

Decision No. 39861

425

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**ORIGINAL**

In the Matter of the Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a corporation, and SOUTHERN CALIFORNIA TELEPHONE COMPANY, a corporation, for an order authorizing a revision of their present directory advertising rates.

Application No. 28060

James G. Marshall and Arthur T. George, for Applicants,  
The Pacific Telephone and Telegraph Company and  
Southern California Telephone Company;  
Frank V. Rhodes for California Independent Telephone  
Association.

CRAEMER, COMMISSIONER:

O P I N I O N

The Pacific Telephone and Telegraph Company and Southern California Telephone Company, hereinafter referred to as Pacific Company and Southern Company respectively, in this proceeding request authority to revise their directory advertising rates. Appropriate notification was given the Office of Price Administration.

There are 49 classified telephone directories issued by Applicants, 29 being issued by the Pacific Company and 20 by the Southern Company. These directories vary in size from 19 to about 1,500 classified pages and constitute an advertising by-product of the related alphabetical directories. The 1946 circulation of classified directories varies from 500 to 607,200. Circulation is defined as the total number of telephones in the exchange as distinguished from the actual number of directories distributed, and where two or more exchanges are served by a single classified directory, the number of telephones in the larger or largest exchange determines the circulation.

Petitioners introduced 16 exhibits in support of their application. Very substantial increases have occurred in the circulation of certain directories in 1946 over 1940; Oakland increasing from 163,800 to 204,000,

San Francisco from 294,300 to 347,500, and Los Angeles from 474,300 to 607,200. In certain of the outlying exchanges even greater percentage increases in circulation have been experienced.

The cost of paper in 1947 will be approximately 35 per cent higher on a tonnage basis than in 1940. Annual directory expense per telephone in 1946 increased 39 per cent over 1940. The effect of wage increases on a number of directories issued by Southern Company in 1946 was to increase costs about 21 per cent over 1942. A six-page statement of "Principles of Directory Advertising Rate Making" together with a proposed schedule of monthly rates for 21 circulation groups was submitted. Applicants propose to discontinue the sale of advertising on the covers of the Los Angeles classified directory, revise trade-mark headings and discontinue certain free listings.

It is estimated by the Applicants that the proposed rates would result in a gross increase for the state of \$1,788,159. After giving effect to reclassification of advertising and deducting decreases in the amount of \$92,697 which will result, the increases will amount to \$722,000 on an annual basis, with \$179,000 accruing to the Pacific Company and \$543,00 to the Southern Company. The estimates are based upon directories existing at the end of September, 1946. A major part of the increased revenue would be derived from the larger display spaces.

Out of a total of 310,750 items of advertising, the cost of 62.3 per cent would remain unchanged, 29.1 per cent increased, and 8.6 per cent decreased.

The proposed rates would result in decreased revenues from certain directories of the Pacific Company. Under the proposed rates, the weighted monthly display advertising rates per 1,000 circulation would increase three per cent for one column, decrease 11 per cent for one-half column, and decrease 23 per cent for one-quarter column.

Comparative data were presented on advertising rates for magazines, daily and weekly newspapers, showing similar increases for aggregate page, inch, and line rates in 1946 compared to 1940.

A directory schedule, in addition to showing the production dates and directory life, indicates the requested effective dates of the proposed rates.

Witness for Applicants testified that a large increase in the larger display spaces adversely affected the small user and also the utility of the directory. There has been an increase, 1946 over 1940, of 615 per cent in the number of one-column items, 285 per cent increase in one-half column items as compared with an increase of 159 per cent in one-quarter column items and 108 per cent increase for all items.

The evidence shows the circulation of the classified directories has increased substantially. This increase in circulation has been accompanied by material increases in the cost of publishing directories. In order that the directory advertising revenue may cover the additional directory expenses and continue to contribute in a reasonable measure to the over-all earnings, the application should be granted.

I recommend the following form of Order:

O R D E R

The Pacific Telephone and Telegraph Company and Southern California Telephone Company have applied for authority to revise their directory advertising rates, a public hearing having been held, and the matter having been submitted and now being ready for decision, the Public Utilities Commission of the State of California hereby finds as a fact that the increases in rates, together with the other changes, herein ordered are justified, therefore

IT IS ORDERED that The Pacific Telephone and Telegraph Company and Southern California Telephone Company are hereby authorized to file, in accordance with General Order No. 96, and to make effective on not less than thirty (30) days' notice the schedule of directory advertising rates set forth in Exhibit 16, as modified by Exhibit 16-A, to become effective for future issues of classified telephone directories on or about the effective dates as set forth in Exhibit 14, as amended.

This Order shall be effective on the date hereof, except that for purposes of filing a petition for rehearing, the effective date shall be 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 Public Utilities Commission of the State of California.

Dated at San Francisco, California, this 30th day of December, 1946.

Harold P. Kula  
Justus F. Cooper  
Frank H. Russell  
A. E. Johnson  
Commissioners