

Decision No. 28500

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY
and
SOUTHERN CALIFORNIA TELEPHONE COMPANY
for an order authorizing the introduction
of an interexchange rate schedule together
with practices applicable to telephone mes-
sages between points within the State of
California and for adjustments in certain
exchange rates and practices, all of which
will result in no increase in applicants'
revenue.

Application No. 20330

ORIGINAL

James G. Marshall, for Applicants.
F. B. Fernhoff, City Attorney, by Homer W. Buckley,
Assistant City Attorney, for City of Oakland.
Fred C. Hutchinson, City Attorney, for City of
Berkeley.
John J. O'Toole, City Attorney; Dion Holm, Assistant
City Attorney, by Paul L. Beck, and N. Randall
Ellis, for City of San Francisco.
Albert Mansfield, City Attorney of Redwood City,
for Cities of Redwood City, San Carlos and
Belmont.
Archer W. Bowlen, City Attorney, for City of San
Jose.
E. L. Maxwell, City Attorney, for City of Mountain
View.
Hugh K. McKeivitt, Attorney, and George D. Smith,
Chairman Executive Committee, for Northern
California Hotel Association.
Ray L. Chesebro, City Attorney, and Carl I. Wheat,
Public Utilities Counsel, for City of Los
Angeles.
Louis E. Burke, City Attorney, for City of Monte-
bello.
Clyde R. Moody, City Attorney, for City of San
Fernando.
R. C. Waltz, City Attorney, for City of Beverly Hills.
O. R. Cline, for City of Long Beach.
E. E. Vedder, City Attorney, for City of South
Pasadena.
Ernest Irwin, for California Independent Telephone
Association.
Albert Launer, City Attorney, for City of Fullerton.

Leonard A. Diether, Assistant City Attorney, for
City of Pasadena.
Raymond Haun, for Southern California Hotel
Association and California State Hotel
Association.

CARR, Commissioner.

O P I N I O N

The Pacific Telephone and Telegraph Company and its controlled Southern California Telephone Company, both Bell System companies, have proposed:

(a) A new intrastate schedule of toll rates, the effect of which, with the present flow of traffic, will be to increase their toll revenue for the State about \$220,000, being the net result of increased charges of over \$600,000, on the one hand, for station-to-station communication for certain shorter mileages, a general trend toward increased person-to-person rates for short and intermediate mileages, and a discontinuance of the existing night rates, and, on the other hand, reduced charges of over \$400,000 for longer distance communication, and a lesser revenue because of certain concessions in the way of special Sunday service and other features, many of which tend to promote new business.

(b) Changes in exchange rate schedules, consisting in the diminution or removal of certain troublesome nuisance charges, a few minor changes in other charges, and payment of a commission to hotels, the effect of which is estimated to reduce their net revenue by \$255,000.

While the financial effect upon these companies of the application, if granted, would be a reduction in revenue based on present traffic of about \$35,000 a year for the State, the record indicates that the companies expect to develop substantial new

business from the lower long distance rates. So far as increased toll charges are effected by the proposed toll schedule, a finding of justification for increases is asked, and as to both these and the reduced toll and exchange rates, authority to publish and make effective on less than statutory notice is sought. Such short notice authority is sought because of various changes being made in interstate rates and to avoid confusion from the multiplicity of schedules. The proposals are submitted as a unit, with the request that if they are not approved, the application be dismissed without prejudice.

The Commission required the companies to serve a copy of their application, together with notice of hearing, upon the city attorney or responsible city officer in every city in the State served by the two utilities. Proof of such service is on file. Hearings were held in San Francisco on January 15th and in Los Angeles on January 16th. The application is now ready for decision.

The application presents a curious admixture of advantages and disadvantages to the patrons of the two utilities. So far as the new toll charges are concerned, the increased rates were sought to be justified principally on the ground that the new schedule harmonizes with the transcontinental schedule and the prevailing intrastate toll schedule effective in populous sections of the United States.

The principal toll schedule is the station-to-station schedule of rates for day service. At the present time the schedule effective in California provides for station-to-station rates between exchanges increasing in five cent multiples based on mileage, beginning with a five cent charge where the distance is less than six miles and increasing in six mile steps to a distance of twenty-four miles, with an exclusive station-to-station rate of five cents where the interexchange mileage does not exceed six miles. Beyond twenty-four miles, the five cent blocks are eight miles in length throughout

the remainder of the schedule.

The schedule of the American Telephone and Telegraph Company, which it is sought in general to introduce in California, consists of an initial block of twelve miles with a ten cent minimum charge, then six blocks of six miles each in length for distances from twelve to forty-eight miles, two blocks of sixteen miles each in length from forty-eight to eighty miles, four blocks of ten miles each in length from eighty to 120 miles, the next block is twenty miles, the next ten, the next twelve, and so on. The result of the schedule is to substantially increase rates for short haul traffic in California within the limits of thirty to thirty-two miles, thirty-six to forty miles, and forty-two to fifty-six miles. Beyond seventy-two miles the American Company schedule is lower than the California schedule.

The applicants do not support the new schedule upon any rational basis, but upon the ground that it is a schedule which has been developed by the American Company and should be made uniform.

It is worthy of note that the applicants propose to depart from the American Company schedule in not seeking increases in its first six mile block, namely, the five cent rate. The evidence further shows that a number of other companies of the Bell System have the proposed schedule but that in certain instances there are exceptions to the rates.

The community most vitally affected is the City of San Jose which vigorously opposed the granting of the application principally because of the increases in charges between San Jose and the Bay Cities and the elimination of the station-to-station discount now in effect after midnight.

In the person-to-person schedule, which results in increases in all intrastate rates between points less than 112 miles apart, quite substantial increases in the differential between the station-

to-station and person-to-person rate are proposed. Here again the blocks depart from any regular pattern and the irregularities have not been justified by any rational explanation.

The result of the proposed changes will be to increase the charges for more than ten percent of the toll messages flowing in the State of California, while less than five percent will be decreased. The decreases of course are on the longer calls where the record shows that substantial increases in business are expected as the result of the decreases.

The applicants propose to off-set the increase in toll charges by some miscellaneous reductions in exchange rates, largely in connection with special equipment or service, and by offering a commission on toll business to hotels. The record shows that the Hotel Association has protested the nature of the commission offered by the applicants.

While undoubtedly many of the changes proposed by the applicants should be made, and the Commission does not desire to exclude a consideration of a rationally designed schedule for short haul business even though it may include increases, it cannot close its eyes to the increase to California users of \$600,000 in the basic schedules for short distances where such increase is sought on grounds no more meritorious than those presented in this record. Under the offer, this application should be either granted in its entirety or dismissed, and accordingly it is found that it should be dismissed without prejudice.

I recommend the following form of order:

O R D E R

The Pacific Telephone and Telegraph Company and Southern California Telephone Company having made application for an order

authorizing the introduction of an interexchange rate schedule with practices applicable to toll telephone service between points within the State of California and for adjustments in certain exchange rates and practices, public hearings having been held in the proceeding and the matter having been submitted and now being ready for decision, and good cause appearing, :

IT IS HEREBY ORDERED that the above application is hereby dismissed without prejudice.

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 20th day of January, 1936.

M B Harris
Leon Whiteley
M J Lane
Walter Moore
Frank R. Williams
Commissioners.