

ORIGINAL

Decision No. 10053

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. 33799

Appearances for Applicant: O'Melveny  
and Myers by Harry L. Dunn and Marshall K. Taylor.

Interested Parties: City of Long Beach,  
Bureau of Franchises and Public Utilities by  
H. E. Jordan.

Other Appearances: W. W. Dunlop and  
H. F. Wiggins for the Commission staff.

O P I N I O N

Associated Telephone Company, Ltd., a corporation, engaged in the business of furnishing telephone service in various cities and territories in the Counties of Los Angeles, San Bernardino, Santa Barbara, Ventura, Orange, Tulare, and Fresno, by the above-entitled application filed on October 14, 1952, seeks authority to increase annual revenues from telephone classified directory advertising by \$267,800. Applicant's proposed advertising rates are contained in Exhibit C of the application. After due notice, a public hearing was held on this application before Examiner M. W. Edwards on November 18, 1952 at Los Angeles.

Company's Position in Present Proceeding

Applicant periodically publishes 25 classified telephone directories in conjunction with telephone service furnished in 34 exchanges. These directories vary in size from 10 classified pages to 520 classified pages and constitute an advertising by-product of the related alphabetical directories.

The present level of telephone directory advertising rates was authorized by this Commission on July 6, 1949 in Decision No. 43091, Application No. 30267.

In August, 1952 applicant circulated 499,955 directories compared with 370,392 in August, 1949, an increase of 35%. As a result of this increased circulation, applicant claims that the value of directory advertising to the various advertisers has increased substantially. Between 1949 and 1952 the applicant claims the following cost increases have been experienced by applicant and its publication agency: Printing 11.6%, white text paper 9.9%, yellow text paper 9.7%, cover stock 11.8%, publishing salaries 25.1%, sales salaries 21.7%, and delivery costs 31.5%. Applicant states that since 1949 the daily advertising rates per line in principal daily newspapers published in cities included in applicant's service area have increased by amounts varying from 20% to 33%. Applicant desires to increase rates for classified advertising at this time in order that revenues derived from the future publication of classified directories will defray the increased cost of such publication and at the same time afford a reasonable contribution towards the support of telephone service generally.

#### Nature of Evidence

Evidence was placed in the record by the applicant's witnesses. The representative for the City of Long Beach cross-examined one of the witnesses and made a statement of the city's position in the hearing. Also the Commission's staff cross-examined the applicant's witnesses. Applicant's exhibits covered such items as present and proposed rate levels, rate graphs, revenue increase estimates, cost increases, and revised price of telephone directory publishing contract. In addition the Commission received a letter of protest from a subscriber in the Redondo exchange.

The problem in Redondo was that the rate had recently been increased and therefore this subscriber protested any further increase. Applicant indicated that the recent increase in Redondo advertising rates was the result of growth of number of customers in the exchange which resulted in a change of rates to the next higher grouping. The advertising rates are based on number of stations by groupings, higher rates generally being applicable in exchanges with a greater number of stations. However, in this proceeding Redondo with 25,334 stations is proposed to be included in Rate Group 7 applicable to 20,001-30,000 stations, and comes at the breaking point in the rate curves where no further increase is proposed at this time. Until this exchange exceeds 30,000 stations no further increase is indicated by the application.

The position of the City of Long Beach was that it was not opposed in principle to an increase in advertising rates but rather it was opposed to the ratio of the increase in Long Beach compared with other exchanges. For example, for display advertising an increase of 40% is proposed in Long Beach (Group 12 applicable to 120,000 to 155,000 stations) whereas in certain low group exchanges no increase is proposed.

Applicant's answer to this contention is that advertising rates primarily are based on value of service rather than cost. Directory advertising is also a competitive service with other advertising media and the greater the circulation the greater the value to the advertiser. The staff pointed out that in certain other exchanges the proposed display advertising increases are of greater percentage increase than in Long Beach.

The representative for the City of Long Beach questioned why the applicant was seeking an increase in advertising revenues greater than the increased costs. Applicant's answer in part was that the full estimated increase is not realized because customers tend to reduce the size of their advertisements with increased rates

and that directories are published on an annual basis and the rates apply only to future directory issues. Furthermore, the applicant pointed out that the unit advertising rate per subscriber reached is less in Long Beach than in other exchanges. Applicant concluded that its proposed rates are not discriminatory against the Long Beach advertiser and that its final yield in revenue over costs contributes a reasonable amount towards maintenance of subscriber service.

No subscribers other than the representative for Long Beach appeared at the hearing to protest the proposed increase in advertising rates.

#### Advertising Rate Plan

Advertisers seek representation in classified telephone directories in order to obtain business from the market of telephone users. The present rates are set for nine circulation groups: Group 1, the smallest circulation, covers 1 to 1,000 stations; while Group 9, the largest, covers 100,001 to 150,000 stations. Circulation is measured by 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 rates proposed by the company are set for 12 circulation groups. Examples of certain present and proposed monthly rates for small, medium, and large circulations follow:

	Number of Stations					
	1,200		15,000		125,000	
	Pres.	Co.Prop.	Pres.	Co.Prop.	Pres.	Co.Prop.
Regular Type Listing	\$0.25	\$0.25	\$0.40	\$0.45	\$0.50	\$0.75
Bold Type Listing	.40	.40	1.00	1.15	1.50	1.85
Trade Name Listing	.50	.50	1.25	1.40	1.75	2.10
Trade Mark Heading	1.75	1.75	4.00	4.50	7.25	8.75
1 Inch	1.25	1.25	3.00	3.50	6.00	6.50
Display Advertising						
1/4 Column	1.75	1.75	4.50	5.25	10.00	14.00
1/2 Column	3.50	3.50	9.00	10.50	20.00	28.00
2-1/2 Column	7.00	7.00	18.00	21.00	40.00	56.00

New rates for 1½-inch informational listing for Groups 7 through 12 and for ½-inch informational listings for Groups 10 through 12 are proposed.

Revenue Increase Estimate

It is estimated by the applicant that the proposed rates would result in a gross annual increase of \$563,800. After giving effect to a reduction of \$241,500 estimated to result from regrading of display and other types of advertising as well as from disconnects and uncollectibles, the increase is computed at \$322,300, and of this amount the applicant company will receive 81.3% or \$267,800 and the publisher the remainder. The estimate is based on the items in the directories in service as of December, 1952 with the exchanges grouped according to the stations in service on August 31, 1952. For the 12 months ended September 30, 1952 directory revenue amounted to \$859,040 after deducting costs of the directory publishing company for publishing, printing, costs of sales, paper, and other expenses. In addition to the expenses of the directory publishing company the applicant also incurred expenses in the amount of \$160,228 during the above-mentioned period for distributing directories, editing, and maintaining records.

Not all of such estimated increase would be realized in the first year because all directories are not issued at the same time, their issue dates being staggered so as to give a comparatively uniform year-round work load on the employees engaged in this work.

Exhibit D of the application contains a schedule of dates for start of sales canvass, closing dates for publication, publication date, and issue month. Even if increased rates were authorized immediately, applicant's Exhibit No. 3 shows that only a portion of the increase would be realized in 1953, because the directories are issued only once in 12 months and it is not

requested that the new rates be applied to directories already in circulation. Therefore, the full effect of the proposed increases would not be realized until the year 1954.

Conclusion

It appears that any net revenue realized from classified advertising service, above expenses, will be reflected in the over-all revenues of the applicant, which in the long run should benefit the average subscriber through relief in monthly exchange rates.

Based on a review of the evidence of record in this proceeding, including the letter of protest and statement of interested party, it is our opinion that the proposed increased rates will cover the additional unit directory expenses since 1949 and should contribute in a reasonable manner to the over-all earnings. After carefully considering this matter, it is our conclusion that an order should be issued granting the increases in advertising rates as proposed by applicant in Exhibit C of the application.

In our opinion no unreasonable discrimination will exist in the new rates and, before the new rates become effective, each advertiser has the opportunity to revise advertising space to meet his needs within his ratepaying ability.

O R D E R

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

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

IT IS HEREBY ORDERED that applicant is authorized and directed to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, revised tariffs containing rates as proposed by Exhibit C of this proceeding, and after not less than five (5) days' notice to this Commission and to the public to make said rates effective for future issues of classified telephone directories on or about the publication dates as set forth in Exhibit D of the application.

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

Dated at Los Angeles, California, this 16<sup>th</sup> day of December, 1952.

A. J. [Signature]  
President.

Justin F. [Signature]

Harold A. [Signature]

[Signature]  
[Signature]  
Commissioners.