

Application No. 32759 filed September 21, 1951, the Commission by Decision No. 46661, dated January 22, 1952 authorized rate increases to become effective on February 18, 1952 which increased annual revenues by an estimated \$702,874 or 18.8%, before shrinkage due to the higher rates based on California intrastate operations for the year 1951. That rate increase, while calculated to offset general wage increases granted on July 1, 1951, was estimated to leave California intrastate business of Western Union operating at a deficit of some \$500,000 before income taxes. A summary of the three prior rate proceedings is contained in the above-mentioned Decision No. 46661 and need not be repeated herein.

Company's Position in Present Proceeding

On a system-wide basis Western Union placed in effect on September 1, 1951 wage increases of approximately \$3,400,000 per annum, with a further wage increase of approximately \$9,779,000 on September 1, 1952. The September 1951 wage increase was part of the agreement with labor unions which removed the strike threat earlier in 1951. The September 1952 wage increase resulted from the strike settlement agreement between Western Union and the labor unions which terminated a seven-week nationwide strike during April and May 1952. These wage increases have a heavy impact upon Western Union's earnings since approximately 65 cents of every revenue dollar is applicable to wage costs. Without a rate increase to offset these wage increases Western Union's system-wide operations would be conducted at a substantial loss.

In this proceeding Western Union seeks rate revisions applicable to California intrastate operations to offset the intrastate portion of the above-mentioned wage increases. These wage increases have not previously been considered by this Commission in establishing rates for this utility.

Evidence on Earnings

Western Union estimates its system-wide rate of return for 1952 under proposed rates at 3.19% on a depreciated rate base of \$187,145,000 after excluding the effect of the strike and including the annual effect of the September 1, 1952 wage increases. The estimated rate of return for California intrastate operations at present and company proposed rates based on operations for the year 1951 adjusted for present wage schedules may be summarized as follows:

	Year 1951 Adjusted for September 1, 1952 Wage Levels	
	Present Rates	Company Proposed Rates
Operating Revenues	\$5,065,266	\$5,377,023
Operating Expenses and Taxes	<u>5,559,216</u>	<u>5,559,216</u>
Net Operating Revenues	<u>(493,950)</u>	<u>(182,193)</u>
Rate Base (Depreciated)	4,130,855	4,130,855
Rate of Return	<u>(11.96)%</u>	<u>(4.41)%</u>

(Red Figure)

Separation Procedures

Inasmuch as the same telegraph equipment and facilities are used to transmit and receive intrastate as well as interstate messages and most operators, clerks, and messengers handle both types of messages, separations of plant, revenues, and expenses are required in developing California intrastate operating results. This problem is resolved by separation studies performed by Western Union.

A representative of the City of San Francisco cross-examined the applicant's witness on the results shown by the separations study for California intrastate operations, and questioned if the method showed other state operations to be conducted at a loss. The witness cited five states and the District of Columbia which showed intrastate revenues greater than expenses under this separations method.

We need not repeat here what was said in Decision No. 46661 with respect to this subject. For the purpose of this proceeding Western Union's separation study is accepted. Further experience, however, may show that changes or refinements are justified.

Conclusion on Earnings

Reviewing the record, Western Union shows that the earnings nationwide on the proposed rate levels applied to both interstate and intrastate traffic would result in an approximate rate of return of 3.19%. Comparable figures for California intrastate operations show an operating loss of 4.41% on a depreciated rate base of \$4,130,855. It is clear that the rates requested in this proceeding are justified. This is particularly true in view of the fact that these rates are no higher than those in effect for interstate service and for intrastate service in a number of states.

Authorized Rates

The proposed rates which will be authorized are set forth in Exhibit No. 2 attached to the application. It is estimated that these rates will produce an increase of approximately \$312,000 or 7.7% in California intrastate revenues.

A comparison of the present and authorized rates for the basic public message telegraph service classifications is as follows:

Rate Zones-Miles	Full Rate Message: Day Letter		Night Letter	
	For 15 Words or Less	For 50 Words or Less	For 50 Words or Less	For 50 Words or Less
Over : Including	Co. Prop. Pres. & Auth.	Co. Prop. Pres. & Auth.	Co. Prop. Pres. & Auth.	Co. Prop. Pres. & Auth.
0 : 75	\$0.50	\$0.55	\$0.65	\$0.70
75 : 125	.60	.65	.80	.85
125 : 225	.70	.80	.90	1.05
225 : 425	.85	.95	1.10	1.25
425 : 750	1.00	1.10	1.30	1.45
750 : 1,125	1.15	1.25	1.50	1.60
			.65	.70
			.45	.50
			.50	.60
			.65	.70
			.75	.80
			.85	.90

The above basic rate increases account for approximately 85% of the total revenue increase authorized by the order herein.

In addition, increases are authorized in press message telegraph services, money order service, commercial news department (CND) quotation service, leased facility service, and telemeter service.

The evidence shows that the rates authorized by this order for California intrastate business were made effective for interstate traffic on September 1, 1952 and were already effective or authorized for intrastate traffic in 36 states as of the date of hearing in this proceeding.

Conclusion

No testimony was placed in the record in opposition to the proposed increase in telegraph rates. After a review of all of the evidence, it is our conclusion that an order should be issued granting the increase in accordance with the request of the applicant.

O R D E R

The Western Union Telegraph Company, having applied to this Commission for an order authorizing increases in telegraph rates and charges, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and in so far as present rates differ from those authorized herein, they are unjust and unreasonable for the future; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96,

the schedules of rates shown in Exhibit No. 2 attached to the application, and after not less than five (5) days' notice to this Commission and to the public, to make said rates effective for service furnished on and after December 1, 1952.

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

Dated at San Francisco, California, this 3rd day of November, 1952.

[Signature]
President.

[Signature]
Harold K. Kels

[Signature]
Commissioners.