

To the People of Michigan . . . a Report

For the information of the people of Michigan who have entrusted to this Company the responsibility of providing the major part of the telephone service of the State, for the employees of the Company who operate the service, and for those who have invested their savings to build the telephone system, the Michigan Bell Telephone Company presents this report of its problems and accomplishments during 1941.

MONTHS of feverish expansion of Michigan's defense industries, capped by the arrival of war, made 1941 a year of unparalleled problems and important responsibilities for your Telephone Company.

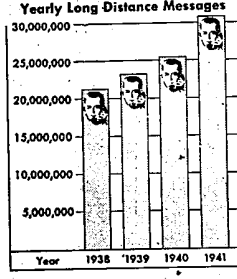
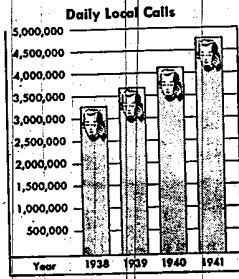
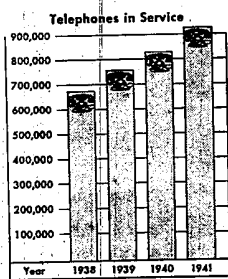
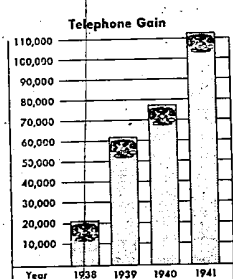
Before the outbreak of hostilities, the Company was engaged in meeting the greatest single-year expansion in its history. Expenses already were increasing faster than revenues. And throughout the year, a growing scarcity of materials essential to the business made it increasingly difficult to meet the unprecedented demands for service.

When war came, it not only multiplied an already tremendous demand for telephone service, but also made the swift handling of that demand even more vital to the nation.

1941 saw the largest service demand in the Company's history

Under the pressure of the Defense and War Programs, industry and its workers used *more telephones* and used *telephones more*. Michigan Bell's rate of increase in

telephones was nearly double the average rate of the Bell System as a whole. The volume of both long distance and local calls was the largest in the Company's history.



A telephone gain of 110,223, more than 41% above 1940's record growth. 929,314 telephones at the end of the year, 35% over pre-depression peak.

An average of 4,789,000 local calls daily, 17% above the 1940 record.

A record total of 30,137,000 toll and long distance calls, 19% over 1940.

1941 required record expenditure for construction

The tremendous demand for service required an expenditure of \$27,710,000 for new construction, a program which brought the total cost of telephone plant up to \$226,500,000.

1941 material shortage made job difficult

Construction work was handicapped by shortages of essential materials. Because those scarce materials also are essential to other defense industries, their use was held to a minimum through emergency engineering methods and by the use of alternate materials. Work was restricted to that absolutely necessary for short-period demand and material was salvaged which normally it would not be economical to salvage.

1941 construction required new financing

Financing of the construction program was greatly simplified by Michigan Bell's membership in the Bell System. To help pay for the expansion work, \$10,000,000 in common stock was sold to the American Telephone and Telegraph Company at par of \$100 per share. In December, the State of Michigan authorized issuance of an additional \$25,000,000 in common stock, to be sold as necessary.

1941 taxes totaled \$9,466,000

17 cents per 1 of telephone revenue \$10.79 per telephone \$720 per employee

Due mainly to rapidly mounting Federal taxes which support government and war activities, Michigan Bell's operating taxes for 1941 were \$9,466,000. That was the equivalent of 17 cents out of each dollar of revenue, or \$10.79 per telephone, or \$720 per employee, or \$6.59 per share of stock. We also collected, and paid the United States Government, approximately \$1,500,000 our customers paid as direct Federal tax on telephone service.

1941 wage rates were increased \$2,750,000

It is the sum of the Michigan Bell to pay wages in each locality that compare favorably with wages paid by other employers for work requiring similar ability. Adjustments in wage levels in 1941 totaled approximately \$2,750,000 on an annual basis, and brought rates of pay to a higher level than ever before.

1941 showed revenues UP, earnings DOWN

Revenues were higher than in 1940, but the growth in expenses, mainly wages and taxes, was greater than the revenue increase. Consequently, net income declined.

Revenues increased + 13%
 Expenses, including taxes, increased + 19%
 Net income decreased - 4%

Reduction in net income would have been even greater had it not been for the effect on taxes of the refunding in 1941 of certain toll revenues collected in previous years.

After payment of \$7 per share of stock, there was \$841,000 left for surplus, the "rainy day" reserve which every financially sound company must have.

1941 rates reduced \$1,500,000 annually

Local and long distance rate reductions placed in effect in 1941 will save Michigan telephone users some \$1,500,000 a year, based on current usage. In addition, \$1,500,000 was refunded to users of certain intrastate long distance service.

1941 brought 26% increase in workers

Rapid increases in telephone demand require corresponding increases in the number of employees. Additions during the year brought the total number employed to 13,872, a net increase of 26%.

AND NOW, THE WAR YEAR OF 1942

Summed up, 1941 was a year of challenging problems. To the men and women of the telephone organization, recognition is given for a job well done. The problems of 1942 will be greater than those of 1941. In military communications, in speeding our country's industrial production, in warning civilians of danger, in mustering

defense workers, the telephone will play a vital role. It is with confidence and sober determination that telephone people approach the 1942 job. While they recognize the increasing difficulty of supplying service demands as promptly as in the past, they are determined that every war-time need will continue to be met.

MICHIGAN BELL TELEPHONE COMPANY

(Copies of the complete 1941 Annual Report may be secured while the supply lasts by addressing requests to the Secretary, 1365 Cass Avenue, Detroit, Michigan.)

Michigan Mirror

(Continued from Page Two)

Fantastic as the idea might have appeared three to six months ago, it is entirely feasible today in the opinion of army authorities. Lieut. General Ben Lear, visiting Fort Custer for an inspection, told reporters that enemy bombers could base in the Hudson bay district and easily fly to Michigan.

Equally important in modern warfare would be its propaganda value. The home morale stimulus from such a raid to inland centers of the United States. (Imagine how we would thrill over newspaper headlines of an American air raid on Tokyo!)

The Yankee spirit of '42 is shown by the following public opinion on the front page of a weekly newspaper in Wayne county, the Huron County Sentinel at Flat Rock:

"Have you a pall of sand in your attic and also a pall on the second floor of your home to extinguish an incendiary bomb? The village of Flat Rock has sand available for this purpose. Bring pails for sand to police headquarters.—Merrell Page, Village Clerk."

Farmers are faced with a severe labor shortage, so warns Dean E. L. Anthony, department of agriculture at Michigan State College.

Anthony says farmers do not apparently realize the seriousness of the situation, caused by selective service demands. The American army in the last war numbered 3,673,838 men on Nov. 11, 1918; today military authorities are talking of a 10,000,000-man AEF.

Michigan workers in industrial defense approximate 400,000, according to George H. Fern, state director of vocational education.

Today's labor surplus, due to conversion of some of the plants, is around 170,000. Within six months it will be replaced by a shortage, and Fern foresees greater employment of women in war plants. The Ford bomber plant at Willow Run is expected to employ 12,000 to 20,000 women.

Vernon J. Brown, state auditor general, recently bought a farm four miles east of Mason where he was born 60 years ago. As the Ingham County News at Mason heralded the event: "After a lot of hard work he has been able to get back where he was 25 years ago (when he abandoned the farm for city life.) Last Saturday he bought the old homestead back. He intends to plant the farm to alfalfa, buy a half-dozen bees, and a hen or two and be a gentleman farmer."

In the opinion of Federal Judge Frank J. Picard of Saginaw, the state's liquor control commission should exercise more control, not less; the state should gain from the profit, not the private merchant.

As reported by Guy H. Jenkins, ace Booth correspondent at Lansing, the 1943 legislature may get recommendations to this effect, from the three-man study commission recently appointed by the governor and headed by Picard.

Curlew regulations for sale of gasoline and oil are expected soon, reports William A. Palmer, director of the Michigan Petroleum Industries Committee. Reasons: Reduced consumption of gasoline, due to automobile and tire restrictions, is inflicting hardships on gasoline dealers; saving of electricity for industrial needs.

But no rationing of gasoline is in prospect for Mid-West states.

In fact, it's just the other way. Today's surplus of refined gasoline is the largest in many years.



KEEP THAT BABY SMILE FOREVER

By having a good photograph taken today.

SAN REMO STUDIOS

17190 Lahser Road Redford

Artificial Silk
 The first process of making artificial silk was discovered 53 years ago by Professor Henri de Vhardemet, distinguished French scientist.