

**ORIGINAL**

Decision No. 67056

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a corporation, for authority to publish five telephone directories in lieu of a single telephone directory for Orange County.

Application No. 46040  
(Filed December 17, 1963)

Appearances are listed in Appendix A

O P I N I O N

Applicant's Request

By this application The Pacific Telephone and Telegraph Company (Pacific) requests that the Commission authorize it to:

1. Discontinue publication and issuance of a single directory for all of Applicant's exchanges in Orange County and to cancel and withdraw rates for classified and alphabetical telephone directory advertising therein;
2. Publish and issue alphabetical and classified telephone directories for
  - (a) Anaheim, Buena Park, Garden Grove;
  - (b) Santa Ana, Orange;
  - (c) Fullerton, Brea, Placentia;
  - (d) Newport Beach, Costa Mesa;
  - (e) San Clemente, Capistrano Valley;

3. Publish, file and place in effect with the forthcoming issues of said directories rates for advertising as proposed in Exhibit C attached to the application.

Public hearing on applicant's request was held before Examiner Patterson in Santa Ana on February 10, 11, 12, and 13, 1964, and the matter was taken under submission on receipt of late-filed exhibits on February 14, 1964.

#### Present Directory

Presently, Pacific publishes a single directory to cover its 11 exchanges in Orange County. This directory contains a total of 2,136 pages, arranged in standard 4-column telephone directory format with 6-point size type. Thirty-six of the pages are informational; 644 pages contain alphabetical listings of subscribers; and the remaining 1,456 pages are devoted to classified business listings and advertising. The directory is 2-1/2 inches thick and weighs 5-1/2 pounds.

As of October 31, 1963, applicant's 11 exchanges in Orange County, served a total of 423,429 telephones, and an estimated population of almost 1,000,000.

#### Orange County Growth

Orange County has been one of the fastest growing areas in the nation, the population having increased from 130,760 in 1940, to 216,224 in 1950, and to 703,925 in 1960. Forecasts show that the area will continue to be one of the fastest growing areas with an estimated population of 1,473,800 by 1970. This

explosive growth has been and will continue to be paralleled by an even greater growth in the number of telephones required to provide service which, in turn, will result in further rapid expansion in the size of the telephone directory. It is Pacific's contention that, along with the rapid growth in Orange County, a number of diverse and relatively self-contained communities, with substantially different communities of interest, have developed. As an indication of the localized interest of these various communities, Pacific presented evidence showing that many of the communities provide their own municipal services, elect their own City Councils, operate their own public safety organizations, such as fire and police and, in most instances, have their own Chambers of Commerce, public libraries, and service clubs. As a further indication of the development of separate communities, Pacific presented evidence showing the boundaries of the various school districts and data showing that in most cases the circulation of daily newspapers published in Orange County remains in the communities in which the papers are published.

Necessity for Directory Change

It is Pacific's assertion that continued publication of a single directory for all of Orange County will result in a deterioration in the quality of directory service rendered to the public. The reasons advanced for this were that the average subscriber in any given community has little occasion to place calls to many of the other communities, the numbers of which are

listed in the directory, yet he must search through such unneeded listings to obtain the listings in which he is interested. It was explained that the sheer bulk, the great number of alphabetical listings and the great number of classified listings and advertisements make the directory unwieldy and difficult to use. Also the inclusion of many diverse communities in a single book complicates information on emergency services, dialing instructions, and rate and charging information. It is Pacific's position that, as a result of these and other factors, the directory becomes a less useful tool to the subscriber attempting to locate telephone numbers which, in turn, then throws an added burden on information service. According to the evidence, the per cent of information calls to total originating calls in the Orange Division increased from 1958 to 1963 from 2.8 per cent to 3.1 per cent.

Proposed Directories

Under the proposal, Pacific's Orange County exchanges would be grouped in the five directories, to be published in November 1964, as shown below:

- (1) Anaheim, Buena Park and Garden Grove;
- (2) Santa Ana and Orange;
- (3) Fullerton, Brea and Placentia;
- (4) Newport Beach and Costa Mesa;
- (5) San Clemente and Capistrano Valley.

Each of these directories would have separate and distinct

alphabetical and classified sections for the respective areas covered. Under the plan each subscriber would be provided with the directory in which his service is located and, upon request, Pacific would furnish him, without charge, any or all of the other Orange County directories which he might require.

Each of the directories would be set in the larger 7-point type instead of the 6-point type now used in the single directory. The two largest directories, arranged in 4-column format, would be the Anaheim-Buena Park-Garden Grove directory with 904 pages, and the Santa Ana-Orange directory with 808 pages. The smaller Fullerton-Brea-Placentia and Newport Beach-Costa Mesa directories utilizing 3-column format would be comparable in size with 456 and 448 pages, respectively. The San Clemente-Capistrano Valley directory, also with a 3-column format, would have 112 pages.

Exhibit 21 shows that, according to applicant's estimates, by the year 1970, the Anaheim group directory will have grown to 1,574 pages; the Santa Ana group to 1,534 pages; the Fullerton group to 1,042 pages; the Newport Beach group to 768 pages, and the San Clemente group to 420 pages.

#### Advertising Rates

No changes in basic advertising rates are requested under the proposal. However, actual advertising costs for subscribers would be subject to a wide range of increases or decreases, depending upon the coverage a particular subscriber desires.

Rates for advertising in the current issue of the Orange County telephone directory correspond to those for Circulation Rate Group No. 13 (100,001 to 130,000) of the schedule of directory advertising rates in general effect throughout the portions of California served by Pacific. These rates are based on circulation in the largest included exchange, in this instance, the Santa Ana exchange. Under the proposal, rates for advertising in each of the five separate directories would also correspond to the circulation in the largest included exchange, namely, Santa Ana for the Santa Ana grouping, Anaheim for the Anaheim grouping, Fullerton for the Fullerton grouping, Newport Beach for the Newport grouping, and San Clemente for the San Clemente grouping. For each of the Anaheim-Buena Park-Garden Grove and the Santa Ana-Orange directories, advertising rates would remain at the same level as at present. Advertising rates for the Fullerton-Brea-Placentia and Newport Beach-Costa Mesa directories would be reduced in each case from Circulation Rate Group No. 13 to Group No. 10 (40,001 to 55,000 stations). For the San Clemente-Capistrano Valley directory the rates would be reduced from the present Group No. 13 to Group No. 4 (6,001 to 8,500 stations). The alphabetical bold type listing costs for subscribers would also conform to the respective circulation groups for the separate directories.

The tabulation on the following page shows a comparison of present and proposed monthly rates for classified directory advertising and alphabetical bold type listings.

Proposed Rates for each Directory

<u>Present</u>	: Anaheim	: Fullerton	:
<u>Rates</u>	: Garden	: Placentia	:
<u>Single</u>	: Grove	: Brea	: San
<u>Orange</u>	: Buena Pk.	: Newport	: Clemente
<u>County</u>	: Santa Ana	: Beach	: Capis-
<u>Directory:</u>	: Orange	: Costa	: trano
		: Mesa	: Valley

Classified Section

Display Advertisements:

Two 1/2 columns	\$50.00	\$50.00	\$32.00	\$14.00
1/2 column*	25.00	25.00	16.00	7.00
1/4 column	12.50	12.50	8.00	3.50
<u>Column Advertising</u>				
Each informational listing				
1-1/2 column inch	8.25	8.25	6.00	-
1 column inch	5.50	5.50	4.00	2.00
1/2 column inch	3.25	3.25	-	-
Custom trade-mark heading (2 inch)	14.00	14.00	9.50	5.00
Trade-mark heading (1 inch)	7.00	7.00	4.75	2.50
Trade-mark cross reference	2.25	2.25	1.75	1.25
Custom trade-mark or trade-mark caption text	4.50	4.50	3.00	1.50
<u>Trade-mark listings</u>				
Bold face type listing	1.75	1.75	1.50	1.00
Regular type listing	.75	.75	.50	.25
Custom trade name heading	2.50	2.50	2.00	1.25
<u>Trade name listing</u>				
Gothic type listing	2.00	2.00	1.75	1.25
Regular type listing	.75	.75	.50	.25
Trade name cross reference	2.25	2.25	1.75	1.25
<u>Listing</u>				
Bold face type listing	1.75	1.75	1.50	1.00
Reg. type listing	.75	.75	.50	.25
Additional line of information	.75	.75	.50	.25
Alphabetical bold type listing	3.25	3.25	2.75	1.75

\* - Also applicable for two 1/4 columns in present Orange County directory and in proposed Anaheim-Garden Grove-Buena Park and Santa Ana-Orange directories.

Studies and Surveys

In an endeavor to solve the directory problem, Pacific made various studies and surveys of telephone call usage patterns; information call patterns; scope of yellow page advertisers' markets; community interests as measured by school district boundaries, newspaper circulation and community governmental services; search time as related to telephone directory size; experience of Sunland-Tujunga Telephone Company with its new localized directory; and public acceptance of a directory plan using localized directories.

For purposes of its surveys Pacific simplified the eleven exchange breakdown by combining Brea with Placentia and San Clemente with Capistrano Valley, thus permitting the collection of data on the basis of 9 exchange areas. Pacific then further consolidated these 9 areas into the 5-directory grouping, based upon relationships between certain areas which Pacific contended the surveys demonstrated. As an illustration of the results of the 5-directory grouping, Pacific presented Exhibit 14 which indicates the percentage of calls which would terminate in the same directory area in which they originate. For the Anaheim-Buena Park-Garden Grove area this percentage is shown as 77 per cent, for the Fullerton group 67 per cent, for the Santa Ana group 81 per cent, for the Newport Beach group 70 per cent, and the San Clemente group 82 per cent.

A similar approach on advertising, Exhibit 15, indicates that advertisers in the Anaheim-Buena Park-Garden Grove directory area would obtain 84 per cent of their markets from the local directory



area; for the Fullerton grouping 75 per cent; for the Santa Ana grouping 82 per cent; for the Newport Beach grouping 93 per cent; and for the San Clemente grouping 97 per cent.

The customer acceptance survey, which was performed by a consulting agency under the direction of Pacific, sampled the acceptance which subscribers would accord to a localized directory plan based upon 9 separate localized directories. During the survey, 2,894 subscribers were interviewed, and according to the results which are summarized in Exhibit 8, the localized directory plan would be acceptable to 82 per cent of the residential subscribers and to 58 per cent of the business subscribers. A further breakdown of the business subscribers was made which indicated that for the very large business subscribers only 41 per cent deemed the localized directory plan acceptable.

#### Revenue Effects and Directory Costs

Production costs for 1963 were \$650,000 for the single volume directory and \$118,000 for the information directories used by Pacific's operators. Under the 5-directory plan Pacific estimates a savings in printing, binding, and paper costs for subscriber directories of \$245,000, an increase for information directories of \$17,000, and an increase for compilation forces of \$81,000, making a net savings of \$147,000 in annual costs. Pacific estimates that there would be an initial reset cost of \$47,000 for the alphabetical section, and \$39,000 for the classified section, making a total non-recurring cost of \$86,000.

#### General Telephone Company

The present Orange County directory contains interlocked into its alphabetical section General Telephone Company's (General)

subscribers located in Orange County, in Laguna Beach, Huntington Beach, and Westminster. General provides directory service for these areas by publishing a Laguna Beach directory and a Huntington Beach-Westminster directory, each of which contains the entire interlocked alphabetical section for Orange County, but classified sections for only the respective local areas.

A vice president of General testified that if Pacific's application is granted, General would continue to publish two directories for its Orange County operations, but Pacific's subscribers would be dropped out of the alphabetical sections so that only General's subscribers would be listed therein. He requested that, if authority is granted to Pacific to establish the five directories, authority also be granted to General to change the alphabetical sections in its Laguna Beach and Huntington Beach-Westminster directories.

The record shows that General also serves subscribers in Seal Beach and some subscribers in LaHabra in Orange County. The Seal Beach subscribers are listed in the southern directory for the Los Angeles extended area, and the LaHabra subscribers are listed in the northeastern directory for the Los Angeles extended area.

In certain areas, corridor problems exist where cities such as Fountain Valley, Westminster, and Stanton are served by both Pacific and General. According to the record the two utilities have been endeavoring to work out these problems so that all residents in a particular community will appear in a single directory and not be split between two directories. The witnesses agreed that this would be a desirable objective, but they could give no specific assurance that the objective will be attained.

Discussion

Various organizations and individuals took an active part in the proceeding. The one point on which all parties were in agreement was that the present Orange County directory is too large and unwieldy and should be reduced in size. The means of accomplishing a reduction in size, however, was the source of intense controversy and it soon became apparent that there was a distinct

cleavage between Pacific's viewpoint and the desires of most members of the public who testified. A few individuals, mainly housewives, supported Pacific in the proposal for local directories which would facilitate locating tradesmen and business establishments in subscribers' local areas. Most of the parties, however, were opposed to the 5-directory plan and advocated, instead, that the directory be split into two parts, an alphabetical section and a classified section, each of which would continue to be county wide. Advocates of this simple split plan included not only a number of businessmen but also spokesmen for the Orange County Medical Association; the Orange County Dental Society; the Orange District 41st Medical Society; the City of Costa Mesa; the Downtown Santa Ana Association, and the Orange County Chapter of the California Employment Agencies Association.

The objection which was voiced most frequently was that directory advertisers who would desire to maintain the same county-wide coverage in the classified section, as at present, would experience substantial increases in advertising costs. The evidence

shows, as can be seen by reference to the preceding rate tabulation, that maintaining present coverage after the proposed split, would increase an advertiser's telephone directory advertising costs by a ratio of approximately 3-1/2 to 4 times. Pacific responded to this objection, first, on the basis that with smaller directories, an advertiser who desires to continue county-wide advertising could reduce his space requirement in the classified section, and hence the cost, without diminishing the effectiveness of his advertising; and second, on the basis that many advertisers would not find it necessary to continue county-wide advertising and would even prefer to advertise only in their local directories, as the surveys show that from 75 to 97 percent of an advertiser's business is derived from markets served by the local directories. The advertisers pointed out, in turn, that the per cent of their business derived from communities outside of their local directory areas while small in relation to their total business is very often the margin upon which the businessmen must rely for the success of their enterprises, and therefore it is essential that they continue to advertise on more than a local basis.

From the evidence which was presented we do not believe that Pacific made sufficient allowance for the cross boundary advertising which businessmen would require under the 5-directory plan. The witness for Pacific testified on this point that his estimate was based upon the per cent of business a subscriber gets from the respective directory areas rather than upon the amount of advertising that he would require. Although the witness testified

that many who do not advertise may want to advertise in the smaller localized directories, he made no allowance in the revenue estimates for this situation.

The evidence disclosed dissatisfaction with the grouping of certain cities as proposed by Pacific. This was especially true in regard to the placing of Buena Park and Fullerton in separate directories. According to the record Buena Park and Fullerton have been closely associated for many years as illustrated by the fact that the Fullerton Union High School and Junior College District embodies the City of Buena Park. Another example of a potential problem arises from the placing of the site of the new University of California campus at Irvine in the Santa Ana-Orange directory, whereas, according to testimony presented, the university, as well as the city of 100,000 population which is expected to develop adjacent thereto, will be oriented to the beach cities of Newport Beach and Costa Mesa. Also, there was testimony presented indicating that there is a community of interest existing between the beach cities extending from San Clemente on the south to Huntington Beach on the north, which has not been given sufficient consideration. ✓

We realize, of course, that there will be dissatisfaction with any grouping of cities or communities such as has been proposed for the five directories. The mere fact that there are other ways of grouping the various cities and communities or that a different number of directories could have been proposed is not significant. The significant factor is that the proposal

goes far beyond what is necessary to solve the immediate problem, which is the great weight and bulk of the present single directory. The proposal which was made time after time on this record of simply separating the alphabetical and classified sections and issuing them as two separate directories is the simplest and most direct way of solving, for at least an interim period, the problem of weight and bulk. The record shows that under this plan the classified section would continue to be of a satisfactory usable size for at least three or four years, and the alphabetical section would be satisfactory for a considerably longer period. We realize that such a plan would not have the advantages of eliminating listings seldom, if ever, used by many subscribers, or of simplifying the informational pages of the directory, or of permitting the use of larger type-size, or of facilitating the location of local advertisers in the classified section, but we observe that this record does not disclose customer dissatisfaction on these latter points. In fact, it was the opinion of several witnesses that the use of five directories would be most inconvenient and would only add to the difficulty of locating desired listings.

The primary means used by Pacific to measure the desires of its subscribers for directory service was the survey based upon a 9-directory plan. The results of that survey, however, measured only the acceptance of localized directories as compared with the present universally disliked single volume directory. No provision was made for the testing of customer acceptance of some other plan such as the two-volume separation between the alphabetical and classified sections.

We are of the opinion that any action taken to separate in one step a cohesive territory such as Orange County into five separate sections should be supported by more conclusive and convincing evidence than was presented in this proceeding. We are also of the opinion that directories should be arranged to follow the needs of the communities served and should not be so restrictive in coverage that they might unduly influence the normal development of those communities.

Findings and Conclusions

Upon careful consideration of the record, we find that it would be adverse to the public interest to authorize applicant at this time to separate the present Orange County telephone directory into five directories. We find that the public interest would be served by requiring applicant to separate the present directory into two parts, one being the alphabetical county-wide directory and the other being a classified county-wide directory, and the order herein will require that such a separation be made.

O R D E R

IT IS ORDERED that:

1. Application No. 46040 of The Pacific Telephone and Telegraph Company for authority to publish five telephone directories in lieu of a single telephone directory for Orange County is denied.

2. Commencing with the 1964 issue, The Pacific Telephone and Telegraph Company shall separate its Orange County telephone directory into an alphabetical section and a classified section, each of which shall be bound separately.

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

Dated at San Francisco, California, this 7<sup>th</sup> day of April, 1964.

William C. Bennett  
President

W. L. ...

Walter ...

George H. Trover

Frederick B. Hallock  
Commissioners



APPENDIX A

List of Appearances

For Applicant: Arthur T. George, Maurice D. L. Fuller, Jr., and Richard W. Odgers, by Maurice D. L. Fuller, Jr., and Richard W. Odgers.

Protestants: Milford W. Dahl, for Rutan & Tucker; Robert M. Wilson, for the City of Costa Mesa, Western Awning Association and 'The Awning Man'; Bruce Ragan, for Hopkins, Harbach & Co.; Max H. Fulton, M.D., for Orange District 41st Medical Society; Dr. Joseph L. Camarata, for Orange County Dental Society; Dr. Hugh Plumb, for Orange County Medical Association; George M. Milhoan, for Hunter Optical Co., Inc.; Charles H. Tulene, as Clerk of Municipal Court, Santa Ana, and for self; Ridley C. Smith, for Ridley C. Smith and Robert C. Politiski, Attorneys at Law; W. Worth Bernard, for Orange County Life Business and Industry Newsmagazine; E. N. Harrell, for Ed Harrell Studio of Charm & Modeling; Larry Shertzer, for Larry's Building Materials, Inc.; Alfred L. Clapper, for Lithographic Arts, Inc.; George W. Smith, for Telephone Answering Bureau; Della Ward, for Tustin Cement Building Block Company and Willard Lake, Jr., Sand and Gravel; Harold L. Winter, for Downtown Santa Ana Association; Mrs. William Clark, for Wm. Clark & Sons Moving Co.; Strimple "C" (Jim) Coyle, for California Employment Agencies Assn., Orange County Chapter and Coyle Employment Agency; Daryl Stearns, for Harbor Transfer & Storage; Walter W. Westpheling, for Bekins Van & Storage Co.; Benjamin Franklin Davis, for California Employment Agencies Assn., Orange County Chapter and Argus Employment Consultants Agency; Walter J. Pray, for Fullerton Union High School and Junior College District; James P. Fant, Jr., for Lin-Brook Hardware; and Cecil V. Robinson, Ivan H. Swanger, John T. McBurney, M.D., Mrs. H. W. Cordes, for themselves.

Interested Parties: Allan R. Stacey, for General Telephone of California; William L. Knecht, for California Farm Bureau Federation; Leif Johnson, for Daily News Tribune; R. I. Morris, for County of Orange; W. David English, Ph. D., for American Chemical Society, Orange County Section; Frank M. Reid, for Fullerton Chamber of Commerce; Nicholas Ziener, for Costa Mesa Chamber of Commerce; Ruth J. Pendleton, for PBR Company; Walter Burroughs, for self and Jefferson Trust; Mrs. Richard L. Allen, for self and Ladera Vista Jr. High School P.T.A.; and Mrs. Grace Schroeder, Jim Kanno, Mrs. Wm. Aalbersberg, Vesta J. Russell, Donald G. Metcalf, and Beth Benson, for themselves.

For Commission Staff: James G. Shields. ✓