

Speech by Walter S. Gifford to the National Association of Railroad and Utilities Commissioners  
October 1927

---

Gifford, W. S. (1927). Speech presented to the National Association of Railroad and Utilities Commissioners, Dallas, Texas.

### Summary

---

The following speech by Walter S. Gifford, President of A. T. & T., was presented to a meeting of the Interstate Commerce Commission and the State Utilities Commissioners. The combined group was called the National Association of Railroad and Utilities Commissioners. The purpose of the speech was for Gifford to outline the Bell System's fundamental relationship toward the public. Gifford's talk was one of the few instances in which a major corporation publicly stated the bases on which it hoped to serve the public. Arthur Page referred to this speech as *the Dallas Speech* in many of his future talks to various internal Bell System conference groups.

In *The Bell Telephone System*, written by Arthur Page and published in 1941, Page wrote that the general public, the press of the country, and even the financial world did not grasp the meaning of Gifford's statement.

*The policy outlined committed the Bell System to furnish the best telephone service that it could, to render that service as economically as possible, and to limit its charges to an amount sufficient to keep the company financially healthy – that is, enough to attract new capital to insure the company's ability to give the increasing service the public needs.*

p. 14, Chapter II – Bell System Policies, *The Bell Telephone System*, Arthur W. Page, Harper & Brothers, 1941.

### Speech

---

October 1927

*Broadly considered, you as Public Utility Commissioners and we in the telephone business are engaged in a common enterprise; our success must depend upon mutual confidence and understanding. In the current performance of our daily tasks it is possible to lose sight of the ultimate aim and goal of our endeavors. With the thought in mind that it may prove helpful, I wish to state very briefly the principles that guide the management of the Bell System.*

*There are today over 420,000 stockholders of the American Telephone and Telegraph Company and no one of them owns as much as one per cent of the capital stock. The business of this Company and its Associated Bell Telephone Companies, whose common stock is largely owned by this Company, is to furnish telephone service to the nation. This business is from its very nature carried on without competition in the usual sense.*



Speech by Walter S. Gifford to the National Association of Railroad and Utilities Commissioners  
October 1927

*These facts have a most important bearing on the policy that must be followed by the management if it lives up to its responsibilities. The fact that the ownership is so widespread and diffused imposes an unusual obligation on the management to see to it that the savings of these hundreds of thousands of people are secure and remain so. The fact that the responsibility for such a large part of the entire telephone service of the country rests solely upon this Company and its Associated Companies also imposes on the management an unusual obligation to the public to see to it that the service shall at all times be adequate, dependable and satisfactory to the user. Obviously, the only sound policy that will meet these obligations is to continue to furnish the best possible telephone service at the lowest cost consistent with financial safety. This policy is bound to succeed in the long run and there is no justification for acting otherwise than for the long run.*

*It follows that there is not only no incentive but it would be contrary to sound policy for the management to earn speculative or large profits for distribution as "melons" or extra dividends. On the other hand, payments to stockholders limited to reasonable regular dividends with their right, as the business requires new money from time to time, to make further investments on favorable terms, are to the interest both of the telephone users and of the stockholders.*

*Earnings must be sufficient to assure the best possible telephone service at all times and to assure the continued financial integrity of the business. Earnings that are less than adequate must result in telephone service that is something less than the best possible. Earnings in excess of these requirements must either be spent for the enlargement and improvement of the service furnished, or the rates charged for the service must be reduced. This is fundamental in the policy of the management.*

*The margin of safety in earnings is only a small percentage of the rate charged for service, but that we may carry out our ideals and aims it is essential that this margin be kept adequate. Cutting it too close can only result in the long run in deterioration of service while the temporary financial benefit to the telephone user would be practically negligible.*

*Our policy and purpose are the same as yours - the most telephone service and the best, at the least cost to the public. Without overlooking the fact that we lack the big money incentive for maximum profits and the drive for improvement that results from active and strong competition, we believe the telephone company is organized to make continuous and effective progress...*

*Undoubtedly a very great factor in the continued progress and improvement of telephone service is the intangible but quite real spirit of service that has*



Speech by Walter S. Gifford to the National Association of Railroad and Utilities Commissioners  
October 1927

*become a tradition in the telephone business, but the results of the Bell telephone business have a broader foundation... It is fundamental in our plan of organization to have a headquarters and in our laboratories several thousand people whose sole job is to work for improvement. They are engaged in studying what is used in the telephone business and how it is used and endeavor to find a better thing or a better way. Of course, the people who are engaged day by day in trying to maintain a high standard of telephone service are doing their part, and a most important part, in increasing the quality and keeping down the cost of service, but progress is assured by having a large group of scientists and experts devoted exclusively to seeking ways and means of making the service better and cheaper.*

*It is now nearly 20 years since the State Commissions generally took over the duties of regulating the telephone companies. During those 20 years the physical results of your regulation and our operation are impressive. In 1907 there were about 6,000,000 telephones in the United States but they were only partially interconnected, while today there are over 18,000,000. Thus, today, practically any one anywhere can talk by telephone with any one else, anywhere else in the country. Moreover, any one in the United States can now converse by telephone with any one in Great Britain, Canada, Cuba and the principal cities of Mexico. This is real progress in extent and facility of communication, but we realize we are still far from our ultimate goal.*

*With your sympathetic understanding we shall continue to go forward, providing a telephone service for the nation more and more free from imperfections, errors or delays, and always at a cost as low as is consistent with financial safety.*