

Decision No. 39238

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
THE WESTERN UNION TELEGRAPH COMPANY)
for an order authorizing increase in)
rates, elimination of services, and)
revisions of rates, covered by speci-)
fied Schedules now on file with this)
Commission and as enumerated herein,)
all between points within the State)
of California.)

ORIGINAL

Application No. 27678

Wheat, May, Shannon and St. Clair by Orla St. Clair and A. H. Connolly, Jr., for the Applicant, the Western Union Telegraph Company; J. J. Deuel and Edson Abel by J. J. Deuel for California Farm Bureau Federation; John J. O'Toole, City Attorney, Dion R. Holm, Assistant City Attorney, and Paul L. Beck, Chief Valuation and Rate Engineer, by Paul L. Beck for the City and County of San Francisco.

ROWELL, COMMISSIONER:

O P I N I O N

In this application, The Western Union Telegraph Company requests authority to increase its rates and modify practices for intrastate telegraph service in California in an amount that will augment its over-all gross receipts by some 10%. Appropriate notification was given the Office of Price Administration. At the hearing in this proceeding held in San Francisco on August 19, 1945, evidence was presented and the matter was submitted for decision. The Western Union Telegraph Company, hereinafter sometimes termed Western Union, is engaged in a nationwide record communication business in both interstate and intrastate commerce between and within all of the 48 states and the District of Columbia, including the State of California.

In support of its request, Western Union alleges that it is faced with a financial emergency caused by wage awards granted by the National War Labor Board on December 29, 1945, requiring it to make certain retroactive wage payments amounting to a computed \$31,000,000 for services rendered to it by its employees prior to December 29, 1945, and to make certain increases in wage payments

beginning December 29, 1945, which are estimated by the company to add \$25,000,000 to its annual pay roll. Of this total, \$23,500,000 is an annual recurring charge to operating expenses of the system as a whole. Western Union estimates that the proportion of the annual increase in wages applicable to California intrastate operations is \$643,000. The revenue requirement of Western Union for the system as a whole was examined fully by the Federal Communications Commission in Docket No. 7445. The order in that docket, dated June 4, 1946, authorized Western Union to make effective the rate increases for interstate business herein requested by the company for the intrastate business. As a result such increased rates are now effective for interstate business and have been since June 12, 1946, except rates for commercial news service which became effective July 1, 1946.

Western Union presented a separation of its intrastate operations for the year 1945 after giving effect to the current additional annual wage costs resulting from the National War Labor Board's award of December 29, 1945 and assuming the same level of rates applied to California intrastate traffic which are now in effect for interstate traffic. This evidence shows the following results applicable to California intrastate operations:

Operating Revenues	\$4,139,002
Operating Expenses, excluding retroactive wage awards of \$380,275 and including additional wage costs of \$643,000, but not including depreciation expense and taxes	<u>4,906,628</u>
Estimated net operating revenues after giving effect to estimated current additional wage costs applicable to California intrastate operations	<u>(767,626)</u>
Estimated increase in revenue from increased rates requested in application	<u>397,804</u>
Estimated net operating revenues under requested rates	<u>(369,822)</u>

The estimated increase in revenue of \$397,804 shown above was computed by the company based on the 1945 volume of business less a 6% decline anticipated as a result of economic and other changes. The record shows, however, that California intrastate revenues increased 1.1% in the first half of 1946 compared with 1945. The company also estimated a further decline in business as a result of the increased rates sought herein. Likewise, the evidence shows a volume of some \$180,000 of

government business in California to which an increase of something over 10% will apply, although not included in the estimated increase in California intrastate revenues. Recomputing the revenue effect to include the government service, and using the 1945 revenues as a base, the estimated effect of the changes in rates sought, making no allowance for losses as a result of the increase, is some \$486,000. However, such a calculation applied to the California intrastate net loss in revenue shown by the company still leaves a loss of \$281,626 before taxes, depreciation and return, and is but 76% of the estimated wage increases of \$643,000 flowing from the National War Labor Board's award.

These estimates of California intrastate revenues and expenses are based on certain allocations between interstate and intrastate service. While it will be desirable to establish a more accurate system of separation, it is evident that possible inaccuracies would not affect the showing for a rate increase in the amount requested. The Commission expects the company to give further study to these methods of separation.

The specific request of the Western Union for changes in rates may be summarized as follows:

- Full Rate Telegram Service - Increase the rates by 10%.
- Day Letter Service - Reduce the rate for additional ten-word groups and increase the rates as adjusted by 10%.
- Night Letter Service - Increase the charge for the first 25 words in the 60-cent rate zone from 42 cents to 45 cents and increase the rates as adjusted by 10%.
- Serial Service - Increase the rates by 10%.
- Longram and Serial Longram Service - Eliminate.
- Tourate Message Service - Eliminate.
- City and Intercity Telegrams - Apply the respective rate adjustments and increases for the several city and intercity telegram service classifications.
- Commercial News Service - Increase rate by 10%.
- Money and Gift Orders - Eliminate gift money order service, increase money order premium charges, and modify the schedule of day and night money order telegraph tolls in the manner above indicated respectively for full rate telegram service and night letter service.
- Press Service - Increase rates by 10% and add a minimum wordage charge for direct press circuits.
- Rules and Regulations - Eliminate the practice of free forwarding of messages.

By amendment to the application the foregoing adjustments are not intended to apply to traffic between Western Union offices and exclusive points served by The Pacific Telephone and Telegraph Company, which traffic will move under the tariffs of the latter company.

A review of the evidence presented in this proceeding leads to the conclusion that the requested increases in rates should be authorized. No objections were made from any source to the granting of the proposed increases. In making our order, it will be understood that there will be further study and investigation of the company's basic rate structure and service concurrent with the nationwide survey under way before the Federal Communications Commission.

I recommend the following Order:

O R D E R

The Western Union Telegraph Company having applied to the Railroad Commission of the State of California for an order authorizing certain increases in California intrastate telegraph rates and modifications in practices, a public hearing having been held, and the matter having been submitted and now being ready for decision, the Railroad Commission hereby finds as a fact that the increases in rates herein ordered are justified, therefore

IT IS ORDERED that The Western Union Telegraph Company is hereby authorized to file, in accordance with General Order No. 96, and to make effective on not less than three days' notice to the public, changes in tariff schedules as follows:

1. Schedule No. C-2 "Day Letter Service"

Strike out and cancel "Rate (1) Basis of Day Letter Rates:" and substitute the rates shown below under the column entitled "Authorized Herein" for those shown under the column entitled "Present" for each additional ten words or less:

<u>Rate Zone</u>	<u>Each Additional Ten Words or Less</u>	
	<u>Present</u>	<u>Authorized Herein</u>
\$0.20	\$0.06	\$0.05
.30	.09	.08
.36	.108	.10
.48	.144	.12
.60	.18	.16

2. Schedule No. C-3 "Night Letter Service"

Substitute "\$0.45" for "\$0.42" for "First 25 Words or less" in the \$0.60 rate zone.

3. Schedule No. C-4 "Serial Service"

Strike out and cancel the second paragraph under "Rate (1) Basis of Serial Service Charges."

4. Schedule No. C-7 "City Telegrams"
Schedule No. C-8 "Inter-City Telegraph Service"

a. Opposite "Day Letter" substitute "\$0.05" for "\$0.06" for "Additional Rate" for each ten words.

b. Strike out and cancel rates for "Longram" and "Longram Serial."

5. Schedule No. C-5 "Longrams - Serial Longrams"
Schedule No. C-6 "Tourate Telegrams"

Cancel the above tariff schedules.

6. Schedule No. C-14 "Press Service"

Add Rate (3) and Conditions 14, 15, and 16 to be applicable to direct circuits in accordance with Exhibit A attached hereto.

7. Schedule No. C-1 "Full Rate Telegram Service"
Schedule No. C-2 "Day Letter Service" (as amended herein)
Schedule No. C-3 "Night Letter Service" (as amended herein)
Schedule No. C-4 "Serial Service" (as amended herein)
Schedule No. C-7 "City Telegrams" (as amended herein)
Schedule No. C-8 "Inter-City Telegraph Service" (as amended herein)
Schedule No. C-14 "Press Service" (as amended herein)

Add the statement "The rates applicable are ten per cent (10%) more than those set forth in this schedule. Where the application of the 10% increase results in a charge containing a fraction of a cent, the amount is rounded to the next higher whole cent."

8. Schedule No. C-10 "Commercial News Service."

Add the statement "The rates applicable are ten per cent (10%) more than those set forth in this schedule. Where the application of the 10% increase results in a charge containing a fraction of a cent, the amount is rounded to the next higher whole cent, except that where the 10% increase, applied to rates stated on a monthly or weekly basis, results in an amount not a multiple of five cents, such amount is rounded to the next higher multiple of five cents."

9. Schedule No. C-12 "Money Order Service."

File an amended schedule for money order service in accordance with Exhibit B attached hereto and cancel the existing schedule for gift money order service.

10. Rule 8 "Forwarding of Messages."

File a supplemental sheet cancelling paragraph (h), said cancellation having the effect of withdrawing the present practice of forwarding messages without additional charge.

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.

This Order shall become effective on the date hereof.

Dated at Los Angeles, California, this 27th day of August, 1946.

Lawrence H. Huls
Justice F. Calver
Thomas R. ...
Just. H. ...
R. J. ...

Commissioners

EXHIBIT A

PRESS SERVICE

RATES

(3) Direct Circuits: (See Conditions 14, 15, and 16)

(a) Word rate:

The word rate shall be in accordance with press service rates under (1) (a) above.

(b) Minimum word charge:

The minimum word charge is for 800 words for the first hour or fraction and at the rate of 800 words per hour for all time after the first hour during which the direct circuit is required to be set up and operated or manned in readiness for operation.

CONDITIONS

Direct Circuits

14. When facilities are available for the purpose and arrangements are made in advance, a direct circuit will be set up for operation from the scene of a special event such as a convention, trial, or sports contest to the office of a newspaper, news publication, press association, newspaper syndicate or a radio broadcasting company or station for the handling of press matter of the individual newspaper, news publication, press association, newspaper syndicate or radio broadcasting company or station relating to the special event, at the rates indicated.
15. When different stories are sent on a direct circuit shared by two or more newspapers, the minimum word charge will be divided between the subscribers in proportion to the number of words sent to each.
16. When two or more newspapers are looped in on one direct circuit from the scene of a special event and the same story is sent to all, the minimum word charge applies to each subscriber, the same as if each had a direct circuit for the period involved.

EXHIBIT B

SCHEDULE NO. C-12

MONEY ORDER SERVICE

APPLICABILITY

This schedule contains the rates and conditions applicable to money order service, whereby arrangements are made by telegraph for the payment to a designated payee, usually at a distant point, of a sum of money deposited at an office of the telegraph company, by the sender.

TERRITORY

Service is available between offices operated directly by the telegraph company.

RATES

The total charge for a money order is made up of the money order premium charge and the telegraph tolls.

(a) Money Order Premium Charge:

<u>Amount of Money Order</u>	<u>Money Order Premium Charge</u>
\$ 0 - \$ 25	\$ 0.25
25.01 - 30	.30
30.01 - 35	.35
35.01 - 40	.40
40.01 - 45	.45
45.01 - 50	.50
50.01 - 60	.60
60.01 - 70	.70
70.01 - 80	.80
80.01 - 90	.90
90.01 - 100	1.00
100.01 - 120	1.15
120.01 - 140	1.30
140.01 - 160	1.45
160.01 - 180	1.60
180.01 - 200	1.75
200.01 - 220	1.90
220.01 - 240	2.05
240.01 - 260	2.20
260.01 - 280	2.35
280.01 - 300	2.50
300.01 - 350	2.70
350.01 - 400	2.90
400.01 - 450	3.10
450.01 - 500	3.30
Each additional \$100 or fraction thereof up to and including \$3,000	.25
Each addition \$100 or fraction thereof over \$3,000	.20

EXHIBIT B

SCHEDULE NO. C-12

MONEY ORDER SERVICE

RATES (Continued)

(b) Telegraph Tolls on Money Orders:

Telegraph tolls on a money order accepted for immediate transmission are the tolls on a 15-word full rate telegram. In the case of a money order accepted before 2 A.M. for overnight transmission, the telegraph tolls are the tolls on a 25-word night letter. Telegraph rates for both classes of service are on file elsewhere in the tariff schedules.

A supplementary message may be included in either service, the charge for which is at the additional word rate shown in the tariff schedules.