

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

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M. FARRELL, et al.,

Complainants,

-vs.-

PACIFIC TELEPHONE AND TELEGRAPH
COMPANY,

Defendant.

Case No. 465.

Mason and Locke for complainants.
J. T. Shaw for defendant.

ESHELMAN, Commissioner.

O P I N I O N .

The complainants herein are subscribers of the Pacific Telephone & Telegraph Company in the vicinity of Mountain View and Los Altos and they complain that subscribers of the Pacific Telephone & Telegraph Company at various points in what is termed the San Jose and Palo Alto zones have free exchange privileges which are not accorded to complainants. The points in San Jose zone at which free switching privileges are alleged to exist are Milpitas, Alviso, Sunnyvale, Santa Clara, San Jose, Campbell, Cupertino, Saratoga, Los Altos, Mt. Hamilton, Berryessa, Evergreen and Coyote; and the points in the Palo Alto zone alleged to be similarly favored are Palo Alto, Mayfield, University, Menlo Park, Redwood City, Woodside, Atherton and La Honda. It is further alleged that the equipment furnished to subscribers of the Mountain View and Los Altos exchange is of antiquated type and inferior to that used in the adjacent exchanges; and that the subscribers in Menlo Park, Mayfield and Sunnyvale, with a less number of telephones in service, are allowed "two-number" toll service at reduced rates with San Francisco, which privilege is not accorded to complainants. A complaint is also

made of the charge of 15¢ for messages from Mountain View and Los Altos to San Jose, and the charge of 25¢ for one minute and 10¢ for each additional minute for messages from Mountain View and Los Altos to San Francisco. It is likewise urged that the three minute initial period for messages to San Francisco and from San Jose and Palo Alto as compared with the one minute initial period from Mountain View and Los Altos, constitutes an unjust discrimination against these complainants.

To satisfy these complaints it is asked that the territory embraced within the Mountain View and Los Altos exchange district be incorporated in either the San Jose or Palo Alto zones as may in the opinion of the Commission be deemed to be to the best interest of the public, and that the defendant be required to install modern equipment in Mountain View and Los Altos exchanges, and that two-number service be accorded Mountain View and Los Altos to San Francisco, and that the rates complained of be reduced.

The defendant, in its answer, sets up the fact that the major portion of the complaint herein deals with matters involved in Application No. 2 and Cases No. 407 and 387. As far as the matters complained of are concerned, other than the antiquated facilities accorded to complainants and their incorporation in the San Jose or Palo Alto exchanges, the defendant is correct and these matters are involved in the cases referred to, which have already been decided in accordance with complainants' contentions.

The testimony shows that modern equipment has already been installed at Los Altos and that the company is proceeding in good faith to install like equipment in Mountain View. There can be no question that the present facilities afforded at Mountain View are not those to which the patrons of this company are entitled, but the fact that this company offers to remedy this condition as soon as reasonably possible makes it unnecessary for the present to make an order with reference thereto.

In the decisions in the cases heretofore referred to and in the improvement of the facilities at Los Altos and Mountain View the complainants have secured everything applied for except their incorporation in either the San Jose or Palo Alto exchange, and it becomes necessary to consider this aspect of the case more in detail.

So far as the telephonic situation in Los Altos and Mountain View as compared with the conditions in Palo Alto, Menlo Park, Mayfield and Sunnyvale is concerned, the Telephone Company contends and introduced testimony at the hearing tending to prove that exchanges are not maintained at Menlo Park and Mayfield but that subscribers at these points connect by direct subscribers' lines with the Palo Alto exchange and that these localities constitute an integral part of the Palo Alto exchange area and as subscribers of the Palo Alto exchange Palo Alto exchange rates for service are charged. Sunnyvale subscribers were in years past connected by subscribers' lines directly with the Santa Clara exchange, but business has increased at this point to such an extent that the establishment and maintenance of a separate exchange at Sunnyvale has become necessary. There is a community of interest between Santa Clara and Sunnyvale and between Santa Clara and San Jose demanding service between these points which has been made the basis of equipment and rates for subscribers of the three latter exchanges. Similar conditions exist as between Mountain View and Los Altos, and equipment and rates for subscribers at these exchanges have been provided to meet these conditions. In other words, Menlo Park and Mayfield form a portion of the Palo Alto exchange area and subscribers at these points have the same service as other subscribers within the same area. Sunnyvale forms a portion of the San Jose exchange area and subscribers at Sunnyvale have the same service as other subscribers within the San Jose area. The rates charged for service within each area are the same as to all subscribers within that area. Subscribers at Mountain View and Los Altos are allowed unlimited interchange

service, their privileges being the same their rates are based upon these service privileges. The service furnished subscribers in the area of Palo Alto exchange being based on a broader scale than that included in the Mountain View and Los Altos area, the rates charged are correspondingly higher; and the service furnished subscribers in the San Jose area being as it is based on a scale even broader than that of the Palo Alto area, the rates charged are higher than those charged in either the Mountain View and Los Altos or the Palo Alto exchange areas.

The question of just what shall constitute an exchange area within which unlimited switching may be permitted without extra toll charge is often hard to determine and should be regulated primarily by the community of interests existing. The telephone bill paid by the people of the State of California is made up of the amounts paid in monthly rentals within exchanges plus the amounts paid for long distance or toll service. If it were not for convenience of operation it demonstrably would make no difference to the telephone company whether it collected this total amount entirely from the exchanges or divided it between exchange and toll rates, as is now the case. If, however, every person in the State were permitted for his monthly rental to telephone to any point within the State, his monthly rental would necessarily be higher than at present. The theory of the Telephone Company is that except as between localities where close community of interest exists wherein constant interchange of telephonic communication takes place, there should be no so-called free switching. The use of the term "free switching", in passing it is well to point out, is unfortunate and leads to much of the confusion that exists with reference to this matter. As I have already pointed out, if the entire State of California were one large exchange we would have unlimited free switching, under the common acceptance of the term, but as a matter of fact it is very apparent that this switching would not be free and would be apportion-

cd to all the subscribers and would represent the amount which the rate for the subscriber to this extensive exchange exceeds the amount which the subscriber had theretofore paid in his more limited exchange and would be in the aggregate the total amount which is now collected for so-called toll or long distance service.

Assuming that the amounts which are now being received by this company for exchange service in the San Jose area and in the Mountain View and Los Altos area plus the amounts received for long distance or toll service between these points is the proper amount to be received by this company for the entire service performed, then demonstrably if the Mountain View and Los Altos area be included within the San Jose area and no toll rates collected, an added rate must apply for exchange service apportioned to all the subscribers within this area which will represent the total amount collected for toll service when these areas were in separate exchange areas. If one of the patrons of this company within the territory involved pays, say, \$2.00 a month for unlimited switching within Los Altos and Mountain View and an average of 25% a month in telephoning to San Jose, necessarily his telephone bill is \$2.25 per month. On the other hand if some other subscriber, with the same kind of telephone, likewise pays \$2.00 a month as his exchange rate and has an average monthly toll bill of 50% for toll calls to San Jose, for example, his monthly telephone bill amounts to \$2.50. If these areas are made into one exchange area the man last referred to will be accorded the same rate as the former regardless of his greater amount of long distance switching.

It is my opinion that the Telephone Company's practice is correct of apportioning the toll charge to those who use the toll facilities instead of to all of the exchange subscribers, except in those cases where such a community of interest exists as is here shown to exist between Los Altos and Mountain View or between Sunnyvale and San Jose. Necessarily the limit of an exchange must stop somewhere, and it does not appear to me that sufficient benefit would accrue to the patrons of this company within the Los Altos

and Mountain View area from including them within either the Palo Alto or San Jose area to warrant the change required.

I do not mean to be understood as saying that in every case where the exchange area is enlarged the exchange rate should be increased. Certainly, however, the value of the service to the user is enhanced, but very often the more universal use of telephone facilities which follows a liberal policy may compensate for the loss of toll revenue resulting from the enlarging of exchange areas. In this case, however, I am not satisfied from the evidence that such would be the result, and with the satisfaction of the very important grounds of complaint, which I have already said are fully justified, I feel that the conditions will be so improved that for the present at least no legitimate complaint against this company within the territory involved exists.

I recommend the following order:

O R D E R .

Complaint having been filed with this Commission by M. Farrell and others, of Mountain View and Los Altos, against the Pacific Telephone & Telegraph Company, a public utility telephone corporation, and a hearing having been held, and being fully apprised in the premises,

THE COMMISSION HEREBY FINDS AS A FACT:

1. That the interexchange switching privileges afforded its subscribers by the Pacific Telephone & Telegraph Company in its Mountain View and Los Altos exchanges, are just and reasonable privileges and do not constitute a discrimination against the patrons of this company within the Mountain View and Los Altos area.
2. That the complaint against the character of the facilities at Los Altos has been already satisfied by the installation

of modern equipment at that place.

3. That the type of equipment in use at Mountain View is the so-called magneto equipment and is not modern or efficient and should be replaced with the so-called common battery equipment.

4. That the complaints concerning the toll rates between the area involved and San Francisco and San Jose are justified but relief has already been afforded by this Commission in other proceedings.

And basing this order on the foregoing findings of fact,
IT IS HEREBY ORDERED:

1. That the petition of the complainants herein to be included in either the area of the defendant's exchange at San Jose or Palo Alto and to be accorded so-called free switching privileges with subscribers of exchanges included within either of said areas, be and the same is hereby denied.

2. That the defendant herein, within three (3) months from the effective date of this order, or within such further time as the Commission shall find after a further showing on the part of the defendant to be necessary, be required to replace the magneto type of equipment at present in use within its Mountain View exchange with modern common battery equipment throughout.

3. This order to become effective twenty (20) days from 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 27th day of December 1913.

John W. Gableman
H. J. Prasad
W. Gordon

Commissioners.