

NEW YORK, March 28, 1905.

TO THE STOCKHOLDERS:

The results of the business for the year 1904, as shown by the Treasurer's statement appended, were as follows:—

| | |
|--|-----------------|
| Gross Revenue | \$18,546,659.21 |
| Expenses, including interest and taxes | 7,270,957.46 |
| Net Revenue | 11,275,701.75 |
| Dividends paid | 9,799,117.50 |
| Carried to Reserve | 586,149.20 |
| Carried to Surplus | 890,435.05 |

The following were the corresponding figures for the year 1903:—

| | |
|--|-----------------|
| Gross Revenue | \$16,545,632.39 |
| Expenses, including interest and taxes | 5,980,967.30 |
| Net Revenue | 10,564,665.09 |
| Dividends paid | 8,619,150.75 |
| Carried to Reserve | 728,139.97 |
| Carried to Surplus | 1,217,374.37 |

The net output of telephones during the year 1904 was 701,047, making the total number in the hands of the operating companies 4,480,564.

The number of exchange stations at the end of the year operated by the companies which constitute our system was 1,799,633, an increase of 274,466. In addition to this number there were 167,213 exchange and toll stations operated by companies or associations under sublicense contracts and making use of our telephones. Adding also telephones employed for private-line purposes, our companies have a total of 2,003,213 stations.

The total mileage of wire for exchange and toll service was 4,671,038 miles, of which 712,147 miles were added during the year.

Including the traffic over the Long Distance lines the daily average of toll connections was about 301,000, and of exchange connections about 11,149,000, as against corresponding figures in 1903 of 258,000 and 9,876,000; the total daily average for 1904 of connections both toll and exchange reaching 11,450,000, or at the rate of about 3,687,000,000 per year.

The total amount added to construction and real estate by all the companies constituting our system in the United States during the year 1904, was :—

| | |
|----------------------------------|--------------|
| For Exchanges | \$22,673,200 |
| For Toll Lines | 8,243,500 |
| For Land and Buildings | 2,520,000 |
| | <hr/> |
| | \$33,436,700 |

The amount added in 1900 was \$31,619,100; in 1901, \$31,005,400; in 1902, \$37,336,500; and in 1903, \$35,368,700; making the grand total of expenditure upon these properties during the five years, \$168,766,400.

The amount expended by this Company in 1904 for the construction, equipment and supplies required for

its Long Distance lines was \$4,012,905, making the total investment in Long Distance lines and equipment up to the close of the year \$30,889,710.

The development of the business during the past year exceeds that of any preceding year, and this applies not only to the increase of the number of subscribers in established exchanges, but to the toll line development and the extension of lines and service into the more sparsely peopled sections of the different States. Present indications point to even a larger growth of the business for the year 1905.

The efficiency of the operating companies is constantly improving. The work of construction, maintenance and operating is done better and with more economy each year as improved equipment and more intelligent methods of construction, maintenance and operation are devised and introduced into use. A spirit of loyalty and of devotion to the work pervades our entire organization throughout the country.

Every year it becomes more clear that the prosperity of the company is and always must be based primarily upon its ability to give such service, both in extent and quality, as is required to meet the reasonable demands of the public.

Every extension of the service brings in new subscribers and, what is of greater moment, increases the value of the service to those already connected. The demand for telephonic connection has spread throughout the entire country, so that to-day not only the smaller householders and business men, but even the isolated farmers in all parts of the country are coming to regard the telephone as a necessity. Its use on rail-

roads, in factories, on steamships, and in other special environments is growing rapidly, and there is an enormous increase in the number of private branch exchanges in hotels, apartment houses and other large establishments where, by the use of the private branch exchange, the same telephones can be employed for intercommunication between the rooms or offices as well as to talk out upon the lines of the general system.

The experience of the Bell operating companies in meeting the greatly increased demand for telephone service which has characterized the last few years, and the trend of the business as a whole, afford definite assurance that the investment required for the extensions which must necessarily be made, in the interest of the Company and of the public, will bring an adequate financial return.

It is gratifying to note that the service throughout the country is constantly improving, notwithstanding the enormously greater difficulty in carrying on the business on its present large scale. This is due in part to improvements in physical plant and to the adoption of better operating and maintenance methods, but even more to the more definite recognition that a high standard of service must be attained and to the more intelligent and careful supervision of the plant and of the operating which has come with experience and with a higher aspiration for good service.

Involved in the extension of the business, both from the point of view of the companies and of the public, is the establishment of such schemes of rates as will result in an adequate return to the operating companies and at the same time will make it possible to graduate

the cost of the service to the varying requirement of the respective subscribers and therefore be alike fair to the large and small user. In no other business that serves the public are the difficulties of dealing with rates greater than in the telephone business, particularly in view of the facts that in no two localities is the investment or the cost of operating per station the same, and that, as communities increase in size, conditions arise which largely increase these costs.

The Bell companies are dealing with this question intelligently and on sound lines. By the adoption of measured service in places where it is applicable, and of different grades of service which can be supplied at varying prices to meet the requirements of different classes of telephone users, they are promoting the necessary extension of the service on a basis that is safe, and satisfactory both to the companies and to the public. As a fundamental principle the large user should pay to some extent in proportion to his use, while the smaller user should be offered a service adapted to his needs at a lower price.

The number of subscribers to the Bell system is now practically a hundred per cent. greater than was the case three years ago. In almost every part of the country each subscriber is able to talk to twice as many stations, and through those stations to a very much larger number of people. Thus the value of the service to the user is constantly increasing, and its cost to the subscribers, in relation to its value, is constantly reduced.

Moreover, the telephone users on the average pay a substantially less amount for the service they receive, irrespective of its increased value, than was the case

three years ago. Not only are the standard rates reduced from time to time, wherever the conditions justify such a reduction, but a constantly increasing proportion of the telephones installed is furnished at the lower scale of rates adapted to the needs of those whose requirements are adequately met by the classes of service offered at such lower rates.

Concurrently with this reduction of the average rate, and as a consequence of the continued application of sound methods of engineering and of operation, and of the extension of the business into fields where relatively expensive construction and high cost of operation are not required in order to render adequate service, there is a constant decrease in the average investment and cost of operation per station, of the Bell system as a whole. This is not true of every locality, and the extent of this reduction, if any, in any given place, depends upon the local conditions; as for example, the size of the community and the density of its population, the proportion of the investment that is required in any special place for real estate, expensive underground construction, intercommunicating trunk lines or elaborate exchange equipment, and the character and extent of service that is demanded.

As a general principle it seems perfectly certain that it will always be the case that the larger and more densely populated the community, the higher must be the standard of rates for the comprehensive service required for that community. Not only the investment and the cost of operation, but the general difficulty of doing the business which can only be overcome by enlarged expenditure, increase in passing from the smaller towns and cities to the larger.

All these difficulties and expenses culminate in cities of the first rank. In those cities there is extensive underground construction, laid and maintained under unfavorable conditions and at great cost, the real estate expense is necessarily very high, the central office equipment is complicated and expensive out of all proportion to the number of subscribers served, there has to be a network of trunk lines connecting the different exchanges one with another, and there are many other conditions involving great expense that are not present to a proportionate degree in smaller communities. Moreover, the business is on such a large scale and the element of time so much more important as to require the maintenance of a much higher standard of promptness and efficiency in the service furnished than is necessary in a smaller community, and this higher grade of service can only be attained at a disproportionate increase in cost. In fact, the conditions in those cities are such that only engineering skill of the highest order, and the courage to embody the result of that engineering skill in permanent construction and to practise the most sensitive methods of operating regardless of cost, even at times when there was a fair question as to whether the great expense involved was justifiable, have enabled our companies to bring the situation into such shape as to be able to render the amount and character of service that is now required of them. To-day there is no question as to their foresight, and it is certain that the telephone problem in the large cities, complicated and difficult as it is, can be worked out satisfactorily, whatever may be the demands for service.

Even in the largest cities, however, not only the

average rate per station, but the standard rates of the individual subscriber, have been reduced from time to time as the conditions warranted; and this policy will be continued as circumstances permit.

In some places in the country, particularly where there has been the demoralizing effect of unintelligent competition, the rates are at the present time too low. The service rendered is worth substantially more than the users pay for it, and the net return to the operating companies in those particular localities is inadequate. In many such places the rates have already been raised to the point of reasonable return, with the goodwill and hearty co-operation of the community. There is no doubt that this process of readjustment will continue as the public becomes satisfied that it is the intention of our operating companies to increase rates only where it is necessary, and to reduce them as and when the conditions of the business justify it. That such is the policy of our companies will, it is believed, be recognized more clearly from year to year.

But little need be added to what has been said in former reports with reference to the effect of the operation of the so-called independent telephone companies upon the interests of the Bell companies. The developments of the year 1904 have served only to confirm the view heretofore expressed, that their presence in the field in certain portions of the country is not a matter of substantial disadvantage to the interests of the Bell companies as a whole. In some cases their competition, particularly in view of the rates at which they undertook to supply service, and which they themselves, to a large extent, now publicly acknowledge to have been

entirely inadequate, has undoubtedly operated as an embarrassment to the logical progress of the business and to that extent has interfered with its sound development, to the disadvantage, temporarily at least, of our interests, and clearly to the disadvantage of the public. It becomes more clear, however, every year that to enable the Bell companies to meet successfully such competition as may from time to time exist, it is only necessary for them to prosecute their affairs intelligently and with due regard to the public interest. The situation, as a whole, so far as this phase of the business is concerned, seems even more satisfactory than in former years.

It is to be observed that in many instances even aggressive competition has not substantially affected the sound application and development of the rates from time to time established by our companies as fair to them and to the public.

The fact that your Company and its allied companies constitute a national system extending throughout the country is, each year, more definitely recognized as entitling the Bell system as a public utility to a position which cannot be attained by rival organizations that are, relatively speaking, largely local in character.

The number of telephone companies organized to operate independently of the Bell companies in rural districts and relatively small centres of population, and for the most part in places not at the time having the Bell service, which have concluded that it is for their interest to become a part of the Bell system, is constantly increasing, and their course in entering into contracts with the Bell companies, whereby they take our tele-

phones and connect with toll lines of our system, is significant as showing the growing appreciation of the value of the Bell service. Such contracts are clearly for mutual advantage, as well as for the advantage of the community served, and are to be encouraged in the interest of sound telephone development, wherever, by reason of the establishment of such relations, it becomes unnecessary for our companies to duplicate an existing plant.

On the 31st day of December, 1902, as appears from the admirable and complete bulletin of the Census Department relating to the telephone and telegraph industry of the United States, there were of the telephones classified as operated by independent companies, so called, 84,021, which were in fact Bell telephones used under contract with the Bell companies and as part of the Bell system. This number has grown so that on the 1st of January, 1905, there were, as above stated, 167,213 telephone stations of this class. There is every reason to believe that this sub-license business of the Bell companies will increase from year to year to the advantage of all concerned.

The money required by the Company for the extension of its long lines, and for investment in its operating companies for the year 1904, was obtained by the sale, on favorable terms, of \$20,000,000 five per cent. coupon notes, due May 1, 1907, and secured by its four per cent. collateral trust bonds to the amount of \$25,000,000.

The money required for like purposes for the year 1905 is provided by the sale, just consummated, of \$25,000,000 four per cent. collateral trust bonds.

Appended hereto, as usual, are a series of comparative statistics showing certain phases of the development of the business of the Company and its associated companies; a statement of the ledger balances of the Company as of Dec. 31, 1904; also a comparative statement of the earnings and expenses for the years 1903 and 1904, and copies of the reports of the Committee on Treasurer's Accounts of May 26, Sept. 29, Nov. 23, 1904, and March 4, 1905.

There is also appended a map showing the toll lines of the Bell system throughout the United States, which gives an indication of the extent to which the territory is occupied.

On the back of the cover of this report is a curve which illustrates graphically the growth of the number of subscribers to the system from the beginning to the thirty-first day of December, 1904.

For the Directors,

FREDERICK P. FISH,

President.

INSTRUMENTS IN THE HANDS OF BELL LICENSEES,
UNDER RENTAL.

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

| Dec. 20, 1895. | Dec. 20, 1896. | Dec. 20, 1897. | Dec. 20, 1898. | Dec. 20, 1899. |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| 674,976 | 772,627 | 919,121 | 1,124,846 | 1,580,101 |
| 92,470 | 97,651 | 146,494 | 205,725 | 455,255 |

| Dec. 20, 1900. | Dec. 20, 1901. | Dec. 20, 1902. | Dec. 31, 1903. | Dec. 31, 1904. |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| 1,952,412 | 2,525,606 | 3,150,320 | 3,779,517 | 4,480,564 |
| 372,311 | 573,194 | 624,714 | 629,197 | 701,047 |

TOLL LINES IN THE UNITED STATES OF THIS COMPANY AND THE COMPANIES ASSOCIATED WITH IT.

| | Jan. 1, 1896. | Jan. 1, 1897. | Jan. 1, 1898. | Jan. 1, 1899. | Jan. 1, 1900. | Jan. 1, 1901. | Jan. 1, 1902. | Jan. 1, 1903. | Jan. 1, 1904. | Jan. 1, 1905. | In- crease. |
|---------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Miles of Pole | | | | | | | | | | | |
| Lines..... | 52,873 | 60,453 | 67,791 | 75,718 | 89,292 | 101,087 | 110,459 | 122,409 | 130,178 | 136,547 | 6,369 |
| Miles of Wire | 215,687 | 268,866 | 324,883 | 385,911 | 501,832 | 607,599 | 716,265 | 837,912 | 975,702 | 1,121,228 | 145,526 |

15

TOLL CONNECTIONS.

The average daily number of toll connections is 300,998
 Or a total per year of about 96,921,000

EXCHANGES OF THE BELL COMPANIES IN THE UNITED STATES.

| | Jan. 1, 1896. | Jan. 1, 1897. | Jan. 1, 1898. | Jan. 1, 1899. | Jan. 1, 1900. | Jan. 1, 1901. | Jan. 1, 1902. | Jan. 1, 1903. | Jan. 1, 1904. | Jan. 1, 1905. | Increase. |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------|
| Exchanges . | 927 | 967 | 1,025 | 1,126 | 1,239 | 1,348 | 1,411 | 1,514 | 1,609 | } 4,080 | 340 |
| Branch Offices | 686 | 832 | 937 | 1,008 | 1,187 | 1,427 | 1,594 | 1,861 | 2,131 | | |
| Miles of wire on poles and buildings . | 273,185 | 299,226 | 341,091 | 411,832 | 524,123 | 644,730 | 841,140 | 1,109,017 | 1,358,140 | 1,654,379 | 296,239 |
| Miles of wire underground | 184,515 | 234,801 | 282,634 | 358,184 | 489,250 | 705,269 | 883,679 | 1,328,685 | 1,618,691 | 1,888,760 | 270,069 |
| Miles of wire submarine . | 2,028 | 2,818 | 2,675 | 2,973 | 3,404 | 4,203 | 4,200 | 6,048 | 6,358 | 6,671 | 313 |
| Total miles of wire . . . | 459,728 | 536,845 | 626,400 | 772,989 | 1,016,777 | 1,354,202 | 1,729,019 | 2,443,750 | 2,983,189 | 3,549,810 | 566,621 |

EXCHANGES OF THE BELL COMPANIES—Continued.

| | Jan. 1, 1896. | Jan. 1, 1897. | Jan. 1, 1898. | Jan. 1, 1899. | Jan. 1, 1900. | Jan. 1, 1901. | Jan. 1, 1902. | Jan. 1, 1903. | Jan. 1, 1904. | Jan. 1, 1905. | In- crease. |
|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Total Circuits . | 237,837 | 264,645 | 295,904 | 338,293 | 422,620 | 508,262 | 592,467 | 742,654 | 798,901 | 930,251 | 131,350 |
| Total Employees | 11,930 | 14,425 | 16,682 | 19,668 | 25,741 | 32,837 | 40,864 | 50,350 | 53,795 | 59,451 | 5,656 |
| Total Stations . | 281,695 | 325,244 | 384,230 | 465,180 | 632,946 | 800,880 | 1,020,647 | 1,277,983 | 1,525,167 | 1,799,633 | 274,466 |

EXCHANGE CONNECTIONS.

The estimated number of exchange connections daily in the United States, made up from actual count in most of the exchanges, is 11,149,063

Or a total per year of about 3,589,998,000

The number of daily calls per station varies in different exchanges, the average throughout the United States being $6\frac{2}{3}$.

LEDGER BALANCES, DEC. 31, 1904.

DEBTORS.

| | |
|--------------------------------|-----------------|
| Construction, Equipment and | |
| Supplies | \$30,889,710 46 |
| Telephones | 7,301,688 70 |
| Real Estate | 2,232,943 67 |
| Stocks and Bonds | 138,684,248 03 |
| Patent Account | 219,834 35 |
| Machinery and Tools | 48,126 58 |
| Cash and Deposits | 12,192,673 00 |
| Bills and Accounts Receivable, | 35,140,047 95 |
| American Bell Telephone Co., | 22,110,400 00 |
| Old Colony Trust Co., Trustee, | 25,000,000 00 |

CREDITORS.

| | |
|----------------------------|------------------|
| Capital Stock | \$158,661,800 00 |
| Surplus | 5,601,099 65 |
| Bonds | 28,000,000 00 |
| Bonds (Collateral) | 25,000,000 00 |
| Notes | 20,000,000 00 |
| Reserves | 8,726,614 94 |
| *Accounts Payable | 9,184,947 90 |
| Contingent | 18,645,210 25 |
| | \$273,819,672 74 |
| | \$273,819,672 74 |

WM. R. DRIVER, *Treasurer.*

* Of this amount, \$2,959,906.50 is for the dividends payable January 15, 1905, to stockholders of record December 31, 1904.

Comparative Statement of Earnings and Expenses.

EARNINGS.

| | 1903. | 1904. |
|---------------------------------|-----------------|-----------------|
| Dividends | \$7,802,833 63 | \$8,400,301 18 |
| Rental of Instruments | 3,047,088 35 | 3,438,605 54 |
| Telephone Traffic | 4,888,158 34 | 5,575,447 90 |
| Real Estate | 73,332 15 | 76,782 49 |
| Interest | 734,219 92 | 1,055,522 10 |
| | \$16,545,632 39 | \$18,546,659 21 |

EXPENSES.

| | | |
|--------------------------------------|-----------------|-----------------|
| Expenses of Administration | \$962,297 84 | \$1,103,492 95 |
| Legal Expenses | 95,564 60 | 83,530 42 |
| Interest and Taxes | 1,993,680 08 | 2,670,083 61 |
| Telephone Traffic | 2,929,424 78 | 3,413,850 48 |
| | \$5,980,967 30 | \$7,270,957 46 |
| Net Revenue | \$10,564,665 09 | \$11,275,701 75 |
| Dividends Paid | 8,619,150 75 | 9,799,117 50 |
| Balance | \$1,945,514 34 | \$1,476,584 25 |
| Carried to Reserves | \$728,139 97 | \$586,149 20 |
| Carried to Surplus | 1,217,374 37 | 890,435 05 |
| | \$1,945,514 34 | \$1,476,584 25 |

WM. R. DRIVER, *Treasurer.*

BOSTON, MASSACHUSETTS, 26 May, 1904.

FREDERICK P. FISH, Esquire,

President American Telephone and Telegraph Company,

Dear Sir,— Herewith I enclose the report of Mr. Henry A. Piper, an expert accountant employed by me to examine the accounts of our Treasurer for the three months ending March 31, 1904.

Respectfully yours,

FRANCIS BLAKE,

Committee on Treasurer's Accounts.

Boston, May 25, 1904.

FRANCIS BLAKE, Esq.,

Dear Sir,— I have examined the accounts of the Treasurer of the American Telephone and Telegraph Company in Boston and New York, for the three months ending March 31, 1904, and have to report as follows :

I have determined the cash in hand and in the banks and trust companies, and find the amount, after allowing for outstanding checks, to agree with the balance of cash on that date.

I have seen approved and receipted vouchers for all disbursements, and have verified the record of cash receipts.

I have seen that all notes and stock certificates owned by the company are in hand, and correctly entered upon the books.

I have found all Cash book and Journal entries duly posted to the Ledger, and the footings correct, and have proved the Balance Sheet.

I hereby certify that in all my investigations, as above recited, I have found everything correct.

Yours very truly,

HENRY A. PIPER.

BOSTON, MASSACHUSETTS, 29 September, 1904.

FREDERICK P. FISH, Esquire,

President American Telephone and Telegraph Company,

Dear Sir,— Herewith I enclose the report of Mr. Henry A. Piper, an expert accountant employed by me to examine the accounts of our Treasurer for the three months ending June 30, 1904.

Respectfully yours,

FRANCIS BLAKE,

Committee on Treasurer's Accounts.

BOSTON, September 17, 1904.

FRANCIS BLAKE, Esq.,

Dear Sir,— I have examined the accounts of the Treasurer of the American Telephone and Telegraph Company in Boston and New York, for the three months ending June 30, 1904, and have to report as follows :

I have determined the cash in hand and in the banks and trust companies, and find the amount, after allowing for outstanding checks, to agree with the balance of cash on that date.

I have seen approved and receipted vouchers for all disbursements, and have verified the record of cash receipts.

I have seen that all notes and stock certificates owned by the company are in hand, and correctly entered upon the books.

I have found all Cash book and Journal entries duly posted to the Ledger, and the footings correct, and have proved the Balance Sheet.

I hereby certify that in all my investigations, as above recited, I have found everything correct.

Yours very truly,

HENRY A. PIPER.

BOSTON, MASSACHUSETTS, 23 November, 1904.

FREDERICK P. FISH, Esquire,

President American Telephone and Telegraph Company,

Dear Sir,— Herewith I enclose the report of Mr. Henry A. Piper, an expert accountant employed by me to examine the accounts of our Treasurer for the three months ending September 30, 1904.

Respectfully yours,

FRANCIS BLAKE,

Committee on Treasurer's Accounts.

BOSTON, November 22, 1904.

FRANCIS BLAKE, Esq.,

Dear Sir,— I have examined the accounts of the Treasurer of the American Telephone and Telegraph Company in Boston and New York, for the three months ending September 30, 1904, and have to report as follows :

I have determined the cash in hand and in the banks and trust companies, and find the amount, after allowing for outstanding checks, to agree with the balance of cash on that date.

I have seen approved and receipted vouchers for all disbursements, and have verified the record of cash receipts.

I have seen that all notes and stock certificates owned by the company are in hand, and correctly entered upon the books.

I have found all Cash book and Journal entries duly posted to the Ledger, and the footings correct, and have proved the Balance Sheet.

I hereby certify that in all my investigations, as above recited, I have found everything correct.

Yours very truly,

HENRY A. PIPER.

BOSTON, MASSACHUSETTS, 4 March, 1905.

FREDERICK P. FISH, Esquire,

President American Telephone and Telegraph Company.

Dear Sir,—Herewith I enclose the report of Mr. Henry A. Piper, an expert accountant employed by me to examine the accounts of our Treasurer for the three months ending December 31, 1904.

Respectfully yours,

FRANCIS BLAKE,

Committee on Treasurer's Accounts.

BOSTON, February 27, 1905.

FRANCIS BLAKE, Esq.,

Dear Sir,—I have examined the accounts of the Treasurer of the American Telephone and Telegraph Company in Boston and New York, for the three months ending December 31, 1904, and have to report as follows :

I have determined the cash in hand and in the banks and trust companies, and find the amount, after allowing for outstanding checks, to agree with the balance of cash on that date.

I have seen approved and receipted vouchers for all disbursements, and have verified the record of cash receipts.

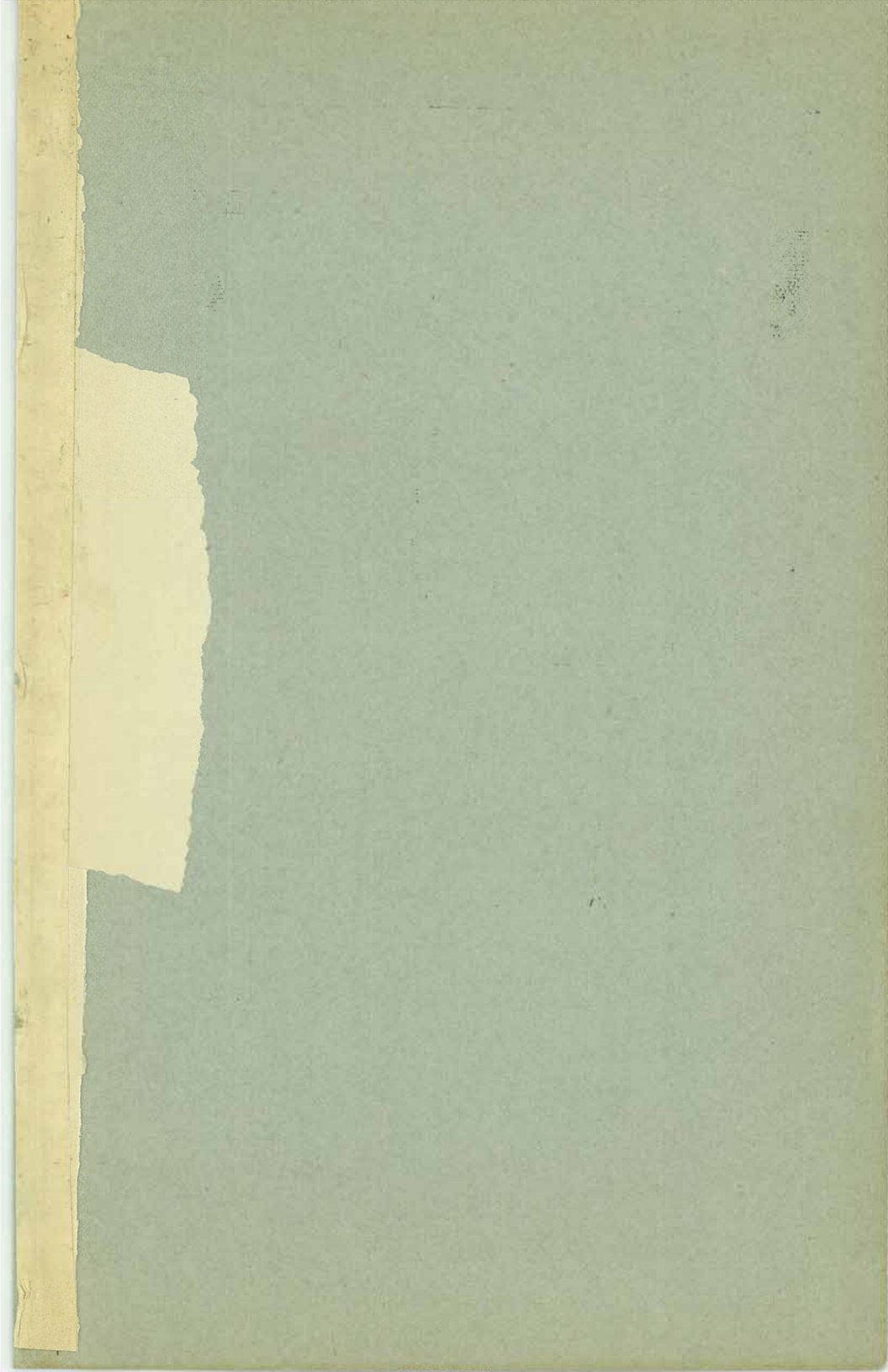
I have seen that all notes and stock certificates owned by the company are in hand, and correctly entered upon the books.

I have found all Cash book and Journal entries duly posted to the Ledger, and the footings correct, and have proved the Balance Sheet.

I hereby certify that in all my investigations, as above recited, I have found everything correct.

Yours very truly,

HENRY A. PIPER.



CURVE SHOWING
 INCREASE IN NUMBER OF
SUBSCRIBERS' STATIONS
 CONNECTED TO THE SYSTEM
 OF THE
**BELL TELEPHONE
 COMPANIES**

JAN. 1, 1876. --- JAN. 1, 1905.

ON JANUARY 1, 1905, THERE WAS ONE BELL TELEPHONE
 SUBSCRIBER TO EACH 42 OF THE TOTAL POPULATION
 OF THE UNITED STATES.

