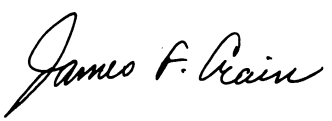
We hereby certify that the condensed return of its business and financial condition contained on pages 25 to 58 inclusive of this Annual Report is full, just and true.



Treasurer



Vice President - Finance and Comptroller.

THE COMMONWEALTH OF MASSACHUSETTS Suffolk s.s Boston, March 1, 1984. Then personally appeared the above-named J.H. Cogswell, Treasurer, and J.F. Crain, Vice President — Finance and Comptroller, and severally made oath that the foregoing certificate by them subscribed is true to the best of their knowledge, information and belief.

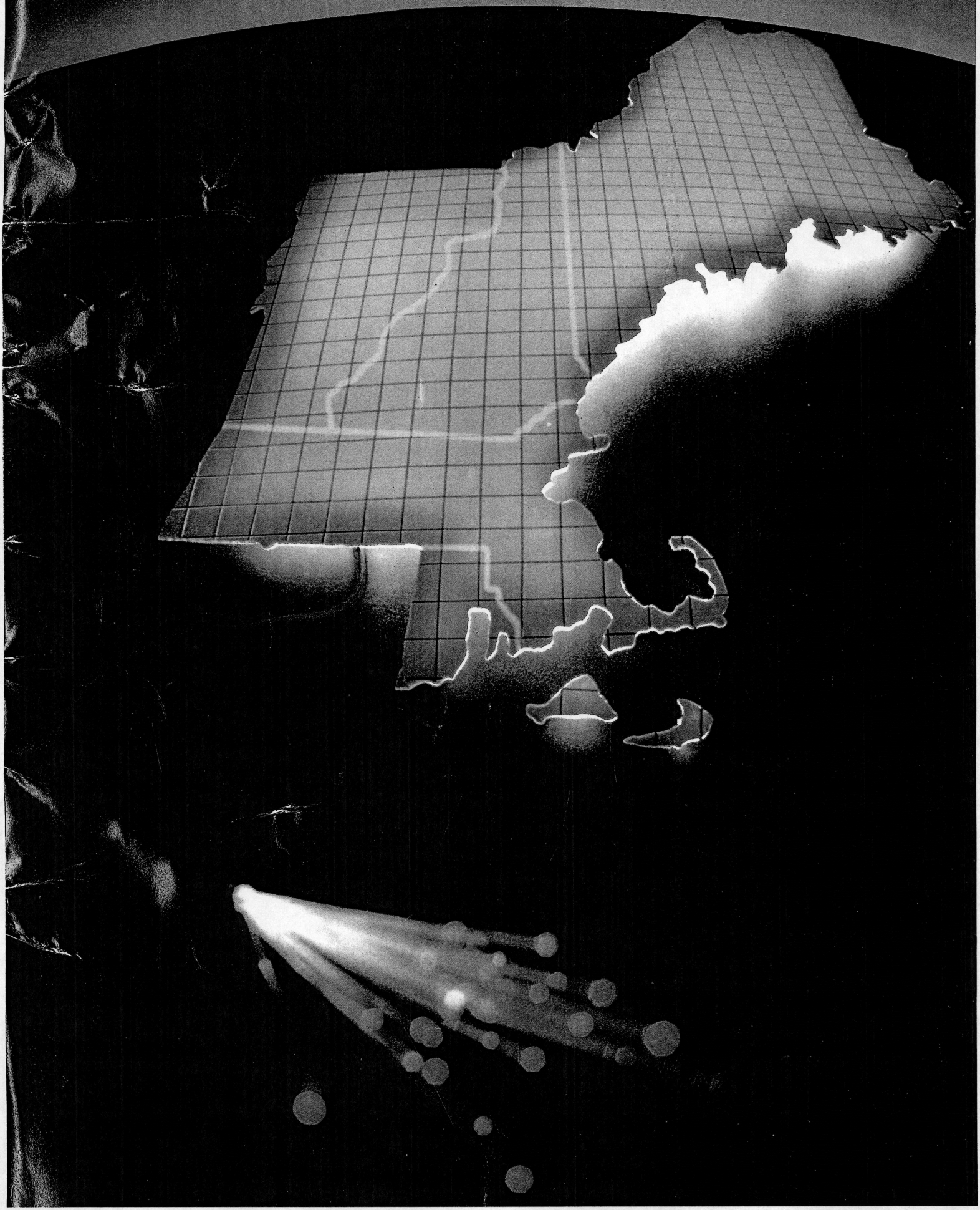
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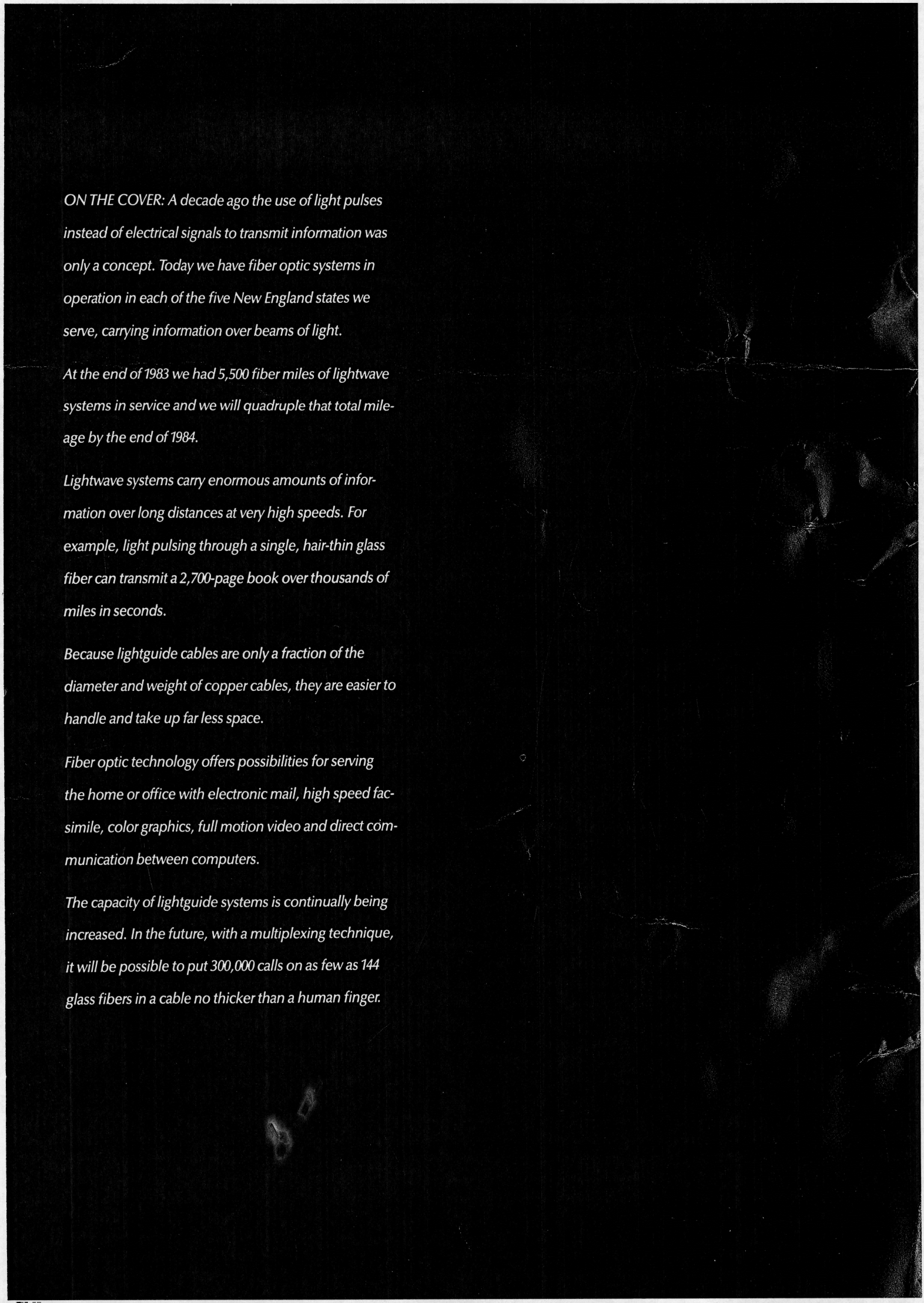


Notary Public

My Commission expires June 20, 1986

New England Telephone
1983 Annual Report





ON THE COVER: A decade ago the use of light pulses instead of electrical signals to transmit information was only a concept. Today we have fiber optic systems in operation in each of the five New England states we serve, carrying information over beams of light.

At the end of 1983 we had 5,500 fiber miles of lightwave systems in service and we will quadruple that total mileage by the end of 1984.

Lightwave systems carry enormous amounts of information over long distances at very high speeds. For example, light pulsing through a single, hair-thin glass fiber can transmit a 2,700-page book over thousands of miles in seconds.

Because lightguide cables are only a fraction of the diameter and weight of copper cables, they are easier to handle and take up far less space.

Fiber optic technology offers possibilities for serving the home or office with electronic mail, high speed facsimile, color graphics, full motion video and direct communication between computers.

The capacity of lightguide systems is continually being increased. In the future, with a multiplexing technique, it will be possible to put 300,000 calls on as few as 144 glass fibers in a cable no thicker than a human finger.

Highlights of 1983

	1983	% CHANGE
Access Lines	4,471,000	+3.0
Local Calls	12,502,640,000	+4.0
Toll Calls	2,284,535,000	+10.4
Calls/Business Day	58,910,000	+4.9
WATS Messages	519,480,000	+19.8
Telephones	6,201,000	−11.6
Construction Expenditures	$829,475,000	+2.9
Operating Revenues	$3,088,252,000	+3.8
Expenses	$2,174,311,000	+5.1
Taxes	$429,186,000	−1.1
Net Income	$327,265,000	+2.0
Employees	39,442	−2.4

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G.M. Freche, president of New England Telephone as it begins its second century, is shown in the Company's boardroom. Behind him is a painting of Theodore N. Vail, the Company's first president.

The President's Report

By every count 1983 was a very complex and unusual year for the telecommunications industry and especially for the Bell System. Despite the discontinuity of predivestiture activities which consumed an inordinate amount of our time, I'm pleased to report that 1983 was, on balance, a very good year for New England Telephone.

Our growth figures were excellent, net income rose, and we continued to expand the digital and fiber optic networks that will ensure our continued leadership in the Information Age.

The key to this success, of course, was the teamwork of our employees. They carried out their normal assignments on a daily basis while also preparing for the smooth transition that occurred when AT&T divested itself of the Bell operating telephone companies on January 1 of this year.

In the following pages you will find examples of our teamwork — some selected networks of people, equipment and revenues that contributed significantly to good service and the profitability of the company.

Our growth during 1983 is perhaps best exemplified by the fact that we gained 130,000 access lines connecting customers to our network. This was one of the largest gains in nearly 40 years.

At the same time, long distance calling volumes were up 10 percent in 1983, compared with increases of 8 percent in the previous two years.

The general improvement in New England economic conditions was largely responsible for the increased pace of business. From all indications, the future of our regional economy will continue to be favorable and, therefore, we expect that demand for our services will continue to grow.

To prepare for that growth, we spent a record $829.5 million on our construction program during 1983, more than a quarter of which was devoted to new technology.

The most dramatic of our new technology projects is the $25 million fiber optics network called "Pegasus" which connects a growing number of our major switching offices in eastern Massachusetts. In many applications optical fiber is the economic choice over copper cable, and it has a much larger message-carrying capacity.

Related and equally important initiatives are the other digital networks which we are expanding to serve the rapidly growing demand for data transmission, especially among customers' computers.

Net income for 1983 rose to $327 million, an increase of more than $6 million over 1982. Despite the unusual effects of divestiture and some large non-recurring expenses such as New England Telephone's portion of the judgment in the 1976 Litton antitrust suit against the Bell System, I feel we had a very good year and am proud of the financial results we were able to achieve.

I am also pleased with accomplishments in other areas which I believe are an indication of the general good health and spirit of our company.

We continued to place major emphasis on improving our customer service. We made impressive strides in 1983 with every key service indicator coming in well above objective.

More important to us, our customers told us the same story. Eight out of 10 customers feel they receive excellent or good service and 86 percent cite the dependability of their service, a significant improvement over previous years. This service commitment, which has characterized New England Telephone's past century of accomplishments, will distinguish our efforts in the new environment.

During this period of divestiture and major changes in service procedure, we mounted the most extensive public and employee information program in our history involving TV and newspaper ads, bill inserts, talk shows, public speeches, etc. Our "Let's Talk" information bureau alone answered more than 102,000 calls in 1983.

While we were continuing to improve service and make extensive changes in how we provide service, we also worked hard to drive non-essential costs out of our business. As competition increases it is vitally important that every employee shares a sense of proprietorship and the commitment to make the Company more cost competitive. We made good progress in all these efforts in 1983, and we'll continue to emphasize these goals in 1984.

Regardless of the changes that divestiture brought about in our industry, our investors continue to expect improved earnings. In spite of our best efforts to generate new revenues through aggressive marketing and the control of operating costs, we find ourselves increasingly in the regulatory arena.

In 1983 we had major rate case activities in Rhode Island, Vermont and Maine. In 1984 we expect to have rate activities again in those states as well as in Massachusetts and New Hampshire.

We received rate increases totaling $46 million in 1983, and another $60 million in rate increases was pending as this was written in February 1984.

We are actively working with our regulators to inform them of the major financial and marketing needs of our business, and the important part they play in our being able to compete in the new more competitive environment.

Having described many of our gains and accomplishments in 1983, I'd like to turn now to several issues that are affecting our business today and will continue to receive aggressive effort from us.

Competition and rapidly evolving technology in our industry make it imperative that we be allowed to have higher depreciation rates.

It is especially important that we be permitted a more rapid write-off of existing equipment. That would enable us to introduce newer technologies sooner, thereby increasing efficiency, reducing costs, and making a wider range of new services available to our customers. We are vigorously pursuing this objective with the FCC and the regulatory commissions in each of our five states.

Competition also dictates that the prices of goods and services cover their true costs. For this reason, then, revenues from our local exchange service will have to generate a larger part of our total income to cover the related expenses we now incur.

In such a situation, measured service rather than unlimited calling at a flat rate is the fairest method for most customers. After all, with other products and services such as power, fuel, food, etc., we pay according to what we use. Low cost measured service is now available to 69 percent of our residence and to 99 percent of our business customers.

We continue to strongly support a monthly charge to cover our costs of connecting local customers from their premises to the transmission network.

A major portion of this "access" expense has been subsidized by long distance calling revenues which have been used to keep local calling costs down. The FCC believes, and we agree, that all residential and business customers, in the long run, should pay monthly access charges to their local telephone operating company to offset revenues that are now collected solely from long distance users to subsidize local service costs.

Effective April 3, 1984 the FCC has authorized a $6 monthly access charge per line for business customers with more than one line. The FCC delayed, however, until mid-1985 its earlier decision allowing a $2 charge on all residential and 1-line business customers.

We believe that residential and small business users, as well as larger businesses, should help pay the fair costs associated with their own access to the telecommunications network. Such access charges would properly and gradually replace the subsidy of local service by the long distance user.

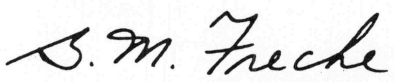
With divestiture from AT&T on January 1, 1984 our Company began its second hundred years as a subsidiary of a new and independent regional holding company — the NYNEX Corporation. NYNEX replaces AT&T in owning all the stock of our Company as well as that of New York Telephone.

There are many exciting prospects to our new beginning. We've set our sights on continuing to be a quality communications company, one with the most efficient and technologically advanced network in the world.

We intend to keep on growing in service capacity and service response to the special needs of our customers — in short, a strong, competitive, innovative supplier of telecommunications and other related services.

Divestiture, with all its complexity, confusion and indeed sadness at the break-up of the Bell System, is behind us.

We look now to the challenge of today and to tomorrow. We're enthusiastic about the shape of the future, an exciting future that more than ever is ours to determine.



G. M. Freche
President
February 29, 1984


RIER/LIGHTWAVE
MICROWAVE/RADIO
MICROWAVE/R
LEGEND
T1 SPAN
T1/DTD SPAN
LIGHTWAVE
LIGHTWAVE N.E. CORRIDOR
CENTRAL OFFICE
CENTRAL OFFICE TOAS TDMS
TOAS 4A/4E OFFICE
LATA BOUNDARY

RECEIVED BY
OFFICE OF CITY CLERK
APR 11 11 28 AM '84
CAMBRIDGE, MASS.

The Switched Network

The traditional telephone network helped to conquer *distance*. Our new information-age network services help to conquer *time* as well.

Today's customer wants speed and reliability to deal with the mass of information that must be handled. And our telecommunications network is one of the largest and most sophisticated information handling systems anywhere.

New England Telephone's switched network provides local communications *access* to just about anywhere in the world.

Back in 1877 when the world's first commercial telephone was installed in a Boston banker's home, he could only talk between his suburban home and his office in a downtown bank. Today he could call about 450 million telephone subscribers all over the world.

But on an average, about 60 percent of business calls, and an estimated 90 percent of residence calling is within the LATA (Local Access and Transport Area).

Switching or interconnecting these calls, and transporting them is the heart of our business and the most important source of our revenues.

We're putting advanced technology to work on the lines that run from our local central offices to New England businesses and homes, bringing information-age services to the customer's doorstep. Through electronic enhancements we're making it easier for business customers to control the network for



Toll Technician Fred Hartford checks on equipment in a Controlled Environmental Vault designed exclusively for lightguide cable. These air conditioned, humidity controlled underground vaults contain regenerators which strengthen the lightguide signal as it travels between central switching offices.

◀ *The switched transmission network, which provides our customers access to almost anywhere in the world, is the heart of our business. Manager Bill Doherty refers to a status board which helps technicians in the Facility Maintenance Administration Center in Boston monitor 5,500 miles of fiber optics, the newest and most efficient means of transporting information.*

their own special purposes and to change their services quickly themselves as new needs arise.

We're changing the way we transmit communications — voice as well as data — to meet the demands of the information age.

The tremendous growth in computer-to-computer transmission of data has spawned a heavy demand for digital transmitting facilities.

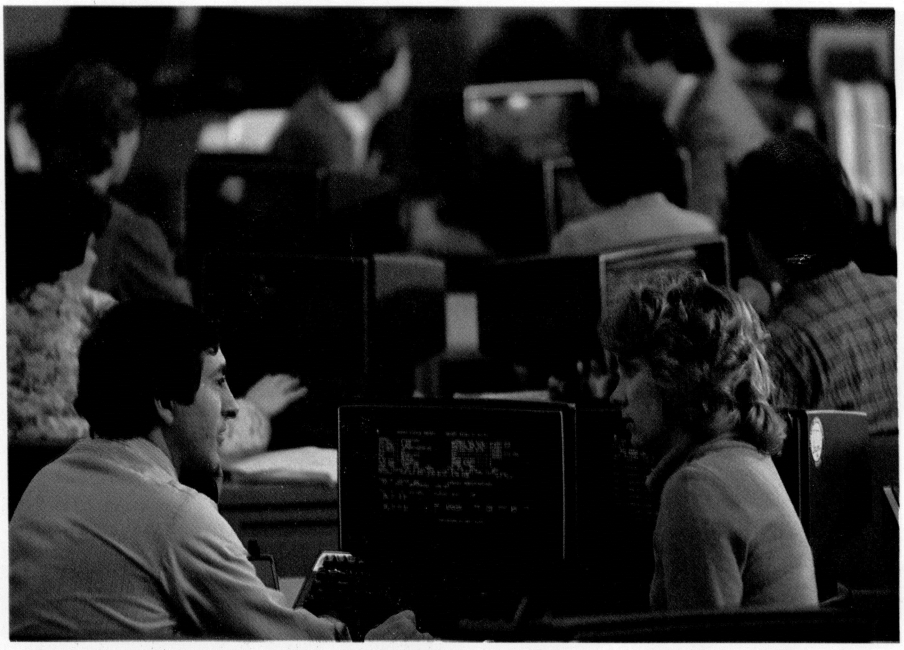
Until the early 1960's our network was designed primarily for voice communication. But the "language" of computers is in binary or digital form and the flow of data communications over our facilities is expected to grow 20 to 30 percent each year over the next decade.

Therefore, we're converting our call-handling network to all-digital technology. This permits us at the same time to change the sound signals of voice into electrical impulses and transmit voice and data in the same digital mode.

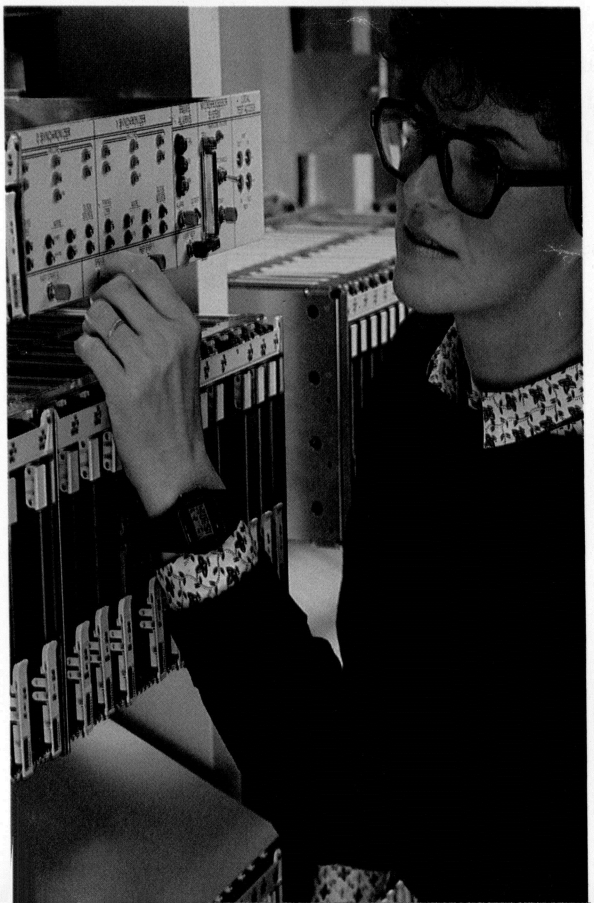
Digital equipment is also less expensive, more reliable and less susceptible to interference from weather conditions.

The most exciting and important trend in digital transmission is fiber optic cable which transmits data information and voice on beams of light through a glass fiber cable.

Two glass fibers can carry the



Supervisor Ken Bach confers with General Clerk Pat Breau in the Special Services Center in Boston. The center includes the Switched Access Remote Test System which enables one person to remotely test special services circuits, thus helping to reduce the time required for circuit installation and maintenance.



◀

Toll Technician Rita Fritch adjusts Digital Access and Cross Connect System equipment which makes it possible to switch digital voice signals from one carrier to another without first translating them into analog form. This new system increases the speed and quality of the transmission and reduces cost.

equivalent of 1,344 phone conversations and, with additional electronics, that capacity can be doubled.

We are nearing completion of a major fiber optic cable network called Pegasus that encircles Boston along the high tech belt of Route 128. The $25 million project will be finished in the first half of 1984.

There are fiber optic networks in each of the five states we serve, and virtually all intercity circuits being installed by the Company are either optical fiber, microwave or digital carrier on copper wire.

We had 5500 fiber miles in service at the end of 1983, and we plan to increase that total to nearly 22,500 fiber miles by the close of 1984.

We're also using advanced electronics to extend digital capabilities to the customer's home or office. One modern carrier system provides digital transmission and serves up to 96 customers on as few as four pairs of wires. We have 1150 of these systems in service.

Our electronic central offices are generally located in large population centers and offer such popular features as Custom Calling Services. Now these electronic switching offices can work with remote modules providing the very latest services to the smallest rural communities. Other new systems are under development. One permits customers to use special terminals to bank, shop, read the news and make travel arrangements. The information is displayed on home television sets or TV-like screens.

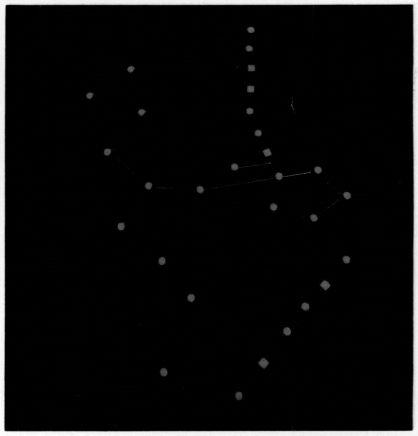
Another service being developed will enable a customer to set up a regular telephone conversation, halt the conversation to send high quality graphics in just a few seconds, and then continue to talk.

Another makes it possible to send data and voice simultaneously over a single line. For example, one family member could be talking on the phone while another was using a personal computer to obtain information from a central data bank.

These systems, and many more that are being developed, will continue to make our switched network so vital to meeting the future needs of customers, and to the growth and financial strength of the Company.



The Company's fiber optic network in Massachusetts is named for Pegasus, the winged horse of Greek mythology (above). Pegasus also is the name of a northern constellation whose outline resembles that of the network's basic route (below).




EXIT
sales

A Network of People

Machines, money and programs are the *means* toward our goals. But the men and women of New England Telephone *achieve* those goals.

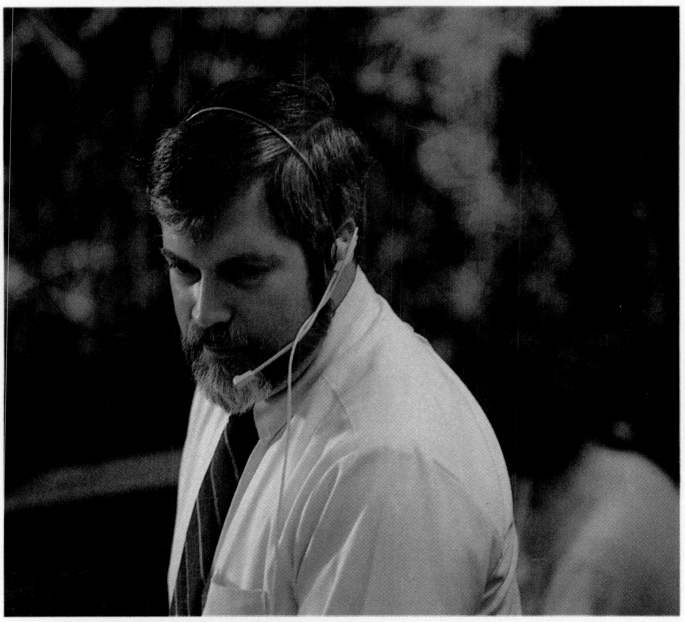
That's why we place the highest priority on hiring the best people and then make sure that they get the finest training possible.

We also are firmly committed to a policy of equal opportunity for all. In a year of major changes brought about by the breakup of the Bell System, we continued to meet our Equal Employment Opportunity program objectives.

Women and minorities increased in virtually all management levels while the total number of management jobs was decreasing. Women comprised more than half of all management hires in 1983, and minorities made up nearly a quarter of all new management hires. Significant gains by women were also made in technical non-management craft jobs traditionally held by men.

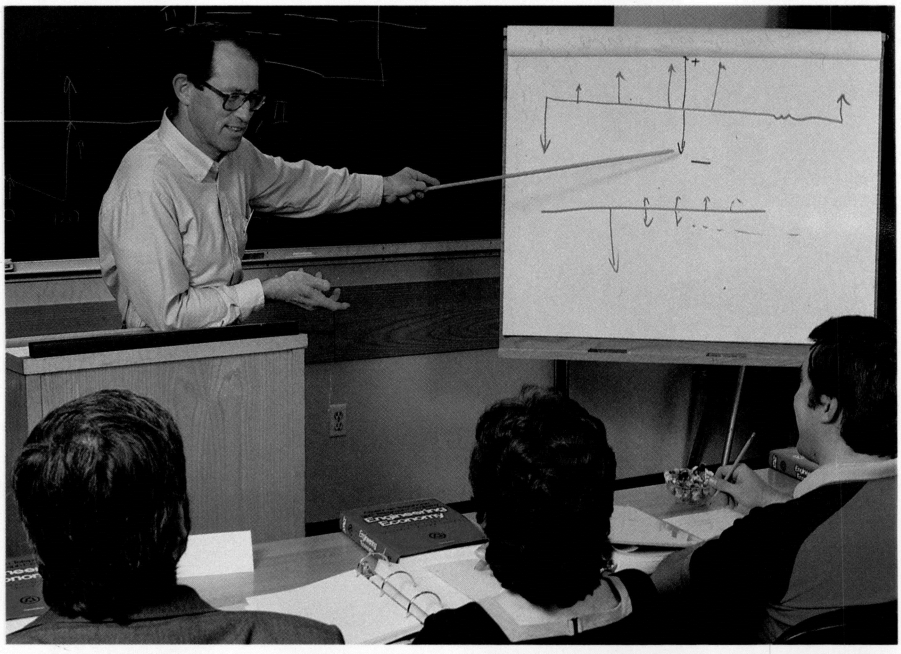


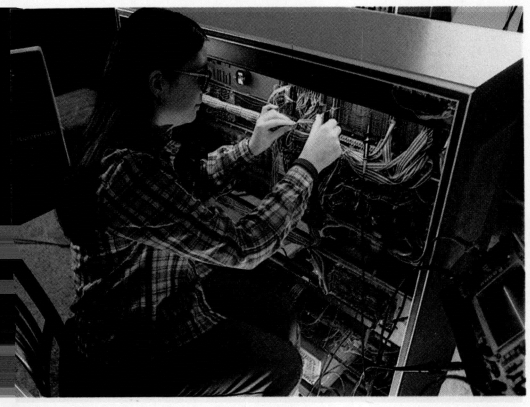
Judy Simmons, General Clerk



Ron Neely, Supervisor

◀ *While state-of-the-art technology is essential in our business, our most important asset continues to be employees like (from foreground) Tom Keenan, Cathy Tommasiello, Bob Ardiff, Gerry Wheaton, Reggie Salter and Mike Galica. More than 39,000 men and women, skilled in all aspects of the telecommunications business, are working to ensure that New England customers receive the best possible telephone service.*







(Top) George Smith, Instructor
(Bottom left) Maddie Paquette, Central Office Technician
(Bottom right) Karen Hart, General Clerk.



The Learning Center, situated in suburban Marlboro, Mass., offers classroom instruction for managers in virtually every facet of company operations.

Because so many changes are coming so quickly in our business, training has become critical to the continued effectiveness of every employee.

Some training is on the job. Some is at commercial schools or at colleges.

And New England Telephone also operates its own training facilities which approximate those of a good-sized college.

The largest of our training resources is the 25-acre campus of our Learning Center in suburban Marlboro, Mass. More than 9,500 students sharpened their skills and gained new knowledge at the Learning Center in 1983.

Over 4,000 New England Telephone men and women received tuition aid from the Company as they attended colleges and schools for further education after work hours. And 138 earned associates, bachelors or masters degrees during the year.

We have some 170 joint management-union committees that are developing ways to improve the intangible but highly important environment in which our men and women work. The committees are looking for ways to make work operations more efficient and to let individuals know that they are respected and appreciated for their efforts, encourage feedback and suggestions and build a sense of teamwork.

The commitment to service of Telephone people extends beyond their telephone job. Their response to public service takes many forms.

For example, more than 450 men and women served in 1983 as elected or appointed local officials in positions ranging from selectman, school committee member and town harbor master to deputy sheriff.

Telephone people have a long-standing record of responding to emergencies. In 1983 six examples were recognized with the presentation of the Bell System's Vail Award for heroic action. The recipients were John F. Brady, James M. Carroll, Prescott Froberg, Jeffrey Morrone, Charles J. Murray and John A. O'Neill.

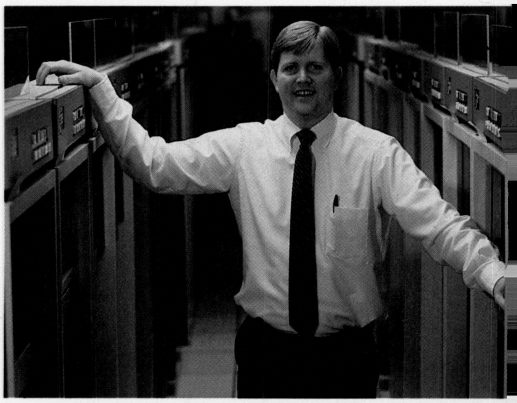
Service to others is spelled out by thousands of Telephone men and women who serve and financially support charitable and civic efforts in their communitties.

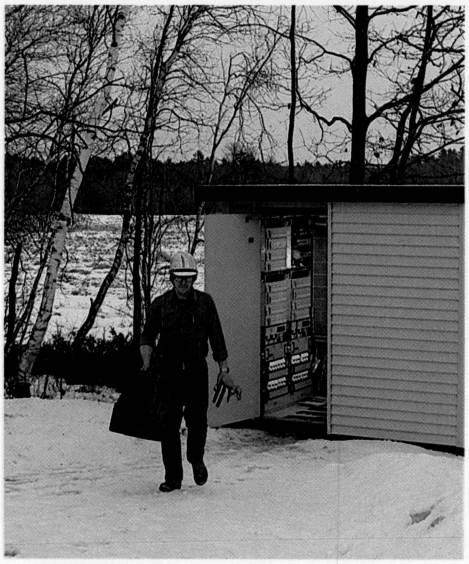
As one example, our people supported United Way programs with contributions totalling $3.5 million in 1983, and some 4,000 volunteered to help in local campaigns.

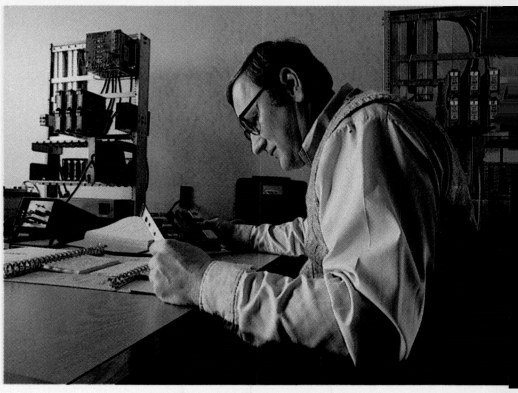
Communities over New England will continue to look to our Telephone men and women for their special kind of caring that translates into voluntary, helpful service to individual needs. And Telephone people will continue to respond.











(Clockwise from top) New England Telephone employees volunteer thousands of hours each year to help the retarded, the blind, the deaf and the elderly through membership in the Telephone Pioneers of America.
Mike O'Connor, Assistant Manager
Mike Phillips, Toll Supervisor
Mike Lurvey, Cable Splicer
Clara Maben, Associate-Operations


LOCATION
UNIT DISPLAYED
UNIT TYPE
SERVICE UNIT / LINE

Marketing The Network

We generate most of our revenues by carrying customers' calls over our local intra-LATA networks — calls in various forms such as voice, data, facsimile, etc.

Building these networks is very expensive, but once in place, the more they're used the more we profit.

It's to our advantage as well as the customer's that our networks give the best possible service, reliably and at a cost that is attractive to the buyer. So, part of our marketing approach is an operating one. Our operating people make certain we consistently have available high quality service. The other part of our marketing strategy is the sales effort. We try to completely understand a customer's business, and then we apply our knowledge to help solve the problems of that particular business through our communications technology.

In the modern business world there is a merging of data processing, office automation and telecommunications. We offer mature experience in dealing with this merger, and our marketing people are trained in all of these fields. The end result of their efforts is heavier use of our switched network, more revenues coming in, and satisfied customers.

Our marketing force has been realigned to serve the changed marketplace following divestiture and other rearrangements caused by the antitrust case settlement.

We've established in our Marketing department a vendor-carrier services organization serving the vendors of terminal equipment who come to us to connect equipment they've sold customers. Our carrier services group handles requests from interexchange carriers to interconnect their local customers through our network to the carrier's long distance facilities. They'll soon be able to transmit their orders and billing data to us electronically instead of by phone or in writing. This is one way we are trying to

Public telephones produced more than $178.5 million in revenues in 1983, and we plan to expand these services with the introduction of Videotex Phone and the Choose-a-Carrier Charge-a-Call Phone.



◀ *Our marketing efforts are keyed to the ever-expanding capabilities of our network. This solid state plug-in component provides greater flexibility and permits quicker changes in tailoring services to the needs of our customers.*

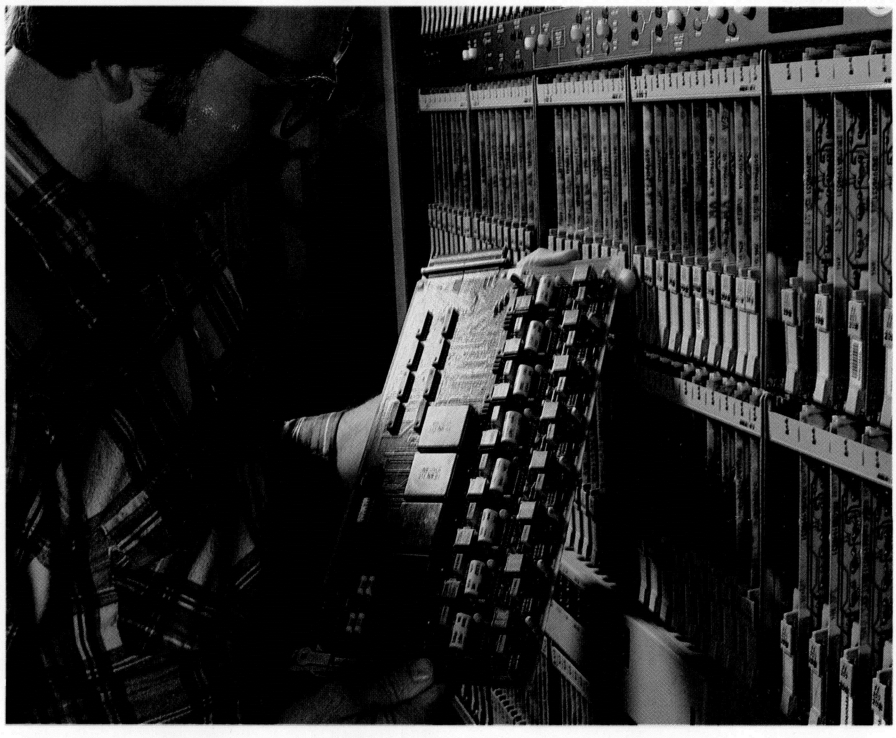
make it easy for customers to do business with us.

We also have separate Business and Residence Service Centers where customers come to us directly to arrange for their local services.

Our Business Marketing force is making effective use of Direct Marketing-Direct Response mailing techniques to stimulate the sale of such network services as Touch Tone® dialing, Custom Calling Services, small CENTREX, and intra-LATA WATS. The Residence Marketing organization, meanwhile, is concentrating on the development of similar offerings as well as measured service.

In the business market much of our effort is given to selling services that transmit data. Our Dataphone Digital Service, for example, has been





(Top) High tech, financial and other information oriented industries generate a huge demand for our data transmission services today, and this demand will expand to the residence market as more and more customers begin using computer terminals in their homes.

(Bottom) Central Office Technician Bob Lajoie examines a plug-in unit at a Remote Switching System location in Hudson, N.H. These facilities bring electronic central office capabilities to rural areas, thus expanding our markets for services such as Touch-Tone and Custom Calling.

a very popular one. This completely digital service transmits data at very high speeds and essentially error-free. DDS lines in service increased 80 percent to 3,242 in 1983 over 1982.

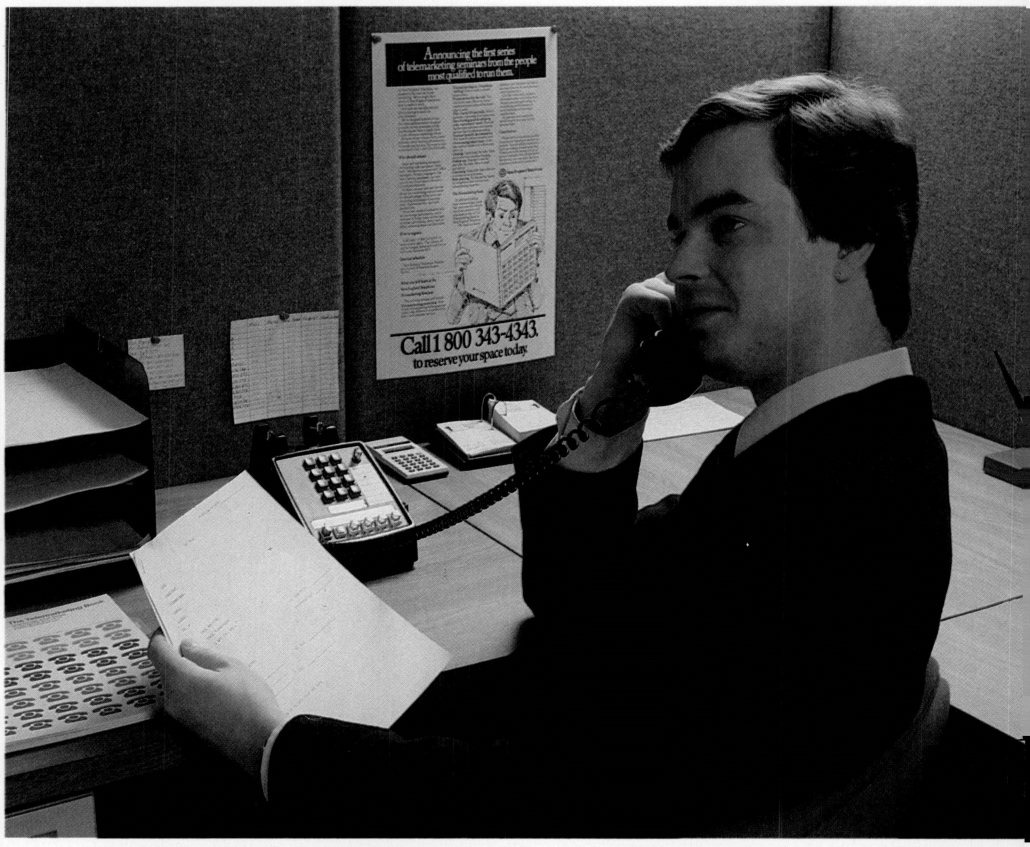
Another rapidly growing business offering is wideband service that provides broad paths of communications that can carry huge amounts of data at high speeds much like a superhighway.

Public Communications Service is another major aspect of our marketing efforts.

Public telephones, for example, produced more than $178.5 million in revenues in 1983 for an 11.5 percent increase over the previous year. In addition to coin paid calls, these also included such public phone calls as credit card, Charge-a-Call, collect calls, etc. We'll soon be making the job of collecting coins from our 79,000 public phones more efficient with a Station Auditor System. From a central location we will be able to count the amount of money in each collection box even to the denomination of the coins. And we will do this using the same pair of wires serving the coin phone. Collections can then be made only when necessary.

We will be one of the first telephone companies to offer a public trial of a pay computer terminal called the Videotex Phone. These phones will be installed at Boston's Logan Airport aimed initially at business travelers. The phone has a keyboard, video screen and modem. Using a telephone credit card, customers can activate the terminal and receive a variety of financial news, weather and electronic message systems, or get information from their office or personal computers. Also, the service will permit hearing-impaired users to access the Deafnet network.

Another of our public offerings is the Choose-a-Carrier Charge-a-Call phone. A pressure sensitive keypad next to the handset allows the caller to select his long distance carrier and have the call automatically routed over that carrier's network.



Through the effective use of Telemarketing, Sales Consultant Don Fraser and other marketing employees are aggressively selling network services such as Touch-Tone dialing and Custom Calling.

We're putting mechanized charge card readers in Charge-a-Call public phones so that telephone and other major credit cards can be used to pay for local and toll calls.

More and more customers are looking for ways to receive all kinds of information at their fingertips whenever they want it and wherever they are. We're moving to meet this customer demand.



A Network of Management Systems

We use an extensive network of computer-run systems to help us manage the business more effectively and at lower cost.

These systems design circuits, keep inventory records, test equipment, switch calls, bill, plan, repair and analyze, to name but a few tasks they perform.

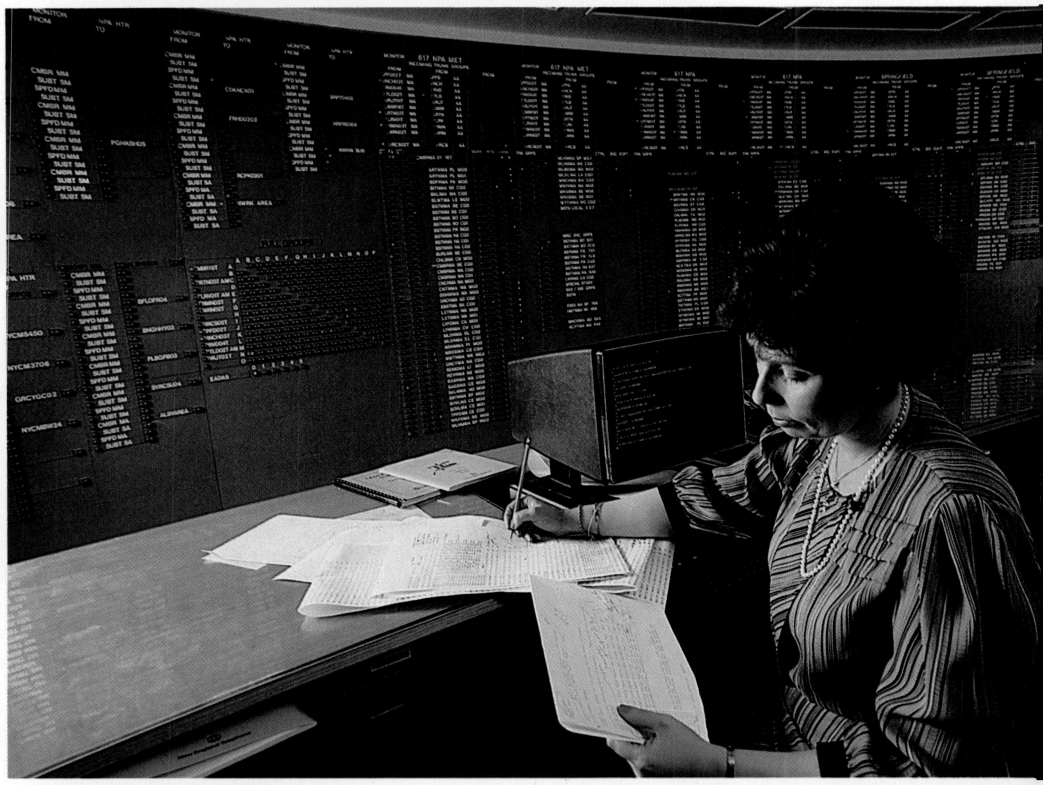
We have a total investment of $155 million in more than 600 of these computer-based systems. And within this network of computerized systems are some 13,500 terminals, several hundred mini-computers and 15 large-scale computers. Combined they have a data storage capacity of 820 billion characters. That's the equivalent of 404 million pages of text. Stacked vertically, those pages would tower 26 miles high.

Computers have grown in work capacity while they've shrunk in size. And they have a profound effect upon almost every aspect of our business. The systems they provide control the flow of work, the performance of equipment, the production of information and they are a management tool in the decision making process.

There are operations support systems that feed from one system into another and then again into others.

As an example, the Switching Control Center System assembles maintenance data from about 10 electronic central offices spread over an area. The system analyzes these diagnostic reports and alerts technicians to take any necessary action.

A Service Evaluation System samples customer calls at random identifying sequences of ringing, busy or speech sounds. The system can distinguish speech from other sounds, but cannot understand a conversation. From these sounds of ringing, busy, or speech, the system can tell whether calls are reaching their destination and if not why not.

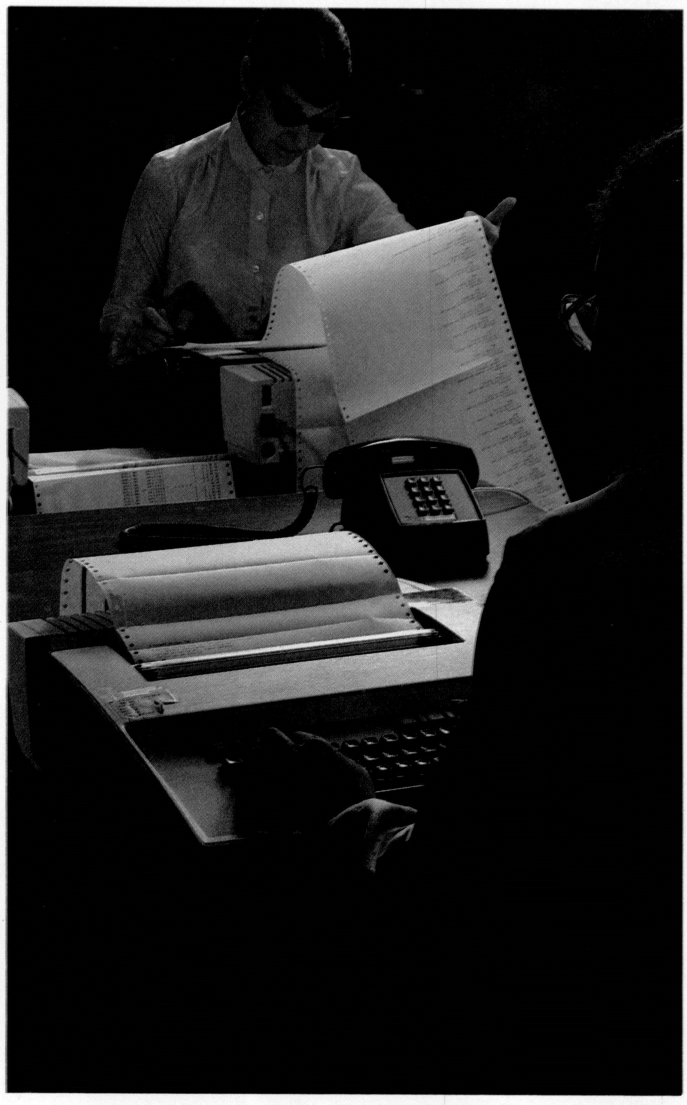


◀ *New England Telephone employees like Karen Folger and Tom Spencer use more than 600 discrete computer systems to manage all phases of the business, from arranging, testing and maintaining the switching and transmission network to handling work volumes and tracking customer bills. The company's computerized data system is one of the largest in New England.*

More than 170 local and toll switching offices throughout the company's five states are monitored through the Engineering and Administration Data Acquisition System (EADAS) in Boston. Linda Daum and other network managers can switch or re-route traffic as necessary to relieve overload situations created by storms or other emergencies, or during peak calling times such as Mother's Day and Christmas.



New England Telephone employees design circuits, test equipment, analyze reports and carry out scores of other tasks with the aid of some 13,500 computer terminals.



May Bushey and Louise Hawkins (foreground) are working in the Annoyance Call Bureau in Boston where they access minicomputers to draw information from call switching machines as part of the process of investigating customer complaints regarding annoying or harassing phone calls.

Service and maintenance data from these two systems flow into the Network Service Center System which then projects how well the overall transmission network is performing and where potential trouble spots might develop.

Our transmission network is increasingly controlled by computer software programs, and more and more is operated from centralized remote locations.

One central operations system in the facilities portion of the network is made up of six component systems and contains over 4 million lines of software code. This system keeps track of millions of circuits, designs new ciruits, controls circuit maintenance records and prepares and distributes work orders.

In the past we have had to manually cross-wire special circuits that are for the exclusive use of a customer. This was a time-consuming, costly procedure. Now, using a computer-driven system, we can electronically set up, test or rearrange special services circuits from a remote central terminal. Costs are reduced dramatically and customer service is greatly improved.

In still another area of operations, we are building a computer system which automates the entire process of providing service to customers. A service representative will take an order for service from a customer and feed it into the system. From

that point on the control system will process the customer's order, take all appropriate actions and pass the information on to other service systems required to get the job done. The result is faster service and a minimum of paperwork. We expect to have the initial offices of this system completed and in operation during the last quarter of 1984.

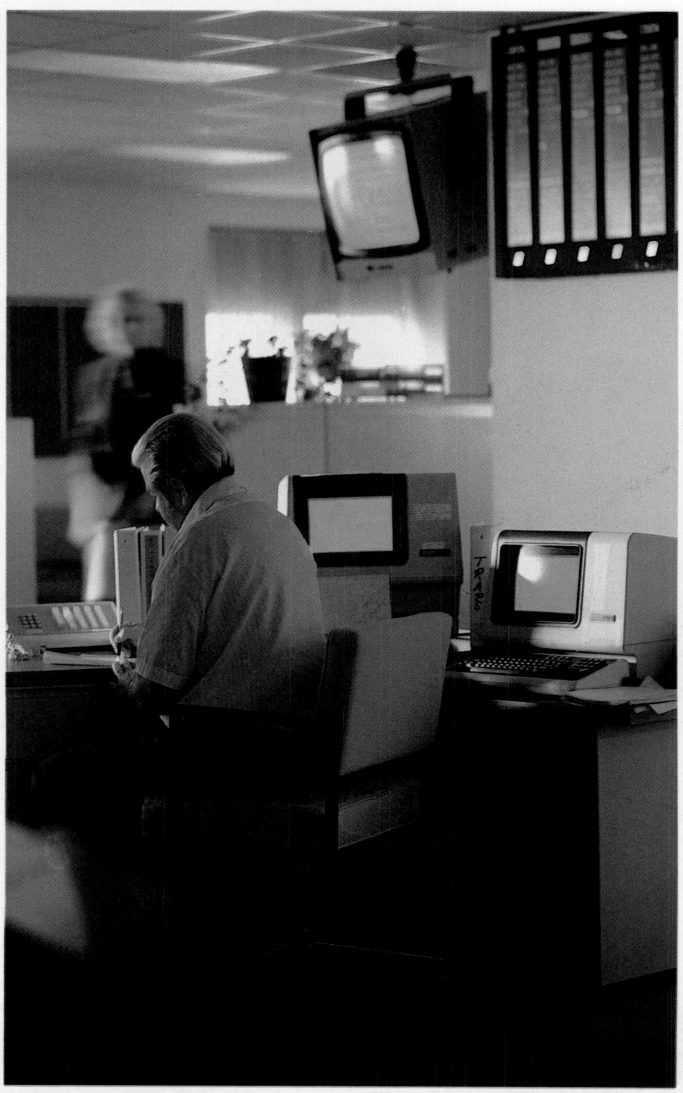
We used to make telephone number selections from a paper listing. Now we're using a computer system to assign telephone numbers. A service representative simply keys the customer's address into the computer and an available number immediately is suggested by the system. If the customer prefers another number, the system can exchange the first one for another automatically.

We're using computers to aid employees in research on uncollectible toll charges. Instead of searching through paper records stored in files, employees call up the data regarding the calls at desktop terminals.

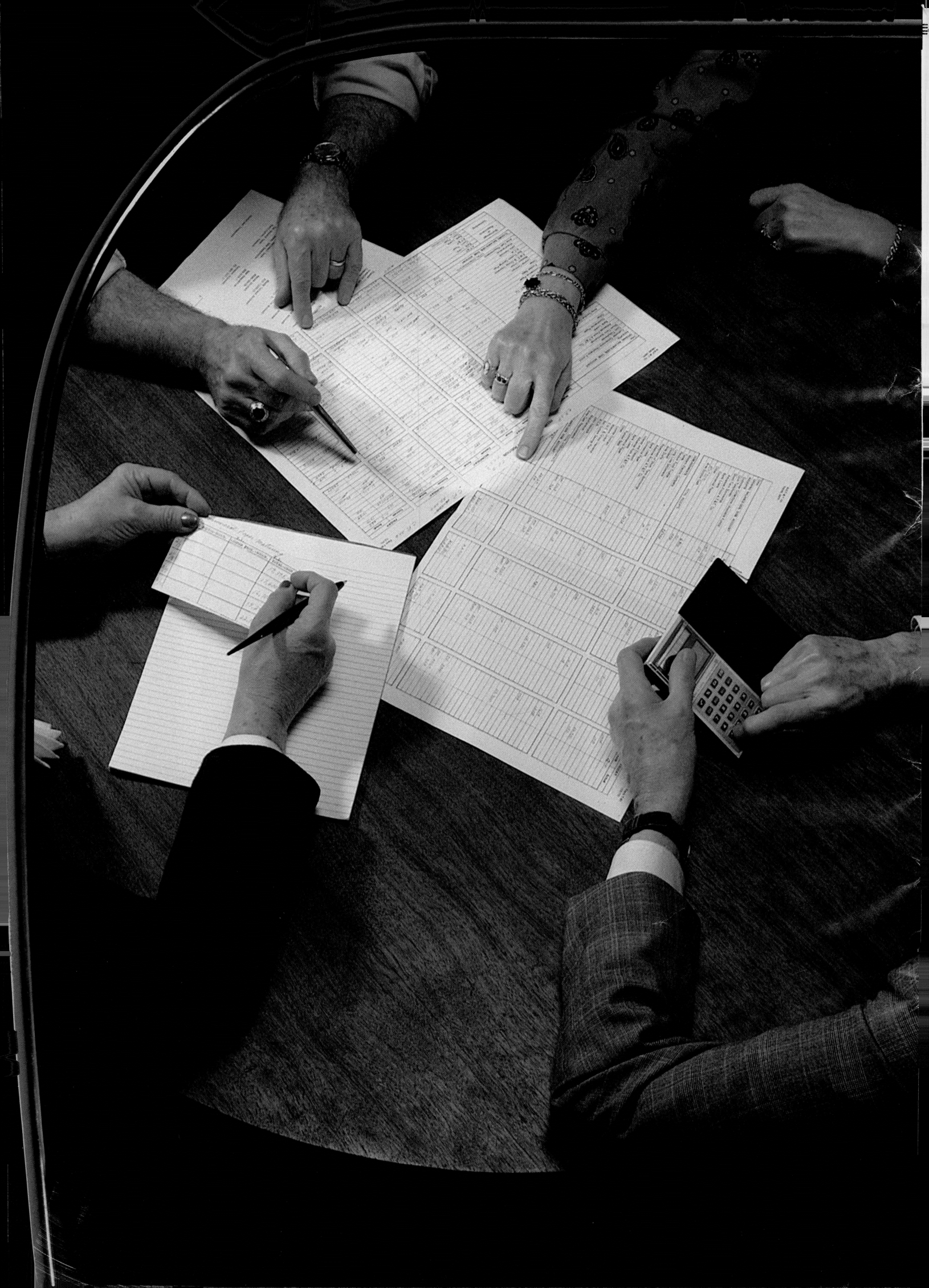
There are about 200 personal computers in use throughout the Company today, and their numbers are growing. Today's personal computer is almost 10 times as powerful as the one that helped our first Astronaut to orbit the earth 20 years ago.

At present the main functions of our personal computers are for word processing, electronic spreadsheets for financial work, electronic mail service and processing information from a stored data base.

Computers are a vital modern tool in our business today, and their applications continue to produce greater productivity, more cost savings and better service for customers.



The Switching Control Center System, like this one in Brockton, Mass., makes it possible for Gerry Toomey and his co-workers to monitor and analyze trouble reports from electronic switching machines located over a wide geographic area. This centralization results in lower maintenance costs even while the number of lines served increases.



A Strong Financial Network

We must earn well to serve well. That's so because by earning well we can attract investor capital to continue to expand, modernize and increase the efficiency of our facilities serving customers.

We need adequate rates for our services to help us produce good earnings. During 1983 we obtained rate increases totalling $46 million, and another $60 million is pending regulatory or court approval.

Telephone service today, despite higher rates, is a better buy than it was a decade ago. For instance, the average New Englander in our 5-state service area paid $8.07 for basic exchange service 10 years ago. That was 1.2 percent of his or her monthly wages. Today the same New Englander pays $11.81 for basic phone service which is only .9 percent of his or her monthly wage. If the ratio between wages and rates for service had stayed the same, the average New Englander would be paying $16.14 today for service instead of $11.81.



Tape Librarian Don Schervinski files computer tapes at the company's computer center in Burlington, Mass. Customer billing records, containing a significant portion of our $3 billion in total revenues for 1983, are stored in computer memory.

In addition to necessary rate increases, we also aggressively sought new markets for our services and increased sales of existing services.

We spent $829.5 million on a construction program in 1983 to improve and expand service, and 78 percent of the funds were generated internally.

We received higher depreciation rates that increased accruals by about $21.5 million.

We began a company-wide program to underscore the importance of cost competitiveness. The program involves all employees at all levels.

And we made our money work harder for us. We did this by moving it quickly as it came in, and by *managing* the flow of revenues from customers and other sources.

◀ *Treasury staff members hold a meeting each day to review the corporation's cash flow and determine how our financial resources are to be allocated. Total income for 1983 was $3 billion. In dealing with sums of that magnitude, it's imperative that the cash be well managed and kept constantly at work for us.*

When you're dealing with such large amounts of money — our total revenues for 1983 were more than $3 billion — any idle cash can quickly grow into lost opportunities to either pay off previous debts or avoid taking out a new loan.

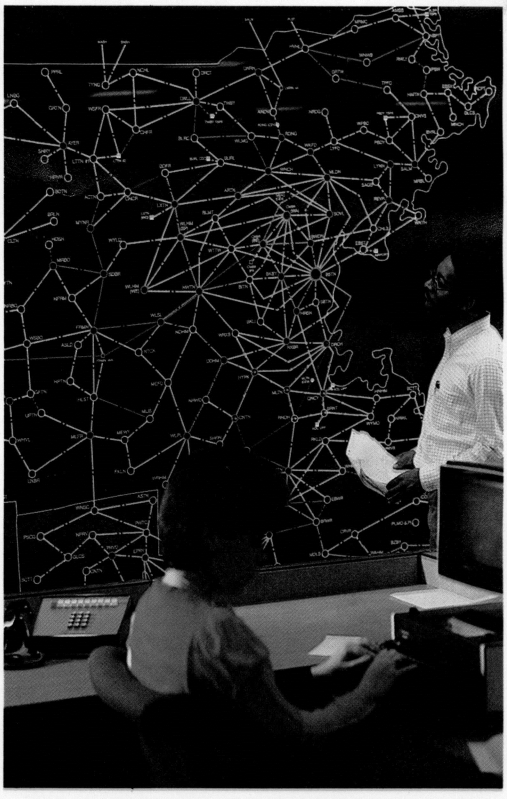
Every dollar that the Company receives or pays out goes through our Treasury Department. It's the focal point for managing our cash flow. The overall goal is to run the business each day on the smallest cash balance possible.

One way to measure how well that objective is being met is to look at the ratio of the amount of money we already have in the bank to collections from customers. If collections are running high for a certain day, we won't need as much cash in the bank to cover our payments.

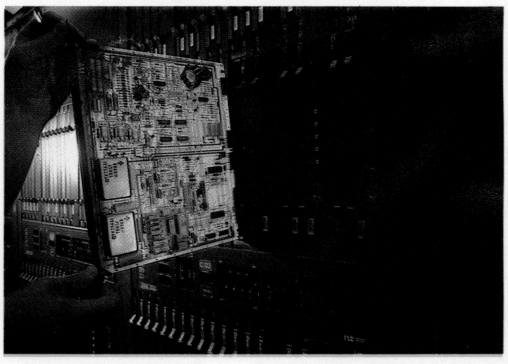
For a number of years, our Treasury team of money managers has had the best record among Bell operating companies. For 1983 they were able to keep our bank balances at 2.83 percent of customer payments received.

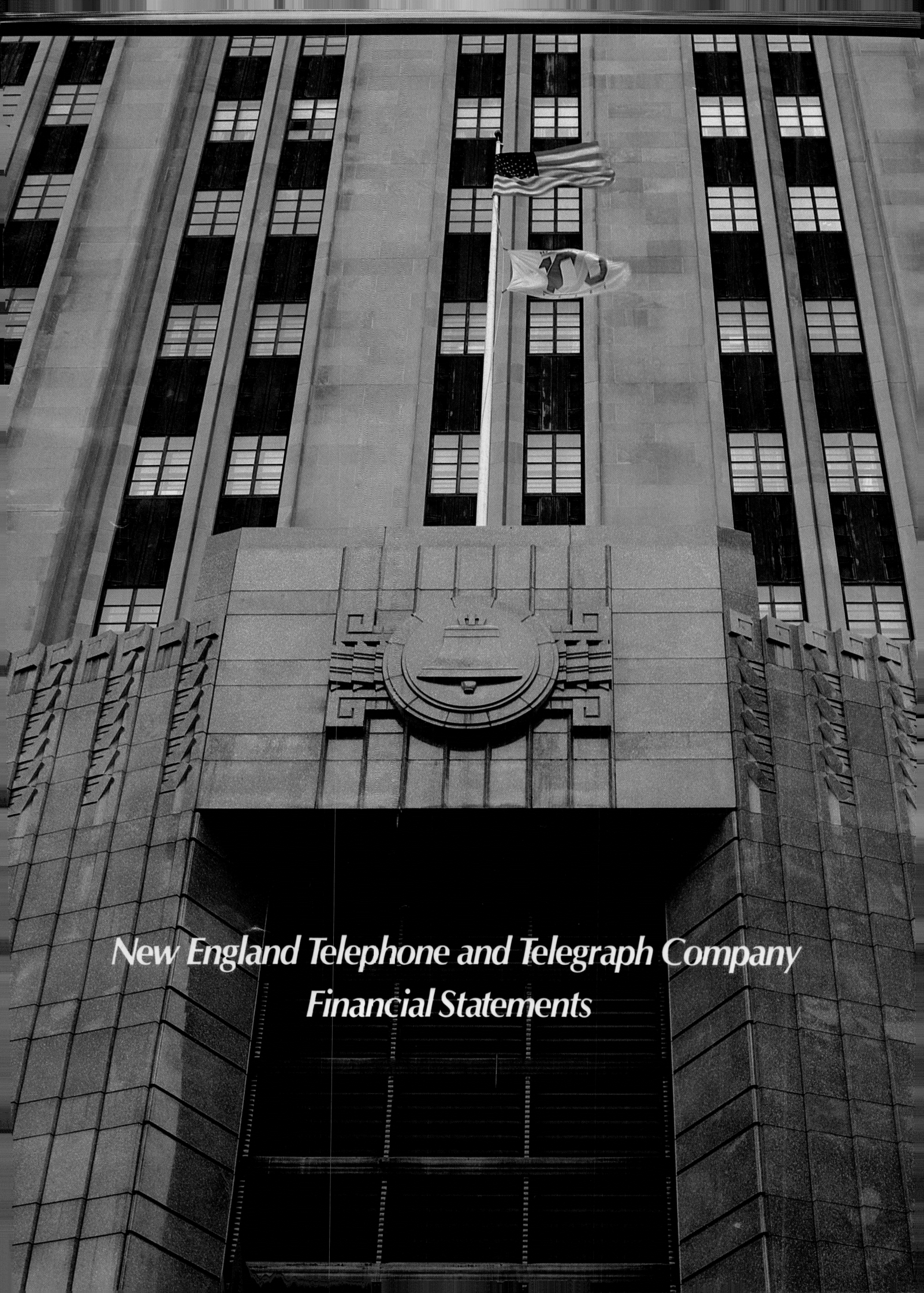
Each weekday at 11 a.m. the central headquarters Treasury staff gathers around a table for a cash mobilization meeting. Prior to the morning conference, each member has been assembling specific financial information from various sources. When put together at the daily meeting, the data presents a financial snapshot of the Company at that moment in time. A judgment is made on the amount of cash needed to operate the Company for that day. Longer term needs are also considered during the meeting and forecasts are made of our new money requirements for the current and the following year.

Careful management of our revenues helped reduce costs of running the Company in 1983, and increased its financial strength for the future.



We spent a record $829.5 million on our construction program in 1983 to support projects such as the expansion of our fiber optics network, monitored by Paula Hasson and Ray Marshall (above), and the installation of new digital switching systems which can be repaired or expanded quickly with printed circuit packs (below).





New England Telephone and Telegraph Company
Financial Statements

Report of Management

The financial statements on the following pages have been prepared in conformity with generally accepted accounting principles.

The integrity and objectivity of data in these financial statements, including estimates and judgments relating to matters not concluded by year end, are the responsibility of management as is all other information included in the Annual Report unless indicated otherwise. To this end, management maintains a system of internal accounting controls which, on an ongoing basis, is reviewed and evaluated. Our internal auditors monitor compliance with it in connection with the annual plan of internal audits. However, there are inherent limitations that should be recognized in considering the assurances provided by any system of internal accounting controls. The concept of reasonable assurance recognizes that the costs of a system of internal accounting controls should not exceed, in management's judgment, the benefits to be derived. Management believes that the Company's system does provide reasonable assurance that transactions are executed in accordance with management's general or specific authorizations and are recorded properly to maintain accountability for assets and to permit the preparation of financial statements in conformity with generally accepted accounting principles. Management also believes that this system provides reasonable assurance that access to assets is permitted only in accordance with management's authorizations, that the recorded accountability for assets is compared with the existing assets at reasonable intervals, and that appropriate action is taken with respect to any differences. Management also seeks to assure the objectivity and integrity of its financial data by the careful selection of its managers, by organizational arrangements that provide an appropriate division of responsibility, and by communications programs aimed at assuring that its policies, standards, and managerial authorities are understood throughout the organization.

These financial statements have been examined by Coopers & Lybrand, independent Certified Public Accountants.

The Audit Committee of the Board of Directors (see page 59), which is composed of Directors who are not employees, meets periodically with management, the internal auditors, and the independent auditors to review the manner in which they are performing their responsibilities and to discuss auditing, internal accounting controls, and financial reporting matters. Both the internal auditors and the independent auditors periodically meet alone with the Audit Committee and have free access to the Audit Committee at any time.

James F. Crain

J.F. Crain,
VICE PRESIDENT
FINANCE AND COMPTROLLER

Report of Independent Certified Public Accountants

We have examined the balance sheets of New England Telephone and Telegraph Company at December 31, 1983 and 1982, and the related statements of income and reinvested earnings and sources of funds supporting construction activity for the years ended December 31, 1983, 1982 and 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of New England Telephone and Telegraph Company at December 31, 1983 and 1982, and the results of its operations and sources of funds supporting its construction activity for the years ended December 31, 1983, 1982 and 1981, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of January 1, 1981, in the method of computing interest charged construction as described in Note (a) to the historical financial statements.

Coopers & Lybrand

Boston, Massachusetts
February 6, 1984

New England Telephone and Telegraph Company
Selected Financial Data

	Dollars in Millions				
	1983	1982	1981	1980	1979
Revenues					
Local service	$1,410	$1,369	$1,251	$1,126	$1,066
Toll service	1,581	1,516	1,362	1,195	1,073
Other (including other income)	120	100	102	78	60
	3,111	2,985	2,715	2,399	2,199
Expenses					
Operating	2,174	2,068	1,825	1,615	1,454
Income taxes on operations	255	216	209	178	182
Other operating taxes	175	217	223	207	198
Interest	180	163	162	151	123
	2,784	2,664	2,419	2,151	1,957
Net Income	$ 327	$ 321	$ 296	$ 248	$ 242
Total assets	$6,436	$5,965	$5,515	$5,104	$4,685
Long and intermediate term debt	$1,718	$1,715	$1,713	$1,604	$1,405
Ratio of earnings to fixed charges* (Securities and Exchange Commission basis)	3.84	3.91	3.79	3.53	4.06

*For the purpose of this ratio: (i) Earnings have been calculated by adding to Income before Interest Expense the amount of related taxes on income and the portion of rentals representative of the interest factor; (ii) Fixed Charges comprise total Interest Expense and such portion of rentals.

Selected Operating Data

	Thousands For the year ended December 31,				
	1983	1982	1981	1980	1979
Toll Messages	945,768	898,764	857,544	818,632	762,196
WATS Messages	519,480	433,452	380,854	333,395	290,355

Charges for toll messages and WATS messages for the year ended December 31, 1983 account for about 38% and 13%, respectively, of total billed operating revenues.

	Thousands At December 31,				
	1983	1982	1981	1980	1979
Network Access Lines in Service	4,471	4,341	4,266	4,162	4,050

Recurring charges for network access lines in service for the year ended December 31, 1983 account for about 27% of total billed operating revenues.

New England Telephone and Telegraph Company Management's Discussion and Analysis of Results of Operations

Included as a supplement to this Annual Report are copies of the Company's Financial Forecast for 1984 and an Unaudited Pro Forma Condensed Balance Sheet as of June 30, 1983. This information has been excerpted from documents which were filed with the Securities and Exchange Commission in a report on Form 8-K dated November 8, 1983. As explained in the supplement, because of divestiture-related changes, results of the Company's future operations will not be comparable with historical results.

The Year 1983 Compared To The Year 1982

Revenues – Local and toll service revenues had a net increase of $106.2 million, due principally to intrastate rate increase effects amounting to $50.1 million and increased WATS volume of $53.3 million. Other elements contributing to this net increase were $14.4 million due to increased usage and $12.9 million due to growth in network access lines and upgraded customer service features substantially offset by a decrease in interstate toll service revenues. Revenues from directory advertising increased $16.0 million due to increases in rates and $2.8 million due to higher volume of such sales.

Operating expenses – Total operating expenses rose due to increases (decreases) in:

	Dollars In Millions
Wages and salaries	$ 21.0
Provision for:	
Pensions	(36.9)
Employee benefits	23.9
Depreciation due to:	
Revised rates and practices	21.5
Increased plant investment	25.4
Maintenance due to expensing station connection costs	26.2
License Contract payments	(3.2)
Materials, supplies and other payments	28.5
Total	$106.4

Materials, supplies and other payments reflect the Litton award (see Note (k) to Historical Financial Statements) and certain other divestiture related costs.

Income Taxes – Total operating income taxes increased $38.5 million reflecting, primarily, higher income before such taxes and an increase in the effective tax rate. (See Note (b) to Historical Financial Statements.)

Other Taxes – Other operating taxes decreased $43.2 million as a result of the following changes. Property taxes decreased $49.0 million due principally to lower tax rates for 1983 and to final 1982 taxes billed in 1983 at lower rates than accrued in 1982. State gross receipts taxes increased $3.6 million, primarily due to the increased operating revenues. Payroll-related and other operating taxes increased $2.2 million due primarily to an increase in social security taxes caused by a higher taxable wage base in 1983 and a higher tax rate associated with unemployment taxes.

Other Income – Interest charged construction increased $14.2 million due primarily to the change in recording of interest on intrastate investment for New Hampshire and Maine construction projects expected to be completed in less than one year. (See Note (a) to Historical Financial Statements.)

Interest – Total interest expense increased $17.9 million principally due to $14.7 million as a result of increased average short-term borrowings, and $.6 million as a result of increased average interest rates.

Impact of Divestiture — Future Operations – Effective on January 1, 1984, ownership of the Company was transferred from American Telephone and Telegraph Company ("AT&T") to NYNEX Corporation ("NYNEX"). This transfer which was accomplished under the terms of the Consent Decree requiring AT&T to divest those parts of the Bell System operating telephone companies that provide exchange telecommunications and exchange access service, printed directory advertising, and cellular radio telecommunications service business, included transfers of assets and liabilities between the Company and AT&T, and will have a significant impact on future operations.

See Notes (k) and (l) to Historical Financial Statements for matters pertaining to MCI AND LITTON ANTITRUST LITIGATION and DEPARTMENT OF JUSTICE ANTITRUST ACTION, respectively.

The Company is incorporated under the laws of New York State and has its principal offices at 185 Franklin Street, Boston, Massachusetts, 02107,telephone number 617-743-9800. Until January 1, 1984, it was an associated company of the Bell System, and was a wholly-owned subsidiary of AT&T. Effective January 1, 1984 ownership of the Company was transferred from AT&T to NYNEX. The Company is engaged in the business of furnishing communications services, mainly exchange telecommunications and exchange access service, in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

New England Telephone and Telegraph Company
Statements of Income and Reinvested Earnings

	Dollars in Millions		
	Year 1983	Year 1982	Year 1981
OPERATING REVENUES			
Local service			
Service and equipment charges	$1,198.0	$1,178.6	$1,078.7
Message charges	139.8	130.8	116.3
Public telephones	48.8	41.3	39.7
Private lines and other services	23.6	18.4	15.9
Toll service			
Message charges	1,013.2	1,024.8	963.4
WATS	357.0	300.3	241.7
Private lines and other services	211.3	191.3	156.6
Directory advertising and miscellaneous	136.8	128.0	112.9
Provision for uncollectibles	(40.2)	(37.7)	(27.4)
Total operating revenues	3,088.3	2,975.8	2,697.8
OPERATING EXPENSES			
Maintenance	755.8	720.3	611.2
Depreciation	449.6	402.7	354.6
Network and operator services	182.4	187.2	166.6
Marketing and customer services	247.6	265.8	231.0
Financial operations	103.8	100.5	90.0
Directory	54.2	49.5	44.0
Provision for pensions and other employee benefits (c)	249.4	262.4	242.1
Services received from AT&T under License Contract	45.8	49.0	52.6
Other operating expenses	85.8	30.6	33.1
Total operating expenses	2,174.4	2,068.0	1,825.2
Net operating revenues	913.9	907.8	872.6
OPERATING TAXES			
Federal income taxes (b)	218.1	190.1	180.4
State income taxes (b)	36.4	25.9	28.5
Property taxes	45.3	94.3	113.8
Gross receipts, payroll-related, and other taxes (j)	129.3	123.5	108.9
Total operating taxes	429.1	433.8	431.6
Operating income (carried forward)	$ 484.8	$ 474.0	$ 441.0

The accompanying notes are an integral part of the historical financial statements.

	Dollars in Millions		
	Year 1983	Year 1982	Year 1981
Operating income (brought forward)	$ 484.8	$ 474.0	$ 441.0
OTHER INCOME			
Interest charged construction (a)	24.6	10.4	17.0
Miscellaneous income and deductions — net (b)	(1.6)	(1.0)	(.2)
Total other income	23.0	9.4	16.8
Income before interest expense	507.8	483.4	457.8
INTEREST EXPENSE (j)	180.5	162.6	161.7
NET INCOME	$ 327.3	$ 320.8	$ 296.1
REINVESTED EARNINGS			
At beginning of year	$ 734.6	$ 670.8	$ 587.2
Add-Net Income	327.3	320.8	296.1
	1,061.9	991.6	883.3
Deduct-Dividends declared	268.7	257.0	212.5
At end of year	$ 793.2	$ 734.6	$ 670.8

New England Telephone and Telegraph Company
Balance Sheets

	Dollars in Millions At December 31, 1983	1982
ASSETS		
TELEPHONE PLANT AND OTHER INVESTMENTS – at cost		
Telephone Plant		
In service	$7,442.5	$6,884.2
Under construction	197.3	188.8
Held for future use	.2	.3
	7,640.0	7,073.3
Less: Accumulated depreciation	1,971.3	1,757.6
	5,668.7	5,315.7
Other investments	3.6	4.5
	5,672.3	5,320.2
CURRENT ASSETS		
Cash (d)	13.2	10.0
Receivables:		
Customers and agents (less allowance for uncollectibles: 1983, $9.2; 1982, $8.6)	524.1	472.8
Other	45.0	19.4
Material and supplies	63.9	48.5
Prepaid expenses	4.9	3.4
	651.1	554.1
DEFERRED CHARGES	112.1	90.7
TOTAL ASSETS	$6,435.5	$5,965.0

The accompanying notes are an integral part of the historical financial statements.

	Dollars in Millions At December 31, 1983	1982
INVESTED CAPITAL, LIABILITIES, AND DEFERRED CREDITS		
COMMON SHARE OWNER'S EQUITY		
Common stock — one share, without par value (e)	$1,786.9	$1,780.6
Reinvested earnings — see page 29	793.2	734.6
	2,580.1	2,515.2
LONG-TERM DEBT (f)	1,717.5	1,715.4
CURRENT LIABILITIES		
Debt maturing within one year (g)	435.3	256.5
Accounts payable: (d)		
Western Electric Company, Inc.	62.7	60.3
AT&T	33.5	20.2
Payrolls	14.8	20.4
Other	203.7	124.9
Taxes accrued	62.4	68.5
Income taxes deferred for one year (b)	12.9	25.3
Advance billing and customers' deposits	29.0	25.5
Interest accrued	26.1	25.6
	880.4	627.2
DEFERRED CREDITS		
Accumulated deferred income taxes (b)	918.2	805.2
Unamortized investment tax credits	326.8	292.1
Other	12.5	9.9
	1,257.5	1,107.2
COMMITMENTS AND CONTINGENCIES (h, k and l)		
TOTAL INVESTED CAPITAL, LIABILITIES, AND DEFERRED CREDITS	$6,435.5	$5,965.0

New England Telephone and Telegraph Company
Statements of Sources of Funds Supporting Construction Activity

	Dollars in Millions		
	Year 1983	Year 1982	Year 1981
FUNDS FROM OPERATIONS			
Net income	$327.3	$320.8	$296.1
Add — Expenses not requiring funds currently:			
Depreciation	449.6	402.7	354.6
Deferred income taxes — net	100.6	106.2	89.5
Investment tax credits — net	34.7	31.7	37.4
Deduct — Income not providing funds currently:			
Interest charged construction	24.6	10.4	17.0
Total funds from operations	887.6	851.0	760.6
Less — Dividends	268.7	257.0	212.5
	618.9	594.0	548.1
FUNDS FROM EXTERNAL FINANCING			
Additional equity investment by AT&T	6.3	5.7	305.4
Issuance of long-term debt	—	—	150.0
Increase (decrease) in short-term borrowings — net	178.8	217.1	(137.5)
	185.1	222.8	317.9
Less — Retirement of long-term debt	—	40.0	100.0
	185.1	182.8	217.9
CHANGES IN WORKING CAPITAL* (excluding debt maturing within one year and income taxes deferred for one year)			
Cash	(3.2)	.4	(1.4)
Receivables	(76.9)	(31.2)	(60.4)
Material and supplies	(15.4)	(9.7)	(6.7)
Prepaid expenses	(1.5)	.2	2.2
Accounts payable	88.9	46.6	22.0
Taxes accrued	(6.1)	10.6	3.1
Advance billing and customers' deposits	3.5	3.9	1.8
Dividend payable	—	—	(45.4)
Interest accrued	.5	(.2)	.4
	(10.2)	20.6	(84.4)
OTHER CHANGES*			
Other investments	.9	(.6)	.1
Deferred charges	(21.4)	(23.7)	12.3
Other — net	31.6	22.8	17.3
	11.1	(1.5)	29.7
FUNDS SUPPORTING CONSTRUCTION ACTIVITY	804.9	795.9	711.3
Add — Interest charged construction	24.6	10.4	17.0
TOTAL CONSTRUCTION	$829.5	$806.3	$728.3

*( ) Denotes a change which results in a decrease in funds supporting construction activity.

The accompanying notes are an integral part of the historical financial statements.

Notes to Historical Financial Statements

(a) ACCOUNTING POLICIES – The financial statements of the New England Telephone and Telegraph Company ("Company"), which was a wholly-owned subsidiary of American Telephone and Telegraph Company ("AT&T") in 1983 and is now a wholly-owned subsidiary of NYNEX Corporation ("NYNEX"), reflect the application of the accounting policies described in this Note and in Notes (c), (d) and (h) to Historical Financial Statements.

These statements have been prepared in conformity with generally accepted accounting principles applicable to rate-regulated utilities. Such accounting principles are consistent in all material respects with accounting prescribed by the Federal Communications Commission ("FCC"), except as to the accounting for revenue refunds and certain intra-state items accorded a different accounting treatment by state regulatory agencies.

In December 1982, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 71 ("Statement No. 71"), "Accounting for the Effects of Certain Types of Regulation." This Statement, which will be implemented in 1984, will not significantly affect any year presented.

Revenue Refunds – The Company records in its financial statements material revenue refunds applicable to prior years as adjustments of the respective years' income and, within a year, as adjustments of the applicable interim periods' income. Effective in 1984, in accordance with Statement No. 71, restatements of prior period results for revenue refunds will not be made; instead refund provisions (if any) will be reflected in current year results.

Purchases From Western Electric – Western Electric Company, Incorporated ("Western Electric"), a wholly-owned subsidiary of AT&T, has a substantial investment in manufacturing and other facilities which have been devoted mainly to its business with affiliated telephone companies. During 1983 and prior years, Western Electric had a supply contract with the Company which provided that the prices it charged for the telephone equipment and materials it manufactured or procured for the Company would be as low as the prices it charged its most favored customers for like materials and services under comparable conditions. The financial statements reflect items purchased from Western Electric at cost to the Company, which cost includes the return realized by Western Electric on its investment devoted to the communications business. (See also "Telephone Plant" below and Note (l) to Historical Financial Statements.)

Telephone Plant – The investment in equipment and materials dedicated to providing communications services is stated at its original cost. The amounts shown do not purport to represent reproduction cost or current value. The original cost of telephone plant obtained from Western Electric includes a return on Western Electric's investment. (See "Purchases From Western Electric" above.) It is impossible to identify the particular purchases from Western Electric over a long period of years which were charged to the plant accounts and now remain therein, but the Company considers that such purchases represent about 41% to 44% of its total plant investment. Western Electric advises that its rate of profit before interest charges has varied by years and by classes of sales, but

that such rate of profit before interest charges, included in the prices for material sold and services furnished to affiliated telephone companies (including items chargeable to other than plant accounts), has been approximately 6% of such sales over both the twenty year and the three year periods ended December 31, 1983. Western Electric considers that its rate of profit before interest charges on those items which have been charged to the plant accounts is somewhat higher than its rate on total sales to affiliated companies.

Because AT&T and certain of its subsidiaries, including Western Electric and the Company, have for 1983 and previous years joined in the filing of a consolidated federal income tax return, Western Electric's profits before income taxes included in the cost of those materials and services in the Company's plant accounts are excluded from consolidated taxable income in the year acquired from Western Electric. Instead, such profits are recognized and taxed over the depreciable life of the related plant since, for tax purposes, Western Electric profits have been excluded in determining the depreciable cost of its investment in telephone plant. Consequently, the income tax liabilities have been higher than if the depreciation permitted for tax purposes had been based on the full amount initially paid to Western Electric. Western Electric provided the Company with the funds necessary to pay the tax liability on these deferred profits in the year in which the related telephone plant was acquired. These payments have been treated as reductions of the investment in telephone plant which results in a reduction in depreciation expense over the life of the related plant. However, there is no material effect on Net Income because the decrease in depreciation expense is offset by the aforementioned increase in the income tax provision.

In 1984, the Company will no longer join with AT&T in filing a consolidated federal income tax return. Accordingly, plant values associated with new purchases from Western Electric will not reflect the effect of the tax which formerly would have been deferred and therefore, such tax will no longer provide a source of funds. As a result of divestiture, the Company could be required to make an immediate payment of federal income taxes previously deferred on intercompany profits. The amount of this payment applicable to plant owned by the Company is approximately $34.2. While payment of these deferred taxes would have no direct effect on Net Income, an immediate payment would increase the Company's needs for cash. However, AT&T believes that, pursuant to tax regulations, a closing agreement is likely to be entered into with the Internal Revenue Service which would result in only a moderate acceleration of the present time period over which these intercompany profits become taxable. See also Note (l) to Historical Financial Statements.

Material and Supplies – New material and reusable material are carried in inventory principally at average original cost, except that specific costs are used in the case of large individual items. Nonreusable material is carried at estimated salvage value.

Depreciation – Prior to FCC revisions in 1982, the Company's provision for depreciation was based on straight-line composite rates, determined on the basis of the average expected lives of categories of telephone plant acquired in a given year. In 1982 the FCC approved the implementation of the method of determining straight-line composite rates on the basis of equal life groups ("ELG") of certain categories of telephone plant acquired in a given year which results in a higher provision for depreciation than that based on average expected lives. The Company's results for 1983 reflect this method for depreciation of all plant placed in service in 1983 except for customer premises equipment, station connections and certain minor categories of central office equipment. In 1982, the Company's results reflected this same method only for depreciation of outside plant placed in service in 1982. The Company also received interim permission from the FCC in August 1982 to begin implementation of the "remaining life" method of depreciation retroactively to January 1, 1982 in New Hampshire and Vermont and retroactively to July 1, 1982 in Maine, Massachusetts and Rhode Island. The "remaining life" method provides for the full recovery of the investment in telephone plant on a straight-line basis. The increases in depreciation expense resulting from these FCC actions should be allowable in determining revenue requirements in rate-making proceedings. See also Note (j) to Historical Financial Statements.

When depreciable plant, other than minor items thereof which are replaced, is retired, the amount at which such plant has been carried in telephone plant in service is charged to accumulated depreciation.

Maintenance and Repairs – The cost of maintenance and repairs of plant, including the cost of replacing minor items not effecting substantial betterments, is, with minor exceptions, charged to operating expenses.

Station Connections – During 1981, the FCC directed that beginning January 1981, certain costs of installing telephone service on a customer's premises may be expensed instead of capitalized and that the balance of the investment in installation costs be amortized.

Interest Charged Construction – Regulatory authorities allow the Company to accrue interest (including an allowance on common share owner's equity) as a cost of constructing certain plant and as an item of income, i.e., interest charged construction. Such income is not realized in cash currently but will be realized over the service life of the plant as the resulting higher depreciation expense is recovered in the form of increased revenues.

The FCC's prescribed accounting, effective January 1, 1979, does not provide for a return on telephone construction projects expected to be completed in less than one year ("short-term construction projects") through the accrual of interest charged construction; instead these projects are

included in the rate base upon which interstate revenue requirements are determined. Regulatory accounting in certain states, which differs from this FCC treatment, was approved in 1983 by Commissions in New Hampshire and Maine and in 1981 by Commissions in Massachusetts and Rhode Island. This provides for a return on the intrastate portion of short-term construction projects through the accrual of interest charged construction. These financial statements reflect such accruals which caused an increase in interest charged construction of $9.1 in 1983, of which $7.7 was applicable to the years 1979 through 1982, and $14.9 in 1981, of which $8.1 was applicable to the years 1979 and 1980. Regulatory accounting in Vermont is in accordance with the FCC treatment.

Income Taxes:

(1) AT&T and its subsidiaries have in the past filed a consolidated federal income tax return and will do so for the year 1983. The consolidated income tax currently payable is allocated in accordance with each company's contribution to consolidated taxable income and tax credits. Effective in 1984, the Company will no longer join with AT&T in filing a consolidated federal income tax return.

(2) Income tax regulations allow recognition of certain transactions for tax purposes in time periods other than the period during which the transaction will be recognized in the determination of net income for financial reporting purposes. Appropriate income charges and their subsequent reversal, reflected as deferred income taxes — net, prevent the tax effect of these timing differences from distorting net income. The Company recognizes the tax effects of timing differences on the following transactions:

(a) When vacation pay and certain property taxes are deductible for income tax purposes in the year prior to being expensed in these financial statements, the tax effects of these timing differences are included in Current Liabilities — Income Taxes Deferred for One Year in the accompanying balance sheets.

(b) Expenses associated with the Company's purchase and retirement in February 1977 of $120.0 of its $175.0 thirty-five year 9.5% debentures due June 1, 2010, which were deductible for 1977 income tax purposes, are being written off over a ten year period. Tax effects of these timing differences are included in Deferred Credits — Accumulated Deferred Income Taxes in the accompanying balance sheets.

(c) Depreciation for income tax purposes is determined based on accelerated methods and shortened lives which cause such depreciation to be higher during the early years of plant life and lower in later years than the depreciation charges for such plant reflected in these financial statements. The accumulated tax effects of these timing differences are shown in the accompanying balance sheets as Deferred Credits — Accumulated Deferred Income Taxes. See also Note (b) to Historical Financial Statements.

(3) Investment tax credits result from provisions of the federal tax law which allow for a reduction in tax liability based on certain construction expenditures. Corresponding reductions in tax expense are deferred and are amortized as reductions in tax expense over the life of the plant which gave rise to the credits.

(4) Under provisions of the federal tax law, a portion of the Company's current tax liability is reduced and the amounts involved are contributed currently to the Employee Stock Ownership Plan ("ESOP").

(b) **INCOME TAXES** – The components of operating income tax expense were as follows:

	1983	1982	1981
Federal:			
Current	$ 87.5	$ 52.4	$ 58.4
Deferred—net	90.6	99.7	78.6
Investment tax credits — net	34.3	31.7	37.4
ESOP tax credit	5.7	6.3	6.0
	218.1	190.1	180.4
State:			
Current	24.7	19.4	17.6
Deferred—net	11.7	6.5	10.9
	36.4	25.9	28.5
Total	$254.5	$216.0	$208.9

Income tax benefits which relate to non-operating income included in Miscellaneous Income and Deductions — net were $1.3, $.7 and $.2 in 1983, 1982, and 1981, respectively.

Deferred income tax expense results principally from timing differences between depreciation expense for income tax purposes and depreciation expense reflected in these financial statements.

The Company's effective federal income tax rate, as determined by dividing federal income taxes (see page 37) by the sum of federal income taxes and net income, was 39.9% in 1983, 37.1% in 1982 and 37.8% in 1981. The differences of 6.1% in 1983, 8.9% in 1982 and 8.2% in 1981 between the effective rate and the federal income tax statutory rate of 46% are attributable to the following factors:

	1983	1982	1981
a. Certain taxes and payroll-related construction costs capitalized for financial statement purposes, but deducted currently for income tax purposes, net of applicable depreciation	.5%	1.7%	2.7%
b. Interest charged construction, which is excluded from taxable income, net of applicable depreciation	1.4	.4	1.1
c. Amortization of investment tax credits over the life of the plant which gave rise to the credits. Such amortization reduced income tax expense for the years 1983 through 1981 by the amounts shown in Note (j) to Historical Financial Statements	4.8	6.0	4.6
d. Other differences	(.6)	.8	(.2)
Total	6.1%	8.9%	8.2%

(c) **PROVISION FOR PENSIONS AND DEATH BENEFITS** – Employees of the Company are covered by two national Bell System noncontributory pension and death benefit plans sponsored by AT&T and the Bell System companies, including the Company, one for management employees and one for non-management employees. Contributions to such plans are made to irrevocable trust funds. It is the policy of the Company to make contributions which are equal to the current year cost of the plans determined on a going concern basis by an actuarial method specified by the Employee Retirement Income Security Act of 1974 ("ERISA"). The actuarial cost method used by the Company for pension cost determination is the Aggregate Cost Method. The following data relate to plan costs:

	1983	1982	1981
Current year cost	$ 99.1	$136.0	$129.4
Current year cost as a percent of salaries and wages	8.7%	12.1%	12.4%

The current year cost figures shown above were developed using an assumed investment earnings rate which varies by calendar year. The rates assumed are 8% for 1983 through 1985 and decline from 8% in 1985 to 5% by 1998, remaining at 5% thereafter. If the assumed investment earnings rates were 1% lower, the 1983 current year cost would be $44.6 more than shown above.

Pension costs as a percent of salaries and wages have decreased over the past three years. It is management's expectation that this trend will not continue, but future pension costs as a percent of salaries and wages

will stabilize at about the 1983 level absent future plan amendments and absent deviations between actual and expected pension plan experience. The sharp decrease in pension cost as a percent of salaries and wages from 1982 to 1983 was due primarily to a change in the assumed investment earnings rate from a flat 5% per year to the varying rates mentioned previously. The effect of this change was to decrease 1983 pension cost by approximately $36.4.

Amendments to the plans during 1983 and 1982 had the effect of increasing pension costs by approximately $10.3 and $13.2, respectively, while recognition of actuarial experience had the effect of decreasing 1983 and 1982 costs.

Statement of Financial Accounting Standards No. 36 ("Statement No. 36") requires that certain disclosures be made of the actuarial present value of accumulated plan benefits and the fair value of net assets available for plan benefits ("fair value" essentially is current market value). But, with the October 1, 1980 merger of the individual Bell System companies' plans, including the Company's plans, into the two national Bell System plans, such disclosures are not presented for the Company because the structure of the new plans does not readily permit the plans' assets and the accumulated benefits data to be disaggregated at this time. Disaggregation into regional plans will, however, occur in the future due to the requirements of divestiture. Based on the latest actuarial valuations of the two national plans, utilizing assumed rates of return of 9.9% and 10.6% for 1982 and 1981, respectively, the fair value of net assets available for plan benefits exceeded the actuarial present valuations of vested and non-vested accumulated plan benefits at December 31, 1982 and 1981.

The Company believes that misleading inferences concerning the plans' funding status may result from a comparison of the actuarial present value of accumulated plan benefits with the fair value of net assets available for plan benefits. This is because plan assets have been accumulated by making contributions equal to current year costs determined on a going concern basis as required by ERISA, while the determination of the actuarial present value of accumulated plan benefits required by Statement No. 36 is essentially a "plan termination" type calculation which uses methods and assumptions which are not the same as those used to determine current year pension costs. The required method for determining the actuarial present value of accumulated plan benefits fails to take into consideration probable future events such as future wage and salary increases and future employee service which have been taken into consideration in determining costs for the plans. Furthermore, the fair value of net assets available for plan benefits will fluctuate which also may create erroneous impressions with respect to long-term progress on funding the pension plans.

(d) **CASH** – It is the practice of the Company to make certain payments by draft and to record such drafts as accounts payable until such time as the banks honoring the drafts have presented them for payment. Accordingly, outstanding drafts of $79.5 and $39.6 at December 31, 1983 and 1982, respectively, are reflected in Accounts Payable.

(e) **COMMON STOCK** – The equity capital of the Company was increased by $300.0 in 1981 through an additional equity investment made by AT&T and by $6.3, $5.7 and $5.4 in 1983, 1982 and 1981, respectively, in connection with the Bell System Employee Stock Ownership Plan.

(f) **LONG-TERM DEBT** – Interest rates and maturities on long-term debt outstanding at December 31, 1983 were as follows (see also Note (j) to Historical Financial Statements):

Maturities	3⅛% to 4⅝%	6⅛% to 7⅜%	8% to 9½%	12⅕% to 15¼%	Total
1988–1997	$105.0	$ —	$ —	$ —	$ 105.0
1998–2007	155.0	300.0	370.0	—	825.0
2008–2017	—	125.0	230.0	300.0	655.0
2018	—	—	—	150.0	150.0
	$260.0	$425.0	$600.0	$450.0	1,735.0
Unamortized discount — net					(17.5)
Total					$1,717.5

(g) **DEBT MATURING WITHIN ONE YEAR** – The Company follows the practice of financing construction of telephone plant partially through advances from AT&T, bank loans, commercial paper, commercial notes and other notes, all of which are payable in twelve months or less after issuance, pending long-term financing. See also Note (j) to Historical Financial Statements.

At December 31, 1983, the Company had formal, unused lines of credit, held jointly with NYNEX and New York Telephone Company, with various banks amounting to $700.0.

Debt maturing within one year is included as debt in the Company's computation of debt ratios and consists of the following at December 31:

	Amounts			Weighted Average Interest Rate		
	1983	1982	1981	1983	1982	1981
Advances from AT&T	$166.9*	$230.0	$ 9.0	9.35%	8.38%	12.25%
Notes Payable:						
Bank loans	—	.5	—	—	11.50%	—
Commercial paper	268.4	26.0	20.4	9.55%	10.10%	12.57%
Commercial notes	—	—	5.0	—	—	12.68%
Other notes	—	—	5.0	—	—	11.92%
Long-term debt maturing within one year	—	—	40.0	—	—	—
Total	$435.3	$256.5	$ 79.4			
Average amounts of Advances from AT&T outstanding during the year#	$189.9	$ 30.0	$ 12.8	8.79%	8.98%	14.35%
Average amounts of Notes Payable outstanding during the year#	$ 84.0	$ 47.0	$ 72.8	9.05%	11.55%	16.43%
Maximum amounts of Advances from AT&T payable at any month end during the year	$210.0	$230.0	$ 33.0	—	—	—
Maximum amounts of Notes Payable at any month end during the year	$268.4	$120.8	$186.1	—	—	—

* Outstanding advances from AT&T will be assumed as a part of the divestiture.

\# Weighted average interest rate computed by dividing the average daily face amount of Advances and Notes Payable into the aggregate related interest expense.

(h) **LEASE COMMITMENTS** – The Company leases certain facilities and equipment used in its operations and reflects lease payments as rental expense of the periods to which they relate. See Note (j) to Historical Financial Statements. At December 31, 1983 the aggregate minimum rental commitments under noncancellable leases for the periods shown were approximately as follows:

Years	Amounts
1984	$ 41.7
1985	34.6
1986	30.9
1987	27.9
1988	24.5
Thereafter	109.3
Total	$268.9

These leases include some which would be classified as "capital leases" under criteria established by the FASB. However, for regulatory accounting and rate-making purposes, such leases are not capitalized. Had such leases been capitalized, the following amounts would have been included in the Balance Sheets:

	At December 31,	
	1983	1982
Assets	$73.8	$90.2
Less: Accumulated amortization	33.1	40.2
Total	$40.7	$50.0
Lease commitments	$48.8	$64.4

The effect on Net Income for 1983, 1982 and 1981 would have been insignificant.

Implementation of Statement No. 71 in 1984 will require recognizing in the Balance Sheets the assets and related obligations associated with capital leases. See Note (a) to Historical Financial Statements.

(i) **QUARTERLY FINANCIAL INFORMATION (UNAUDITED)** – All adjustments necessary for a fair statement of income for each period have been included.

Calendar Quarter	Amounts		
	Total Operating Revenues	Operating Income	Net Income
1981			
1st	$ 624.3	$ 94.7	$ 61.6
2nd	663.4	108.0	71.2
3rd	702.3	121.9	84.0
4th	707.8	116.4	79.3
Total	$2,697.8	$441.0	$296.1
1982			
1st	$ 715.0	$111.0	$ 74.9
2nd	743.6	114.4	76.3
3rd	755.2	123.1	84.2
4th	762.0	125.5	85.4
Total	$2,975.8	$474.0	$320.8
1983			
1st	$ 735.4	$117.5	$ 83.0
2nd	787.3	124.9	88.8
3rd	787.7	141.9	99.0
4th	777.9	100.5	56.5
Total	$3,088.3	$484.8	$327.3

Net Income for the fourth quarter of 1982 increased $10.4 due to the effects of a change in accounting for certain deferred income taxes (primarily state taxes).

The retroactive result of changes in accounting for interest charged construction on intrastate short-term construction projects increased Net Income by $7.8 in the first quarter of 1981, and by $3.8 in the first quarter and $3.5 in the second quarter of 1983. See Note (a) to Historical Financial Statements.

Results for the second quarter of 1983 decreased due to an adjustment of $4.3 relating to prior year amortization of investment tax credits.

Net Income for the third quarter of 1983 increased $7.0 to reflect a reduction in 1983 pension accrual rates.

Results for the fourth quarter 1983 included charges to cover the costs of starting new entities in compliance with divestiture related reorganization plans, and the award to Litton. See Note (k) to Historical Financial Statements.

(j) **ADDITIONAL FINANCIAL INFORMATION –**

	Dollars in Millions		
	1983	1982	1981
Depreciation — percentage of average depreciable telephone plant	6.49%	6.26%	6.00%
Amortization of investment tax credits (See Note (i) to Historical Financial Statements.)	$ 26.2	$ 30.6	$ 21.7
Gross receipts, payroll-related and other taxes:			
Gross receipts	$ 58.4	$ 54.8	$ 49.0
Payroll-related	70.5	68.2	59.5
Other	.4	.5	.4
Total	$129.3	$123.5	$108.9
Interest expense:			
Interest on long-term debt	$151.6	$152.5	$146.2
Interest on advances from AT&T	16.7	2.7	1.8
Interest on notes payable	7.6	5.4	12.0
Other	4.6	2.0	1.7
Total	$180.5	$162.6	$161.7
Rental expense	$ 71.9	$ 65.8	$ 57.8

(k) **MCI AND LITTON ANTITRUST LITIGATION** – In June 1980, MCI Communications Corporation was awarded $1.8 billion in treble damages in a civil antitrust suit against AT&T. In January 1983, the U.S. Circuit Court of Appeals for the Seventh Circuit reversed in part and remanded the case to the lower court for a new trial on damages on certain issues. In July 1983, both parties petitioned the U.S. Supreme Court to review the case. In October 1983, the Supreme Court denied the petitions. In the opinion of AT&T's legal counsel, any monetary liability or financial impact to which AT&T and the Bell System companies might be subject after final adjudication would not be material in amount.

In June 1981, in another antitrust suit involving terminal equipment against AT&T and certain Bell System companies, Litton Industries, Inc. ("Litton") was awarded $276.8 million in treble damages. In February 1983, the U.S. Circuit Court of Appeals for the Second Circuit upheld the lower court's decision. In June 1983, AT&T petitioned the U.S. Supreme Court to review the case. On January 16, 1984, the Supreme Court denied AT&T's petition. As a result, the liability including interest was recognized in 1983. The decrease in Net Income in 1983 was $6.2 million.

(1) **DEPARTMENT OF JUSTICE ANTITRUST ACTION** – On August 24, 1982, the Modification of Final Judgment ("Consent Decree") between AT&T and the Department of Justice ("DOJ") was entered by the U.S. District Court for the District of Columbia ("Court") following the dismissal by stipulation of the DOJ's 1974 civil antitrust action involving AT&T and its subsidiaries, including the Company. The terms of the Consent Decree require that AT&T divest those parts of the Bell System operating telephone companies that provide local exchange and exchange access service, as well as printed directory advertising, and also required termination of the License Contracts between AT&T and the operating companies and the Standard Supply Contracts between Western Electric and the operating companies. Interexchange facilities, including those owned by the operating companies, remained a part of AT&T, which continues to own Western Electric and Bell Telephone Laboratories, Incorporated ("Bell Laboratories"). Ownership of existing customer premises equipment ("CPE") remained with AT&T. The divested operating companies are restricted to exchange services and other natural monopoly services; however, they may provide new CPE and printed directory advertising. An operating company is permitted to engage in any other business upon a showing to the Court that there is no substantial possibility that the company could use its monopoly power to impede competition in the market it seeks to enter.

AT&T's access to the services of the divested operating companies will be on terms and conditions equal to other interexchange carriers. As a condition of approving implementation of the Consent Decree, the Court required AT&T to reimburse the divested operating companies for costs of reconfiguration of their networks to provide the equal access to all interexchange carriers that have not been recovered by the operating companies by January 1, 1994. Another condition prohibits AT&T after divestiture from using the word "Bell" and the Bell trademarks for itself and its subsidiaries and affiliates, except for Bell Laboratories and foreign subsidiaries and affiliates.

On January 1, 1984, the operating companies were divested by a spin-off to AT&T's share owners and the Company is now a wholly-owned subsidiary of NYNEX. For financial information concerning the effects of the divestiture on the future operations of the Company, refer to the supplement to this Annual Report included on pages 46 through 52. This supplement contains a Financial Forecast for the year ending December 31, 1984, and a Pro Forma Balance Sheet as of June 30, 1983. This information has been excerpted from documents which were filed with the Securities and Exchange Commission in a report on Form 8-K dated November 8, 1983.

Supplement to 1983 Annual Report

The information contained in this supplement to the 1983 Annual Report has been excerpted from the Company's report on Form 8-K dated November 8, 1983. The Company has not and does not intend to update this information.

Financial Forecast (Unaudited)

The financial forecast for New England Telephone and Telegraph Company ("Company"), consisting of a forecasted Statement of Income and summaries of significant anticipated sources of funds supporting construction activity, financial forecast assumptions and accounting policies, represents management's best estimate based on present circumstances of the most probable operating results and sources of funds supporting construction activity for the year ending December 31, 1984. The financial forecast is only for the Company as it is expected to operate in 1984 and does not include certain operations of its parent, NYNEX Corporation ("NYNEX").

It should be noted that the financial forecast is for a newly restructured entity with new modes of operation and new tariff structures for which comparable historical results do not exist. The extent of the changes required as a result of divestiture do not permit meaningful comparisons between forecasted results and the results for periods prior to 1984.

	Dollars in Millions
	Post-Divestiture Forecast
	Year 1984
Total Operating Revenues	$2,911.0
Depreciation	439.9
Other Operating Expenses	1,571.5
Total Operating Expenses	2,011.4
Net Operating Revenues	899.6
Federal Income Taxes	203.8
Other Operating Taxes	225.8
Total Operating Taxes	429.6
Operating Income	470.0
Other Income	14.8
Interest Expense	175.7
Net Income	$ 309.1

See accompanying Summary of Significant Financial Forecast Assumptions for the year ending December 31, 1984 and Note to Forecasted 1984 Statement of Income.

Summary of Significant Financial Forecast Assumptions for the Year Ending December 31, 1984 (Dollars in Millions)

The Consent Decree requires that American Telephone and Telegraph Company ("AT&T") divest those parts of the Bell System operating telephone companies that provide exchange telecommunications and exchange access service, as well as printed directory advertising and cellular advanced mobile communications service business. The Plan of Reorganization ("Plan") and amendments thereto outline how divestiture will be accomplished on January 1, 1984.

This forecasted statement of income represents management's best estimate, based on present circumstances, of the most probable operating results of the Company for the year ending December 31, 1984. Accordingly, the financial forecast reflects management's judgment based on present circumstances of the most likely set of conditions and management's most likely course of action. The assumptions disclosed herein are those that management believes are significant to the financial forecast or are key factors upon which the financial results depend. The assumptions presented are consistent with the Plan approved by the Court. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur subsequent to November 8, 1983, the date of the financial forecast. Therefore, the actual results achieved during the forecast period will vary from the financial forecast, and the variations may be material. Additionally, it should be noted that the financial forecast is for a newly restructured entity with new modes of operation and new tariff structures for which comparable historical results do not exist.

This forecasted statement of income includes estimates of the impact of transactions with AT&T and its subsidiaries. Due to potential competitor and supplier relationships, the assumptions used by the Company with regard to Access Charge revenues to be received from AT&T, sale of customer premises equipment, purchases from Western Electric and other similar transactions were not disclosed in detail to AT&T and thus will not necessarily be the same as the assumptions used by AT&T regarding such transactions.

The Company does not intend to update this forecasted statement of income because actual results will be reported during 1984. Consequently, it should be evaluated in light of any events and changes in circumstances occurring after November 8, 1983. *(See also Subsequent Event note on page 50.)*

The extent of the changes required as a result of divestiture do not permit meaningful comparisons between forecasted results and the results for periods prior to 1984.

ASSUMPTIONS

(a) **General Economy** – The following national economic assumptions were considered in preparing the 1984 financial forecast:

Growth in Real Gross National Product (GNP)	5.0%
Increase in Consumer Price Index (CPI)	4.4%
Annual Average Interest Rates:	
– Prime	11.6%
– 90 Day Commercial Paper	9.8%

(b) **Operating Revenues** – Revenues are based on estimated rates and volumes of business.

Following the Federal Communication Commission's ("FCC") October 18, 1983 Order suspending the effective date of interstate Access Charges to customers and interexchange carriers from January 1, 1984 to April 3, 1984, AT&T on October 27, 1983 petitioned the FCC to reconsider the suspension. In the event that the FCC declines to reconsider, AT&T and the Regional Holding Companies ("RHC") have reached agreement as to the principal terms of an interim arrangement designed to compensate the Bell Operating Companies ("BOC") for the use of their facilities for interstate toll and related services on a basis that is approximately consistent with the current level of interstate earnings (which level is somewhat lower than the authorized rate of return). The forecast assumes that such arrangement will be in effect from January 1, 1984 to April 3, 1984.

The forecast also assumes that the implementation by the FCC of interstate Access Charges will occur on April 3, 1984, and that the Access Charge process will not be altered through (i) congressional legislation which, as currently proposed, seeks to suspend or prohibit Access Charges to residential and small business customers and also seeks to extend the present reduced interconnection rates charged to interexchange carriers other than AT&T, or (ii) judicial action relating to an appeal of the FCC's Order initially adopting Access Charges which is pending before the U.S. Court of Appeals for the District of Columbia Circuit.

The forecast assumes that intrastate interLATA Access Charges will become effective as presently scheduled or, if not, that interim arrangements will be implemented to compensate the BOCs for the use of their facilities for intrastate toll and related services. Rates for exchange telecommunications services have been estimated based on prices expected to be established by state regulatory commissions.

Any changes in these assumptions could have a significant effect on forecasted Net Income; any further delay in implementation of Access Charges would reduce forecasted Net Income.

Revenues from these interstate and intrastate services are expected to recover the costs of providing such services, including a return on investment in facilities. The Company has filed rate applications before the FCC and with the Massachusetts Department of Public Utilities, to establish rates for Access Charges and exchange telecommunication services. Since the tariff structures will be substantially different from that which existed prior to divestiture, approximately 26% of forecasted Total Operating Revenues for 1984 are dependent upon the outcome of these rate applications, most of which relate to Access Charges filed with the FCC. Approximately 2% of such forecasted Total Operating Revenues represents Access Charges to residential and small business customers for which tariffs have been filed with the FCC and which pending legislation seeks to delay or prohibit. If such customer Access Charges are delayed or prohibited by this legislation or if their effectiveness is further delayed by the FCC, the Company will have to seek to recover the cost of these services through other charges.

Access lines in service at December 31, 1984 are estimated to be 4,630,900. The Company expects to be able to modify, within reasonable limits, the costs of providing telephone service to recognize variations from the forecasted volume levels.

(c) **Depreciation** – Depreciation expense is estimated using rates and practices prescribed or expected to be prescribed by the FCC applied to assets expected to be owned by the Company during 1984. The FCC is expected to approve depreciation rates that result in an effective average composite rate for 1984 of about 6½%; such rates are expected to be allowable in determining revenue requirements in intrastate rate-making proceedings. Construction costs of $808.3 for the period are estimated based on estimated demand for communications services and improvements to existing services.

(d) **Other Operating Expenses** – Other operating expenses include primarily salaries, wages, pensions and other employee related expenses. Salaries and wages, including cost-of-living adjustments, are estimated based on expected post-divestiture force levels and reflect new union contracts agreed upon in August 1983. Pensions and other employee related expenses are estimated based on expected force levels and estimated payroll used to calculate such expenses. It is estimated that the changes in wages and fringe benefits resulting from the new contracts, as well as adjustments in ranges of compensation and fringe benefits for management employees, will increase expenses by about $61.0 in 1984.

Maintenance expense includes an inflation adjustment of 4.4%, and as a percentage of the level of plant is expected to remain relatively constant during 1984. The Central Services Organization ("CSO") will furnish technical assistance such as network planning, engineering and software development. The Company's share of the estimated cost of the CSO has been included based on approved functions for the CSO and its expected force levels, and in 1984 is estimated to be approximately $36.4.

(e) **Operating Taxes** – The estimated effective annual federal income tax rate is expected to be 39.5%. The difference of 6.5% between the estimated effective tax rate and the assumed statutory rate of 46.0% is attributable to the following factors:

a. Certain taxes and payroll-related construction costs capitalized for financial statement purposes but deducted currently for income tax purposes, net of applicable depreciation	—
b. Interest charged construction, which is excluded from taxable income, net of applicable depreciation	1.0%
c. Depreciation, not deductible for income tax purposes, on that portion of telephone plant costs which represents after-tax profit to Western Electric	(.6)
d. Amortization of investment tax credits over the life of the plant which gave rise to the credits	6.5
e. Other differences	(.4)
Total	6.5%

The investment tax credit rate is expected to remain at 10%. Tax estimates are in accordance with the Tax Equity and Fiscal Responsibility Act of 1982. Social Security taxes are computed using a 7.0% rate on the statutory wage base. State and local tax estimates are determined based on taxable bases and statutory tax rates.

(f) **Interest Expense** – Interest expense was computed using an embedded cost of funded debt of 8.8%. Interest expense on short-term debt, at an average estimated cost of 9.8%, represents 12.8% of total interest expense.

(g) **Summary of Significant Anticipated Sources of Funds Supporting Construction Activity** –

Funds from operations (net of first quarter 1984 dividend, annualized, of $273.1)	$557.3
Funds from external financing	210.0
Other (including interest charged construction)	41.0
Total construction activity	$808.3

(h) **Contingent Liabilities** – No amounts have been included in the financial forecast for the matters discussed in Note (k) to the Historical Financial Statements.

Subsequent Event – On February 15, 1984, the FCC announced it would proceed with the implementation of interstate Access Charges on April 3, 1984 to multi-line business customers, but would delay implementation of Access Charges to residential and single-line business customers until mid-1985, in order to provide time for additional study and development of new plans and tariff arrangements. The FCC also reduced the Access Charges to be paid by interexchange carriers, other than AT&T, commencing April 3, 1984, from levels previously established by the FCC. While this will reduce a previously anticipated revenue source, the FCC could require AT&T to pay higher than previously anticipated carrier Access Charges to offset some or all of the revenues lost as a result of the delay and changes in Access Charges. In view of the interrelationship of these matters and, in the absence of final FCC decisions, the effects, if any, on the Company's forecasted net income are not now determinable.

Note to Forecasted 1984 Statement of Income (Dollars in Millions)

Summary of Significant Accounting Policies – The forecasted statement of income is prepared in accordance with the generally accepted accounting principles expected to be used for the financial statements issued during the forecast period. Generally accepted accounting principles used in the forecasted statement of income have been applied on a basis consistent with those principles used in the historical statements of income for the years ended 1983, 1982, and 1981 except as described below:

Revenue Refunds – Effective in 1984, in accordance with Statement of Financial Accounting Standards No. 71 ("Statement No. 71"), "Accounting for the Effects of Certain Types of Regulation," restatements of prior period results for revenue refunds will not be made; instead, refund liabilities (if any) will be reflected in current results.

Purchases from Western Electric – The Standard Supply Contract with Western Electric will be terminated in accordance with the Plan by January 1, 1984.

In 1984, the Company will no longer join with AT&T in filing a consolidated federal income tax return. Accordingly, plant values associated with new purchases from Western Electric will not reflect the effect of the tax which formerly would have been deferred and therefore such tax will no longer provide a source of funds. As a result of divestiture, the Company could be required to make an immediate payment of federal income taxes previously deferred on intercompany profits. The amount of this payment applicable to plant owned by the Company is approximately $42.4. While payment of these deferred taxes would have no direct effect on Net Income, an immediate payment would increase the Company's need for cash. However, AT&T believes that, pursuant to tax regulations, a closing agreement is likely to be entered into with the Internal Revenue Service which would result in only a moderate acceleration of the present time period over which these intercompany profits become taxable.

In addition to the above effects, the Company will be required to return to Western Electric previous payments of deferred taxes relating to plant assigned to AT&T Information Systems. AT&T will provide the funds to make such payments.

Provision for Pensions and Death Benefits – Upon divestiture, noncontributory pension and death benefit plans sponsored by NYNEX for management and non-management employees will be established similar to existing national Bell System plans.

Lease Commitments – The Company currently reflects lease payments for certain facilities and equipment used in its operations as rental expense of the periods to which they relate. In 1984, in accordance with Statement No. 71, the asset values and related obligations of capital leases with inception dates after December 31, 1982, will be included in the balance sheets. This change in accounting is not expected to affect Net Income because the total of the interest expense on the lease obligations plus the amortization expense of the leased assets will equal the rental expense allowed for rate-making purposes.

Unaudited Pro Forma Condensed Balance Sheet (Dollars in Millions)

The following Unaudited Historical Condensed Balance Sheet as of June 30, 1983 is derived from the unaudited financial statements included in the quarterly report on Form 10-Q of the Company.

The following Unaudited Pro Forma Condensed Balance Sheet gives effect to the divestiture of the Company by AT&T as if it had occurred on June 30, 1983, in accordance with the Plan. Because divestiture will not occur until January 1, 1984, actual balances and adjustments will vary from those presented in the pro forma balance sheet below. The Unaudited Pro Forma Condensed Balance Sheet is presented as of June 30, 1983, as a result of agreements reached with the Securities and Exchange Commission for the Company's report on Form 8-K dated November 8, 1983 and because final data is not readily available for all items presented. The Unaudited Pro Forma Condensed Balance Sheet should be read in conjunction with the audited financial statements and notes contained in the most recent Annual Report on Form 10-K and with the unaudited financial statements and notes contained in the most recent quarterly report on Form 10-Q of the Company.

	Dollars in Millions		
	Historical June 30, 1983	Pro Forma Adjustments	Pro Forma June 30, 1983
ASSETS			
Telephone Plant — Net of Accumulated Depreciation	$5,491.6	$(641.9)	$4,849.7
Investments	3.8	(.2)	3.6
Current Assets	594.5	(7.4)	587.1
Deferred Charges	102.9	(.2)	102.7
Total Assets	$6,192.8	$(649.7)	$5,543.1
INVESTED CAPITAL, LIABILITIES AND DEFERRED CREDITS			
Share Owner's Equity	$2,552.2	$(251.6)	$2,300.6
Long and Intermediate Term Debt	1,716.4		1,716.4
Debt Maturing Within One Year	350.6	(184.7)	165.9
Other Current Liabilities	371.2		371.2
Deferred Taxes and Other Deferred Credits	1,202.4	(213.4)	989.0
Total Invested Capital, Liabilities and Deferred Credits	$6,192.8	$(649.7)	$5,543.1

See notes to Unaudited Pro Forma Condensed Balance Sheet.

Notes to Unaudited Pro Forma Condensed Balance Sheet

1. **Pro Forma Adjustments** – Assets and liabilities are transferred to and from AT&T at net book value. The transfers are tax-free under the Internal Revenue Code. Accumulated deferred income tax reserves and unamortized investment credits are transferred along with the associated assets.

   The capital structure is developed using a target debt ratio (debt as a percent of total debt and equity) of 45%. The target debt ratio will be used to determine the amount of debt to be removed by AT&T at the time of divestiture. This amount is expected to be $167.0. The Company expects that its debt ratio at the time of divestiture will be approximately 45%.

2. **Contingent Liabilities** – See Note (k) to Historical Financial Statements.

Supplementary Data Accounting for the Effects of Inflation (Unaudited)

High rates of inflation drew increased attention to the need to assess both the impact of inflation on business and the results of management's efforts in coping with it. No consensus has been reached either on the preferability of any one reporting method or on the practical usefulness of the resulting data. The Financial Accounting Standards Board ("FASB"), believing that additional experience should be gained and experimentation undertaken with respect to reporting the effects of inflation, used Statement of Financial Accounting Standards No. 33 ("Statement No. 33") which requires disclosure of supplementary data to reflect the effects of general inflation (constant dollar) and the effects of changes in specific prices (current cost). The following data have been prepared to comply with Statement No. 33; however, the Company believes that it should be used with care because the data neither completely nor accurately portray inflation's effects.

Traditionally, financial statements have been prepared on the basis of historical costs, i.e., the actual number of dollars exchanged at the time each transaction took place. However, it is recognized that general inflation has caused the purchasing power of dollars to decline, the result of which is the presentation of financial statement elements in dollars of varying purchasing power. To eliminate this disparity, such elements may be restated in "constant" dollars, each of which then has equal purchasing power. To reflect the effects of inflation and thus express operating results in dollars of comparable purchasing power, Statement No. 33 requires the Company to show what the FASB characterizes as "income from continuing operations" as if depreciation of plant assets had been based on asset amounts expressed in dollars of constant purchasing power. (This is shown in column (b) of Table A, stated in average 1983 dollars.) This adjustment is derived from the application of the Consumer Price Index for All Urban Consumers ("CPI-U"), a measure of inflation based on changes in the costs to consumers of a wide range of commodities and services. (The 1983 average CPI-U has been estimated based on actual statistics through November 1983.)

Technological improvements, changes in supply and demand, and productivity gains cause the specific prices of goods and services purchased by a particular business to fluctuate differently from price changes that would be caused solely by general inflation. To reflect the effects of such specific price changes on operating results, Statement No. 33 requires that the Company also show "income from continuing operations" as if depreciation of plant assets had been based on the "current cost" of these or comparable assets, rather than on historical cost. (This calculation is shown in column (c) of Table A, stated in average 1983 dollars.) Because current cost data are unique to each company, the current cost of telephone plant has been calculated by applying internally-generated indexes to investments in each of the major telephone plant accounts.

In computing "income from continuing operations," only depreciation expense has been adjusted to show the effects of inflation. Because most other operating expense items are current year transactions, they already are recorded in dollars of approximately current purchasing power.

In accordance with requirements of Statement No. 33, no adjustments have been made to reflect any effects of inflation on provision for federal income taxes. The effective federal income tax rate (operating federal income taxes divided by the sum of operating federal income taxes and "income from continuing operations") for the historical data in column (a) of Table A would be 40.0%. The rate reflecting adjustments for inflation would be 115.2% for column (b) and 95.3% for column (c) of Table A. While the federal income taxes used in these computations include investment tax credits and tax deferrals relating to accelerated depreciation, the effects of inflation on effective tax rates also would be increased dramatically, even though in lower percentages, if these tax benefits were excluded. These tax benefits were intended by Congress to provide funds for investment in other capital assets in order to increase productivity and employment.

Amounts shown as "net assets at year end" in Table B are common share owner's equity as shown in the historical financial statements which are adjusted for general inflation by the difference between telephone plant at historical cost and telephone plant in constant dollars and are adjusted for changes in specific prices by the difference between telephone plant at historical cost and telephone plant at current cost.

It is essential that regulatory authorities allow telephone services to be priced at levels that will preserve the Company's ability to attract the continuing additional amounts of capital necessary to meet the public's demand for telephone services. Such price levels need to provide rates of return which, after giving recognition to the effects of inflation, adequately will compensate purchasers of securities for funds provided for telephone plant construction. This inflation-affected compensation would acknowledge higher interest rates for debt securities in anticipation that such debt will be repaid in dollars having less purchasing power; it would acknowledge that returns on equity securities must be comparable with returns available on alternative equity investment opportunities. Because of this comparable return requirement for equity securities, any reflection of "constant dollar" or "current cost" depreciation in the returns on equity of non-regulated companies should result in regulatory recognition of the need for increased returns on equity for the Bell System and thus give recognition to similar inflation effects on its depreciation. Accordingly, the Company has no reason to expect that increases in operating revenues will not keep pace with the effects of inflation on depreciation; the constant dollar and current cost amounts shown for telephone plant investment in the accompanying schedule reflect this premise. Should regulatory authorities not give recognition to the need for such higher equity returns, then the recoverable amount of the Company's plant, when adjusted for inflation's effects, could be reduced. No such reduction is necessary for constant dollar results in 1983 (Table A column (b)); the constant dollar depreciation provided for any 1983 reduction that would have been necessary. The cumulative amount of constant dollar reductions applicable to all years through December 31, 1983, could have reduced "net assets," as defined herein, by as much as $3,824.4. No reduction applicable to current cost results in 1983 (Table A column (c)) is necessary;

current cost depreciation provided for any 1983 reduction that otherwise might have been necessary. However, the cumulative amount of current cost reductions applicable to all years through December 31, 1983, had they been required, could have reduced net assets at December 31, 1983, by as much as $3,566.4.

The reader should note the item identified in Tables A and B as "benefits from decline in purchasing power of net amounts owed." During periods of inflation, lenders of money experience a loss due to the fact that amounts owed to them will be repaid in dollars having less purchasing power than the dollars originally lent; it is in anticipation of such loss that interest rates are high during inflationary times. Conversely, to the extent that lenders are losing purchasing power, borrowers are benefiting. In assessing the impact of inflation on business, the Company believes that the benefits from inflation's effects on money that is borrowed should be viewed as an offset to interest expense. The benefit, however, does not provide funds to the Company.

The disclosure called for by Statement No. 33 is misleading by its incorrect inference that the Company ought not to have paid out more in dividends than its inflation-adjusted income from continuing operations. Statement No. 33 is based on the incorrect premise that depreciation expense, rather than being a means of allocating asset costs to accounting periods, provides funds to be set aside and used for the replacement of those assets being depreciated. Statement No. 33 also assumes that the cost of new assets acquired to replace retired assets will equal the original cost of the retired assets adjusted for either inflation or specific price increases; obviously, such is not the case in a high technology industry such as ours. Technological advances hold down price increases for new communications equipment and also increase significantly the productive capacity of both new and existing equipment. As shown in the accompanying Analysis of Construction Program and Cash Utilization (Table C), internally-generated funds, after paying dividends, were sufficient not only to provide all the funds needed for plant replacement, modernization, and customer movement, but also to provide $312.9, $279.6 and $124.6 in 1983, 1982 and 1981, respectively, for financing new telephone growth and other corporate investments.

The reader also should note that the increase in the specific prices of telephone plant actually has been less than the general increase in the rate of inflation. This difference primarily is attributable to "benefits of technological improvements in constructing telephone plant." These technological improvements, combined with the resulting improvements in productivity, have been responsible for the Company's success in keeping the rate of growth in the prices of its services below the rate of growth in the general level of prices.

Statement No. 33 also requires that the data shown in Table B be presented in a five year summary, restated into the average purchasing power of the dollar during 1983. The calculations for these restatements have been made by applying the average CPI-U for 1983 to the data for the years 1979 through 1982. No adjustments have been made to the historical cost information, which is presented for comparison purposes only.

Supplementary Financial Data Adjusted for the Effects of Inflation and Changing Prices — December 31, 1983
(Dollars in Millions)
Table A.

	As Reported in the Historical Financial Statements (a)	Adjusted for General Inflation (Constant Dollars) (b)	Adjusted for Changes in Specific Prices (Current Cost) (c)
Operating revenues	$3,088.3	$3,088.3	$3,088.3
Depreciation	449.6	805.7	766.1
Other operating expenses	1,724.8	1,724.8	1,724.8
Operating federal income taxes	218.1	218.1	218.1
Other operating taxes	211.0	211.0	211.0
Other (income) loss	(23.0)	(23.0)	(23.0)
Interest expense	180.5	180.5	180.5
	2,761.0	3,117.1	3,077.5
Income (loss) from continuing operations	$ 327.3	$ (28.8)	$ 10.8
Benefits from decline in purchasing power of net amounts owed		$ 104.4	$ 104.4
Increase in specific prices (current cost) of telephone plant held during the year			$ 356.9
Effect of increase in general price level (constant dollars)			341.5
Excess of increase in specific prices over increase in the general price level			$ 15.4
Telephone plant, net of accumulated depreciation	$5,668.7	$9,559.7*	$9,297.2*

*Year end 1983 dollars.

Supplementary Five-Year Comparison of Selected Financial Data
(Dollars in Millions)
Table B.

	1983	1982	1981	1980	1979
Operating revenues in average 1983 dollars	$3,088.3	$3,070.4	$2,955.3	$2,902.4	$3,017.8
Historical cost information:					
Income from continuing operations	$ 327.3	$ 320.8	$ 296.1	$ 247.6	$ 241.8
Net assets at year end	2,580.1	2,515.2	2,445.7	2,056.7	1,985.8
Historical cost information adjusted for general inflation (average 1983 dollars):					
Income (loss) from continuing operations	$ (28.8)	$ (32.6)	$ (26.4)	$ (9.6)	$ 49.3
Net assets at year end	6,360.4	6,844.3	6,876.8	6,602.4	6,523.8
Historical cost information adjusted for changes in specific prices (average 1983 dollars):					
Income from continuing operations	$ 10.8	$ 33.1	$ 61.4	$ 50.8	$ 78.6
Difference between the amount by which current cost of telephone plant would have increased if computed by reference to changes in general price levels and increase in current cost of telephone plant	(15.4)	(228.1)	423.5	190.3	609.7
Net assets at year end	6,102.4	6,196.7	5,999.8	5,990.0	6,016.3
Other Information:					
Benefits from decline in purchasing power of net amounts owed in average 1983 dollars	$ 104.4	$ 109.4	$ 256.0	$ 313.4	$ 364.2
Average CPI-U (1983 estimated)	298.4	289.1	272.4	246.8	217.4

Analysis of Construction Program and Cash Utilization
Table C.

	In Millions of Historical Dollars		
	1983	1982	1981
Construction program components (approximate):			
Plant replacement	$ 42.8	$ 46.0	$ 47.6
Plant modernization	212.0	175.7	175.6
Customer movement	51.2	112.4	145.5
Growth	498.9	461.8	342.6
	804.9	795.9	711.3
Add — Interest charged construction	24.6	10.4	17.0
Total construction program	$829.5	$806.3	$728.3
Retirement of telephone plant at historical cost	$269.1	$288.7	$194.5

Internally-generated funds available for investments (see page 32):

	In Millions of Historical Dollars		
	1983	1982	1981
Funds from operations	$887.6	$851.0	$760.6
Decrease (increase) in working capital	(10.2)	20.6	(84.4)
Decrease (increase) in deferred charges and other — net	10.2	(.9)	29.6
	887.6	870.7	705.8
Less — Dividends	268.7	257.0	212.5
Funds available for investments	618.9	613.7	493.3
Less — Amount spent on plant replacement, plant modernization, and customer movement	306.0	334.1	368.7
Funds available for growth and other investments	$312.9	$279.6	$124.6

Officers and Board of Directors

On January 1, 1984

Company Officers

GERHARD M. FRECHE
President and Chief Executive Officer

JOHN S. NORTH
Executive Vice President

WALTER E. BARTLETT
Vice President-External affairs

PETER W. BERTSCHMANN
Vice President-Personnel

RICHARD W. BLACKBURN
Vice President-General Counsel

JAMES F. CRAIN
Vice President-Finance and Comptroller

DELBERT L. EMERY
Vice President-Information Systems and Corporate Services

PETER L. HAYNES
Vice President-Marketing

WILLIAM F. HIGHLAND
Vice President-Planning

PETER C. MANUS
Vice President-Revenue Matters

GEORGE D. NOBLE, JR.
Vice President-Public Affairs

THOMAS J. NORRIS
Vice President-Switched Services

W. RUSSELL SCOTT, JR.
Vice President-Distribution Services

JOHN H. COGSWELL
Secretary-Treasurer

State Vice Presidents

RICHARD A. JALKUT
Maine

JOHN J. COLEMAN
Massachusetts

DONALD B. REED
New Hampshire

RITA A. O'BRIEN
Rhode Island

DEIGHTON K. EMMONS
Vermont

Board of Directors

RAYMOND F. BURKE
Vice President and General Counsel, NYNEX Corporation, New York, N.Y.

KENNETH M. CURTIS
Partner, Curtis, Thaxter, Lipez, Stevens, Broder & Micoleau, Portland, Maine

GERHARD M. FRECHE
President and Chief Executive Officer, New England Telephone and Telegraph Company

LUTHER F. HACKETT
President, Hackett, Valine & MacDonald, Inc., Burlington, Vermont

WILLIAM C. MERCER
Former Chairman of the Board, New England Telephone and Telegraph Company

JOHN S. NORTH
Executive Vice President, New England Telephone and Telegraph Company

DAVID B. PERINI
Chairman, President and Chief Executive Officer, Perini Corporation Framingham, Mass.

DONALD A. ROACH
President and Chief Executive Officer, Brown & Sharpe Manufacturing Company, North Kingstown, Rhode Island

MRS. GEORGE L. SARGENT
Chairman of the Board of Overseers, New England Medical Center, Inc., Boston, Mass.

MAURICE SEGALL
President and Chief Executive Officer, Zayre Corp., Framingham, Mass.

ADELE S. SIMMONS
President, Hampshire College, Amherst, Mass.

KIMON S. ZACHOS
Partner, Sheehan, Phinney, Bass & Green, Manchester, New Hampshire

Executive Committee

GERHARD M. FRECHE
Chairman
WILLIAM C. MERCER
JOHN S. NORTH
DAVID B. PERINI
DONALD A. ROACH
MAURICE SEGALL
KIMON S. ZACHOS

Audit Committee

LUTHER F. HACKETT
Chairman
DAVID B. PERINI
MRS. GEORGE L. SARGENT

Corporate Public Policy Committee

ADELE S. SIMMONS
Chairman
KENNETH M. CURTIS
KIMON S. ZACHOS

Organization Changes

Senior Executive Officer Changes:

On April 1, 1983, Richard J. Santagati was elected Vice President-Marketing of New England Telephone. On January 1, 1984 he became President of NYNEX Business Information Systems.

On May 1, 1983, John F. Prendiville, New England Telephone Vice President-Planning, became Vice President-Technical Planning for NYNEX Corporation.

Also on May 1, 1983, William F. Highland was elected Vice President-Planning, and W. Russell Scott, Jr., was elected Vice President-Distribution Services.

On July 1, 1983, James F. Crain was elected Vice President-Finance and Comptroller.

On July 1, 1983, John H. Cogswell was elected Secretary-Treasurer.

On June 30, 1983, Lincoln A. Divoll and Rodney M. Torres retired as Vice Presidents.

Mr. Divoll had served as an officer since 1974 and had been employed by the Company since 1951. Mr. Torres was elected an officer in 1970 and had been an employee of the Company since 1948.

Board of Directors Changes:

Two new directors were elected to the Board effective January 1, 1984. They were RAYMOND F. BURKE and KENNETH M. CURTIS.

Mr. Burke is Vice President and General Counsel of NYNEX Corporation. He previously served as Vice President and General Counsel for New York Telephone and for AT&T Long Lines, and is a former General Attorney for New England Telephone.

Mr. Curtis, a former governor of Maine, is a partner in the Portland law firm of Curtis, Thaxter, Lipez, Stevens, Broder and Micoleau. He is Chairman of the Board of Lawyers Investment Services, Ltd., and a Director of Hall Security, Inc., and E.R.A. Mortgage, Inc.

Haynes H. Fellows, Jr., a Director and Vice President, retired on August 15, 1983. A Bell System employee for 37 years, he had served most recently as Vice President-Finance and Comptroller.
On October 14, 1983, Directors Richard D. Hill, Edward E. Phillips and Hugh C. Saunders resigned from the New England Telephone Board and were elected to the Board of the NYNEX Corporation.

Walter B. Kelley resigned effective December 31, 1983. He had served as a Director since April 18, 1978.



185 Franklin Street
Boston, Massachusetts 02107
Telephone 617 743-9800

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CAMBRIDGE, MASS.

Joseph R. Plati
Division Staff Manager-Taxes

New England Telephone

185 Franklin Street
Boston, Mass. 02107
Phone (617) 743-4207

March 30, 1984

Dear Sir:

Enclosed is a copy of Annual Report to the Share Owners of New England Telephone and Telegraph Company for the year 1983 filed in accordance with Massachusetts General Laws (Ter. Ed.), Chapter 166, Section 12A.

Very truly yours,

J R Plati

Division Staff Manager-Taxes

Enclosure

6. F-138

Comm. from Joseph R. Plati, Div. Staff Mgr.-Taxes, New England Telephone transmitting a copy of its Annual Report for 1983, in accordance with Chapter 166, Section 12A of the General Laws.

In City Council,

April 23, 1984

Placed on File.