

**ORIGINAL**Decision No. 43091

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 Associated Telephone Company, Ltd.,  
 a corporation, for authority to in-  
 crease certain rates and charges  
 applicable to the sale of advertis-  
 ing in its telephone directories.

Application No. 30267

Harry L. Dunn of O'Melveny & Meyers,  
 and Marshall K. Taylor, for applicant;  
Robley C. Reher, for Chino Business-  
 men's Association and the Chino  
 Chamber of Commerce.

O P I N I O N

The Associated Telephone Company, Ltd., a corporation, engaged in the business of furnishing telephone service in Santa Barbara County and portions of Los Angeles County, San Bernardino County and Orange County, in this proceeding seeks authority to increase rates and modify conditions for telephone directory advertising service.

A public hearing was held before Examiner Wessells in Los Angeles on June 8, 1949.

The applicant issues 20 directories for the subscribers of 28 exchanges. These directories vary in size from seven classified pages to 514 classified pages and constitute an advertising by-product of the related alphabetical directories. On March 31, 1949, the circulation of classified directories varied from 117 to 102,065. 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.

The applicant introduced nine exhibits in support of its application. In March of 1949, 334,350 directories were circulated, compared with 133,056 in March of 1939. Very substantial increases occurred in the circulation of certain directories between 1939 and 1949; Long Beach increasing from 41,311 to 102,065; Santa Barbara from 14,454 to 23,999; West Los Angeles from 10,856 to 30,614; and Santa Monica from 17,237 to 46,421. In certain of the smaller exchanges even greater percentage increases in circulation have been experienced.

Between 1945 and 1948 the following cost increases were experienced: white text paper 172.5%; yellow text paper 148.7%; cover stock 76.7%; printing 31.8%; sales, stenographic, and clerical labor more than 50%. Applicant proposes to file rates for directory advertising in its Etiwanda and Lake Hughes exchanges, where directory advertising has not previously been offered, to discontinue the rate for two or more trade name or bold type listings, and to revise certain of the conditions applicable to the sale of directory advertising. The revisions of the conditions appear reasonable, except for Condition A-7 on page 3 of Exhibit D. This condition departs from the present practice regarding charges to advertisers when the life of a directory is extended, and it is felt that the present practice should be continued.

It is estimated by the applicant that the proposed rates would result in a gross annual increase of \$1,088,138. After giving effect to a reduction of \$775,794 estimated to result from regrading of display and columnar advertising, the increase will amount to \$312,344, and of this amount the publishing company will receive 16.14%, or \$50,415. The estimate is based on the items in the February, 1949, directories with the exchanges grouped according to the stations in service on April 30, 1949.

The applicant requested permission to group its exchanges according to the estimated station demand as of December 31, 1949. Exhibit 5, page 3, sets forth the rate grouping for exchanges based on stations actually in service on April 30, 1949, which seems more reasonable, and the filing of this grouping will be authorized.

Mr. Reher, appearing for the Chino Businessmen's Association and the Chino Chamber of Commerce, contended that the increased advertising rates should be based on a reasonable return from the advertising phase of the applicant's operations and not merely on increased values to the customer or increased cost of comparable advertising.

The evidence shows the circulation of the classified directories has increased substantially. This increase in circulation has been accompanied by material increases in the costs 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, increased directory advertising rates should be authorized.

#### O R D E R

The Associated Telephone Company, Ltd., having applied to this Commission for an order authorizing increases in directory advertising rates, a public hearing having been held and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates authorized herein are justified; therefore,

IT IS HEREBY ORDERED as follows:

1. That applicant is authorized to file, in accordance with General Order No. 96, and to make effective on not less than five (5) days' notice, the schedule of directory advertising rates and conditions set forth in Exhibit 5, page 3, and Exhibit D, pages 2, 3, and 4, except for condition A-7 on page 3 of Exhibit D.

2. That applicant shall continue in effect condition B-6 (a), (b), and (c), shown on Cal. P.U.C. Sheet No. 4465-T.
3. That the rates and conditions herein authorized shall become effective for future issues of classified telephone directories on or about the publication dates shown in Exhibit E, page 1.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 16<sup>th</sup> day of July, 1949.

R. E. Murray

James H. Kille

Harold P. Hills

Benjamin H. Pottel  
Commissioners.