

Decision No. 19764

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the Application of  
THE WESTERN UNION TELEGRAPH COMPANY,  
a corporation, for an order fixing  
reasonable rates for the transmission  
of Intrastate Press Dispatches.

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)  
) Application No. 13372.  
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Beverly L. Hodghead and Devlin and Brookman,  
by Douglas Brookman, for applicant.  
H. W. Norton and G. J. Fink, for San Francisco  
Newspaper Association, California News-  
paper Publishers' Association, Los  
Angeles Express, Los Angeles Herald,  
Los Angeles Examiner and Stockton In-  
dependent, protestants.  
W. Rupp, for the Department of Public Works of  
the State of Washington, interested party.

WEITSEHL, COMMISSIONER:

O P I N I O N

Western Union Telegraph Company, applicant in this proceeding, requests the Commission for an order authorizing an increase in the rates and tolls on intrastate press dispatches. The specific request made is for the establishment of rates for such intrastate press dispatches that day press messages will be assessed at one-third and night press messages one-sixth of the present intrastate full commercial day rates at commercial count. Public hearings have been had in this proceeding and the matter has been submitted.

On August 1, 1918, the federal government assumed control of telephone and telegraph utilities in the United States. Rates for all commercial messages transmitted by telegraph companies were increased twenty (20) per cent over the rates for similar service effective prior to that time. No increase in press dispatch rates was made. Subsequent to the release of

telephone and telegraph companies from federal control, on July 31, 1919, this Commission, by its General Order No. 56, continued in effect those rates established for service in the State of California during the period of federal control. These rates were declared just and reasonable in this Commission's Decision No. 9180, dated June 29, 1921.

The applicant claimed and by a fair preponderance of the evidence established that its intrastate press rates were such as to result in an out-of-pocket loss on this category of business. The proposed rates, according to the showing made, will reduce this loss by about \$7700 a year but will still leave the business a profitless one. Under the rule laid down in Northern Pacific Railroad Co. v. North Dakota, 236 U.S. 585, the applicant is entitled to the specific relief it seeks.

But this by no means disposes of the situation here presented.

In making out its case for the specific relief sought and here granted, applicant, by its responsible officials, submitted (a) a valuation of its property in California, and (b) statements of operating results of its California business. It then segregated its California property into that used in intrastate business and that used in inter and trans state business, and did the same in respect to its operating revenue and expense. This indicated that its California business as a whole was exceedingly profitable, while its purely intra-state business, as to which this Commission has jurisdiction, was unprofitable.

The tables hereafter set forth exhibit the showing thus made:

TABLE I  
CALIFORNIA BUSINESS

|   |                   |
|---|-------------------|
| Undepreciated value of California property in 1925, as per valuation methods of Interstate Commerce Commission (adjusted from Applicant's Exs. 2 and 3) . . . . . | \$10,855,460. (1) |
| Total California Operating Receipts for 1925 (Applicant's Ex. 3 A) . . . . .  | 7,891,554.        |
| Total California Operating Expenditures for 1925 (Applicant's Ex. 3 A) . . . . .  | 5,016,342.        |
| California Operating Earnings for 1925 (Applicant's Ex. 3 A) . . . . .  | 2,875,212.        |
| Rate of Return in 1925 on California business . . . . .   | 26.4% (2)         |

TABLE II  
INTRASTATE BUSINESS

|   |               |
|---|---------------|
| Undepreciated value of California property used in intrastate business in 1925, as per valuation methods of Interstate Commerce Commission (adjusted from Applicant's Exs. 2 and 3) . . . . . | \$ 2,748,670. |
| Total California Operating Receipts for 1925 (Applicant's Ex. 3 A-1) . . . . .  | 2,035,889.    |
| Total California Operating Expenditures for 1925 (Applicant's Ex. 3 A-1) . . . . .  | 2,106,103.    |
| Net California Operating Earnings (Applicant's Ex. 3 A-1) . . . . .   | 70,214. *     |
| Rate of Return in 1925 on California Intra-state Business . . . . .   | _____         |

\* Loss

(1) Applicant in preparing its case had its Mr. Clunan, its chief division auditor, make up figures for the year 1925. Mr. Meigs, the applicant's valuation engineer, presented valuation figures, but these were for 1926. He had previously given Mr. Clunan approximately correct figures for 1925. The figure here used is believed to be an accurate adjustment of Mr. Meigs' 1926 figures to the 1925 basis, in view of the explanatory testimony of these two witnesses.

(2) If the valuation be reduced by, say, 10% because of depreciation the rate of return would be 29%. Mr. Meigs testified that the reproduction new cost would be about 40% higher than the figure given by him, or, in round figures, \$14,000,000. The net earnings for 1925 would yield a return of 20% upon this valuation. Should this figure of \$14,000,000 be reduced to allow for depreciation the resultant rate of earning would be substantially higher. It is

(Continued on Page 4)

TABLE NO. III  
INTERSTATE BUSINESS (INCLUDING TRANS-STATE)

|  |             |
|--|-------------|
| Undepreciated value of California property used in interstate business in 1925, as per valuation methods of Interstate Commerce Commission . . . . . | \$8,106,790 |
| Total California Operating Receipts for 1925 . . . . .   | 5,855,665   |
| Total California Operating Expenditures for 1925 . . . . .   | 2,910,239   |
| Net California Operating Earnings . . . . .  | 2,945,426   |
| Rate of Return in 1925 on California Interstate Business . . . . .   | 36% (3)     |

While the figures given in the foregoing tables are for 1925, they were presented by the applicant as representative of its earning position. An examination of the annual reports of the company on file with this Commission indicates that these 1925 figures are fairly representative of 1927 conditions.

It thus appears from the applicant's own showing that upon its entire California business it is earning a return of from 20% to 30%, depending upon the basis of valuation upon which computed, while on its California interstate business its earning rate is substantially higher. On the basis of valuation followed by the Interstate Commerce Commission its earnings for the latter class of business are approximately 40%.

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(2) Cont'd from page 3.  
apparent from these figures that the Company in 1925 earned on its California business all the way from 20% to 30%, depending upon the basis of the valuation used - and this without taking into account the reasonableness of some of its operating expenses.

(3) If the value of property used in interstate business be depreciated by 10% the rate of return would be approximately 40%.

Fortunately Congress has provided in the Interstate Commerce Commission a body vested with the authority and the jurisdiction to control and fix the interstate rates and charges of a utility such as the applicant. With the situation here presented, the Commission would be derelict in its duty if it failed to authorize and direct an appropriate proceeding before the Interstate Commerce Commission for relief from rates so excessive as here indicated. (4) The order will direct such a proceeding.

The following form of order is recommended:

O R D E R

Western Union Telegraph Company having made application to the Railroad Commission for an order authorizing it to increase its rates and charges for press dispatches within the State of California, as set forth in "Exhibit A" attached to its application, hearings having been held, the matter having been submitted, and the Commission being fully informed in the matter, it is hereby found as a fact that the increase in press rates herein requested is justified.

Basing its order on the foregoing finding of fact and other findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Western Union Telegraph Company

(1) Charge and collect for intrastate press dispatches in the State of California on and after June 1, 1928, the following rates:

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(4) If applicant's rates should be reduced so that on its California business as a whole it would earn 7% on the basis of valuation thus far generally employed by the Interstate Commerce Commission, this would involve a reduction in its gross California receipts of over \$2,000,000 a year.

For day press messages: One-third of what the tolls would be on the same message at full commercial day rates, at commercial count.

For night press messages: One-sixth of what the tolls would be on the same message at full commercial day rates, at commercial count.

(2) File with the Railroad Commission the rates set forth in (1) above, on or before May 25, 1928.

IT IS FURTHER ORDERED that the Attorney of this Commission, in the name of and for the Railroad Commission of California, file an appropriate petition or complaint before the Interstate Commerce Commission against the Western Union Telegraph Company asking for an investigation and revision of the Company's interstate rates as they affect California.

For all other purposes the effective date of this order shall be twenty (20) days from and after the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 18<sup>th</sup> day of May, 1928.

Leon A. White  
Ed. Seaman  
Frank C. East  
John D. Leland  
M. A. Cline  
Commissioners.