

Decision No. 5615

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

In the matter of the application of :
SAN DIEGO HOME TELEPHONE COMPANY. :
T. A. THOMPSON and TITLE INSURANCE :
AND TRUST COMPANY for authority to : Application
sell and of THE PACIFIC TELEPHONE AND : No. 3702
TELEGRAPH COMPANY to purchase proper- :
ty and franchises of San Diego Home :
Telephone Company. :

In the matter of the application of :
THE PACIFIC TELEPHONE AND TELEGRAPHE :
COMPANY for a certificate of public : Application
convenience and necessity granting the : No. 3780
exercise by it of rights and privileges :
conferred upon it under franchise gran- :
ted it under Ordinance Number 5681 of :
the City of San Diego. :

- Pillsbury, Madison & Sutro and James T. Shaw for
The Pacific Telephone and Telegraph Company.
- John H. McCorkle for San Diego Home Telephone
Company.
- Lucius K. Chase and Sweet, Stearns & Forward for
T. A. Thompson and Title Insurance and Trust
Company.
- S. W. Sweitzer in propria persona.
- H. S. Utley for certain subscribers.
- Ray N. Harris for City of National City.
- Johnson W. Puterbaugh for City of Coronado.
- F. B. Andrews for City of Chula Vista.
- T. B. Cosgrove for City of San Diego.
- John L. Akerman and John A. Gillin for San Diego
Chamber of Commerce.
- L. F. Weggenman for Merchants Association.
- P.M. Andrews for City of East San Diego.
- E. T. Lannon for La Jolla Chamber of Commerce.

EDGERTON, Commissioner:

O P I N I O N

San Diego Home Telephone Company, T. A. Thompson and Title Insurance and Trust Company request authority to sell all of their telephone property and franchises now owned and operated by them in the City of San Diego and vicinity and to withdraw from the telephone business.

The Pacific Telephone and Telegraph Company seeks authority to purchase said telephone property and franchises and to consolidate the same with its telephone system now being operated in competition in the same localities and to adjust or change certain of its rates to be charged for the consolidated service.

The Pacific Telephone and Telegraph Company prays for a certificate that public convenience and necessity require the exercise by it of rights and privileges under a franchise granted by the City of San Diego on the 6th day of July, 1914. It is proposed to operate the consolidated company under this franchise. The application states that this franchise was obtained at a total cost to applicant of \$100.00.

A contract has been entered into for said sale and purchase and the sum of \$650,000 is named therein as the purchase price.

A hearing was had in the City of San Diego at which representatives of the various municipalities affected requested an adjournment of the hearing for a

considerable period of time in order that they might study the numerous exhibits filed by applicants.

Applicants, particularly representatives of San Diego Home Telephone Company, T. A. Thompson and Title Insurance and Trust Company, objected to any considerable delay in the submission of this matter and urged that unless speedy action could be had that the whole plan of consolidation might fail, as the last named parties were in no position to carry on the operation of the San Diego Home Telephone plant and it was essential that they dispose of it at the earliest possible moment. It was stated, however, that if this Commission would give speedy consideration to the matter of consolidation, leaving for later hearing a determination of other matters such as any new or changed rates for service, the amount of purchase price properly to be charged to capital by the Pacific Company and in fact all questions except the mere one of consolidation, that the applicants would have no objection to a reasonable adjournment of the hearing. Whereupon it was moved on behalf of applicants that the Commission make an order prior to the final submission of the whole matter authorizing the purchase and sale above mentioned.

Most of the communities represented made no objection to this proposal and the only objection that was offered was based apparently on a fear that authorization by this Commission for consolidation would foreclose any real consideration of the question of rates.

I am satisfied that there is a widespread demand in San Diego County for the elimination of a

double telephone service. In fact, the experience of this Commission is convincing that almost without exception in California there is serious and widespread objection to the operation of two telephone systems in competition.

We have in San Diego an added reason for approving this consolidation in that one of the companies has not been successfully operated from a financial standpoint and it is gravely to be questioned whether if competition is to continue ~~for~~ the weaker company could survive.

In view of the necessary time (perhaps a year) which will be required to physically consolidate these properties and in view of the unquestioned benefit to the telephone users of such consolidation, I believe an order should be made immediately authorizing this consolidation.

The interests of the telephone subscribers are fully protected because it was agreed at the hearing by applicants that all questions of the amount of the purchase price which should be charged to capital account and the rates hereafter to be charged for service should be left as fully open for further determination by the Commission as though an order had not been made authorizing the consolidation.

Herewith a form of order:

O R D E R

Application having been made by San Diego Home Telephone Company, T. A. Thompson and Title Insurance and

Trust Company for authority to sell its telephone property and franchises to The Pacific Telephone and Telegraph Company and to withdraw from telephone business and by The Pacific Telephone and Telegraph Company for authority to acquire said property and to consolidate the same with its telephone property, a public hearing having been had;

IT IS HEREBY ORDERED BY THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA that San Diego Home Telephone Company, T. A. Thompson and Title Insurance and Trust Company are hereby authorized to sell and convey all those certain franchises and real and personal property situated in the County of San Diego, State of California, now used in the operation of a telephone business in said county and which property is more particularly described in an indenture, a copy of which is attached to the application herein marked Exhibit "A" and to which reference is hereby made; said property to be conveyed under the terms and conditions of said indenture just above mentioned, and purchase price not to exceed \$650,000 and the title to be conveyed free and clear of encumbrance except taxes.

Said companies and persons are hereby further ordered and authorized to discontinue and withdraw from the telephone business in said county.

The Pacific Telephone and Telegraph Company is hereby authorized to purchase said property and to consolidate the same with its telephone system now being operated in said county. Provided, however, that this Order shall in no wise be deemed to be a determination of

used or useful property or of the amount to be charged to capital account by the purchasing company or of the rates to be charged for telephone service in said county; it being clearly understood that all of these matters are to be determined by the Commission after a further hearing.

It is hereby declared by the Railroad Commission of the State of California that public convenience and necessity require and will require the exercise by The Pacific Telephone and Telegraph Company of the rights and privileges granted under a franchise by the City of San Diego as evidenced by an ordinance of said city adopted on the 6th day of July, 1914 and approved by the Mayor on the 7th day of July, 1914 as fully set out in a copy of said ordinance attached to the application herein.

Provided that before this order shall become effective, The Pacific Telephone and Telegraph Company shall file with this Commission a stipulation in writing to the effect that said company will never claim any value for said franchise for rate fixing or other purposes in excess of the sum of \$100.00.

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

26th day of July, 1918.

Edwin C. Edgerton
A. Howard
Alex Gordon

Commissioners.