

ORIGINALDecision No. 75324

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the General Telephone)	
Company of California and The)	
Pacific Telephone and Telegraph)	Application No. 48693
Company for authority to make certain)	Petition filed Aug. 29, 1968
changes in the present Los Angeles)	Petition filed Sept. 4, 1968
Southern Section Telephone Directories.)	

Robert E. Michalski, for The Pacific Telephone and Telegraph Company, petitioner.
A. M. Hart and Donald J. Duckett, for General Telephone Company of California, petitioner.
Alex Googooian, City Attorney, for City of Bellflower; Louis Possner, for the City of Long Beach; Graham A. Ritchie, for City of Hawaiian Gardens; Toshiro Kiraide, for Gardena Chamber of Commerce and Gardena Citizens Group; and Douglas Goldie, for Wilmington Chamber of Commerce, protestants.
John H. Ghormley, for City of Gardena; R. W. Russell, by K. D. Walpert, for City of Los Angeles; and Lloyd de Llamas, for the City of Torrance, interested parties.
Andrew Tokmakoff, for the Commission staff.

O P I N I O N

The request on August 29, 1968 of the General Telephone Company of California (General) and The Pacific Telephone and Telegraph Company (Pacific) that the division of the Southern Section of the Los Angeles extended area telephone directories be made permanent; and the request on September 4, 1968 by Pacific to include Gardena area classified listings in the Torrance-Lomita-San Pedro area classified directory, and to exclude said listings from the Compton area classified directory, were heard before Examiner Coffey in Long Beach on December 4, 5 and 6, 1968. These requests were submitted on December 6, 1968. In order to implement

its directory sales program, Pacific requested a decision on these matters by December 31, 1968.

Applicants presented the testimony of three witnesses and 15 exhibits in support of their requests. Representatives of the Cities of Long Beach, Bellflower, and Gardena and the Commission's staff participated in the proceedings. No public witnesses appeared, notice of hearing having been sent only to appearances.

History of Proceeding

On August 8, 1966, applicants requested authority to issue four alphabetical directories in lieu of the then existing single alphabetical directory for the Southern Section of the Los Angeles extended area telephone directory. No changes were sought in the six classified sections then being published for the southern area.

Representatives of the Cities of Gardena, Bellflower, Long Beach, and Wilmington area of the City of Los Angeles and from the Carson-Dominguez area vigorously protested the 1966 proposal of applicants.

After five days of hearing the Commission, in Decision No. 72130, dated March 7, 1967, found it appropriate to afford applicants further opportunity to study their exchange structure and directory design before finally approving applicants' directory proposals. After indicating that applicants had not demonstrated that their proposals best served the public convenience and interest, the Commission permitted applicants, for the directories published in October 1967 and 1968, to divide the single alphabetical section into four parts. The order required the alphabetical directory to revert to a single section for the October 1969 issue unless the Commission ordered otherwise.

Since the residents of Gardena had vigorously protested the proposed inclusion of the Gardena classified directory listings with those from the City of Compton, having a community of interest with the Redondo-Lomita-Torrance-San Pedro area, the Commission required applicants to list residents of Gardena in the alphabetical sections for the so-called South Bay^{1/} and the Compton-Downey areas. The directory for the latter area was issued as Mid-Cities Directory. Applicants were further required to study the feasibility and desirability of moving the Gardena classified listings from the Compton classified section to the Torrance-Lomita-San Pedro classified section.

Gardena Listings

On February 27, 1968, by Decision No. 73761, the time allowed Pacific to submit the Gardena study was extended from November 15, 1967 to June 1, 1968. Pacific submitted to the Commission, by letter dated November 14, 1967, the results of a study confined to the Gardena and Compton areas which indicated Gardena customers strongly favored being shifted to the Torrance-Lomita-San Pedro directory and that Compton customers and advertisers objected to the loss of Gardena, even though the advertisers would experience a rate reduction. Therefore, Pacific considered it appropriate to undertake a more extensive study to determine directory service requirements for the Gardena and Torrance-Lomita-San Pedro areas. Decision No. 74216, dated June 5, 1968, again extended time for compliance to September 1, 1968.

^{1/} The South Bay area directory encompasses the communities of Redondo Beach, Torrance, Lomita, Manhattan Beach, Hermosa Beach, Harbor City, Palos Verdes Estates, Rolling Hills Estates, Carson, Dominguez, Wilmington and San Pedro in addition to Gardena.

On September 4, 1968, Pacific reported on a second study concerning the Gardena classified serving arrangement. The study consisted of a realignment of Gardena and the existing Torrance-Lomita-San Pedro classified serving area as Pacific previously indicated in Exhibit No. 29 in Application No. 49142. The proposed realignment was as follows:

<u>Present</u>	<u>Proposed</u>
1. Compton-Gardena	1. Compton
2. San Pedro-Wilmington Torrance Lomita	2. San Pedro-Wilmington
	3. Gardena Torrance Lomita

This second study indicates preference by the Gardena customers for the above proposed classified directory serving arrangements. Both business and residence customers prefer the proposed arrangement on the basis that it would include listings which they need and at the same time eliminate listings which they do not need. In addition to the preference indicated by Gardena customers, the survey points out that their preferences are coincident with the shopping behavior and calling patterns.

The study also shows some opposition to a rearrangement of the San Pedro-Wilmington-Lomita classified serving areas by customers in those areas. Pacific maintains this opposition was based on indicated preferences of these customers whereas the study findings covering shopping and calling habits did not fully support the expressed opposition. Due to the pendency of a final determination of directory advertising circulation as a basis of advertising charges as proposed in Application No. 49142, specific advertising rates were not quoted to the individuals surveyed. Pacific believes

that a completely valid study concerning classified serving arrangements for Torrance, Lomita and San Pedro customers can be made only when Pacific is in a position to inform all customers of the rate effect of any directory realignment.

Pacific requests that the Gardena area classified listings be included only with the Torrance-Lomita-San Pedro classified listings "effective with the first issue of said directories reflecting revised advertising charges published after the Commission authorizes directory advertising circulation rates of a nature proposed in Application No. 49142, or, in lieu thereof:

"Authorize Pacific to continue the present classified serving arrangement for the Gardena area."

In its petition Pacific stated that it would experience an estimated revenue loss of \$220,000 per year under the method of determining directory advertising circulation and rates in effect when the petition was filed. Under the basis for determining directory advertising circulation as proposed by either Pacific or the Commission staff in connection with Pacific's Application No. 49142, the revenue loss is estimated to be \$75,000 per year. Pacific did not present an estimate of the effect of increased advertising in the proposed classified directory due to the shift of Gardena listings. Although Pacific believes that the proper directory service for Gardena requires its inclusion in the Torrance-Lomita-San Pedro classified directory, Pacific is willing to do so only if classified directory revenues are a major consideration in the manner in which Pacific wishes to divide its service area into directory areas.

Pacific presented convincing evidence in Exhibit No. 115, "A Study of a Proposed Re-Alignment of the Mid-Cities and South Bay

Area Yellow Page Directories" that over two-thirds of both business and residential subscribers in Gardena prefer the proposed classified directory to the present version.

The representative of the City of Gardena supported Pacific's request to include Gardena classified listings in the Torrance-Lomita-San Pedro classified directory and requested that Gardena alphabetical listings be included in the South Bay area directory.

All parties present at the hearing on December 4, 1968 stipulated that there was no objection to both alphabetical and classified listings from the Gardena area being included only in the directories for the South Bay area.

Permanent Division of Alphabetical Directory

By the petition dated August 29, 1968, General and Pacific request permanent authorization to continue the publication and issuance of four alphabetical sections for the Southern Section of the Los Angeles extended area directories for issues subsequent to October 1968.

Pursuant to Decision No. 72130, General and Pacific have issued in 1967 and 1968 four alphabetical sections for the Southern Section of the Los Angeles extended area directories. Applicants have made calling pattern studies by central offices throughout the Southern Section directory area, and maintain the results set forth in Exhibit No. 101 indicate that a substantial majority of calls placed in directory areas are to telephones listed within each of the four alphabetical sections currently being published. Applicants further maintain that the low percentage increase during October, November and December, 1967, in calls for information service, shown in Exhibit No. 102, are commensurate with the growth

and movement within the areas under consideration and support the adequacy of the directory coverage provided; otherwise, greater increases would have been experienced. Subsequent to the delivery of the 1967 directories, General received 116 customer comments on the directories, 20 of which were classified by General as favorable and 96 as unfavorable; and Pacific received 202 comments, 48 of which were classified by Pacific as favorable and 154 as unfavorable. Due to the relatively small number of unsolicited adverse comments received, applicants maintain that this data substantiates the acceptance and usefulness of the proposed changes. Since the sample was small, applicants do not consider the preponderance of adverse comments to be significant. Pacific was unable to supply for the record the actual comments made by customers, the statistical summaries only having been furnished the witness and the original comments having fallen victims of paper management warfare. However, having reviewed General's notes of the customer contacts, we find seven of the comments classified as favorable to be ambiguous in that the customers also requested secondary directories.

The Cities of Gardena and Bellflower presented Exhibit No. 116, a recast of applicants' Exhibit No. 101, to show that substantially more calls would be completed within directory areas if the Mid-Cities and Long Beach alphabetical directories were combined and if the Airport and South Bay alphabetical directories were combined.

Bellflower

The representative of the City of Bellflower protested applicants' proposals. This protestant recommends that Decision No. 74917 should be modified to permit the splitting of the alphabetical directory for the southern area into two directories

instead of four. He argued that Exhibit No. 116 demonstrates that the communities of interest lie generally on north-south axes and that substantially greater percentages of calls placed would have listings available in two directories as compared to four, almost all percentages being above 90 percent. He suggested the north-south boundary could be the Los Angeles strip to San Pedro or the Harbor Freeway. It was argued that the directory proposals do not reflect the real communities of interest in the southern area of Los Angeles County since the proposed boundaries substantially follow exchange boundaries in an area which has developed and grown entirely different from the exchange boundaries.

Long Beach

Concurring in much of the position of the City of Bellflower the representative of the City of Long Beach stressed that this record does not include sufficient evidence to issue a permanent order. Noting a lack of data on exactly how directories should be composed and the possibilities of directory mechanizing presently under study and development, Long Beach opposed a permanent order. Of particular concern to Long Beach is the practice of dual listing without charge in two directories those subscribers located near a common directory boundary which splits a recognized community. Since a businessman in the Long Beach area must pay for an additional listing if he wishes to have the same advertising coverage that a businessman in the dual coverage area obtains without charge, Long Beach maintains that the practice of dual listing results in discrimination and that sufficient information is not in the record to determine if the discrimination be reasonable or unreasonable.

Staff

The Commission staff representative reaffirmed the original staff position that the split of the Southern Section directory should be made permanent. He stated that public reaction to the split has been minimal, indicating acceptance of, or indifference to, the directory problem. The staff favored the directory changes proposed by applicants herein being considered.

Public

Applicants and the staff noted in their arguments the absence of public witnesses and protest. The Commission has received copies of resolutions from the Cities of Lawndale, Palos Verdes Estates and Rolling Hills Estates and the South Bay Councilmen's Association, all opposing the existing split of the directories and favoring one alphabetical and classified directory which would result from combining the Airport and South Bay directories. Inasmuch as a notice of the hearing on applicants' petitions was only sent to appearances in this proceeding without customer notice being required, we are not persuaded that the public either accepts or is indifferent to applicants' directory proposals. An equally valid assumption as to the public attitude would be that individuals discount the importance of their separate needs and convenience and rely upon this Commission to protect and promulgate the public's interest and convenience.

Decision No. 74917

Included in this record as Exhibit No. 108 is Exhibit No. 29, in Application No. 49142 of Pacific for increased rates, entitled "Response to Staff Request CV-002 Regarding A Possible Program to Split Los Angeles Extended Area Directories." In

Decision No. 74917, dated November 6, 1968, the Commission found the proposal for splitting directories to be fair and reasonable and authorized Pacific "to proceed with its long-term program to split the alphabetical and classified directories in the Los Angeles Extended Area substantially as set forth in Exhibit 29....and shall coordinate the same with those of General Telephone Company of California." The Commission is aware that during the development of the program conditions will change and new considerations will arise. The authorization granted by Decision No. 74917 should not be interpreted as conclusive and final. Each new directory division will be authorized only after a convincing showing that proposed directories meet the requirements of public convenience and necessity. As in the proposal herein being considered, the Commission expects the proposals set forth in Exhibit No. 108 (Exhibit No. 29) to be modified as appropriate at the time of actual issue of divided directories.

During the initial hearings in October 1966 public opposition to applicants' proposals clearly indicated that the desires, need and convenience of the public had not adequately been met despite two surveys of public opinion regarding an initial and a revised division of the Southern Section directory area. As a result of strong protests at the initial hearings, applicants reviewed their proposals, based largely on the calling pattern of exchange areas, and considered the calling pattern of central office areas. It became apparent that exchange areas do not, in all instances, reflect adequately local communities of interest. Since applicants had committed themselves to the realigned directory areas in their classified sales campaigns, this Commission permitted applicants to divide their directories for a limited period of time

with the expectation that specified deficiencies in this record would be corrected before final authorization was given.

Finding No. 8 of Decision No. 72130 states:

"8. This record is deficient inasmuch as applicants have not supplied basic information as to the desired purpose, functions and specifications of telephone directories. Such information, together with data on how the proposal meets such objective standards, is basic to sound decisions on directory proposals."

In an attempt to satisfy this finding applicants state their "objective standard for compilation of alphabetical directories is to include the largest possible number of listings needed for call completion in the fewest possible pages in order to assure maximum usefulness and convenience to the users." This ambiguous statement is only appropriate for a general statement of purpose.

California has, for years, had large growing metropolitan areas which are now so merged that they must be considered to have the characteristics of megalopolises. Very complex, varied, and overlapping communities of interest now exist which no longer are adequately or completely defined by individual or groups of central offices, or by rate or exchange boundaries.

Pacific has had three independent directory surveys made for this proceeding. In each instance after deciding upon a tentative directory arrangement by undisclosed considerations, an independent survey research organization was engaged to determine whether applicants' tentative arrangements would be acceptable to the residence and business telephone subscribers in an area. In each instance the basic purpose of the survey was to determine either public acceptance or lack of objection to a definite proposal. Obviously this has been an unsuccessful methodology. Exhibit No. 115

reports on the results of the latest such directory realignment proposal which was largely rejected by the public surveyed and for which Pacific subsequently has not requested authorization. However, Pacific's Exhibit No. 115 demonstrates the basic tool which can be utilized to clearly delineate communities of interest by interview surveys.

None of the various criteria advanced in these proceedings for directory standards have adequately defined the public's primary need for a telephone directory encompassing its community of interest. We recognize that not all subscribers can be satisfied by any one directory arrangement but we believe that better public acceptance will be obtained if approximate areas with a community of interest are first determined and then directory boundaries are conformed as much as practical to such areas. Exchange, central office, or classified directory boundaries are not adequate guides under the current circumstances. While calling rates and information service traffic loads may be in some circumstances indicators, they are not primary considerations. Certainly classified advertising revenue effects, directory savings, cost of information service and advertising marketing areas are secondary to the convenience and needs of the calling subscribers.

The closest approximation of an objective standard in this record is testimony that one of the split directories now fits into the drawer of a table on which a telephone instrument rests. This Commission was hopeful that the vast scientific and research resources of Pacific and General would have produced some better standards after competent studies, of such items as the optimum directory overall size, weight, thickness, number of columns and size of type based on user configuration and convenience, with

acceptable deviation limits. We believe that such standards are much more appropriate than the maxim which applicants appear to apply, that lack of expressed subscriber objections is equivalent to satisfied subscribers.

With the Los Angeles extended area directories to be realigned possibly into 17 alphabetical, and 27 classified directories, this Commission is concerned that applicants' proposals best serve the needs and convenience of calling subscribers.

Findings and Conclusions

We find that:

1. Exhibits Nos. 101 and 116 do not convincingly demonstrate the best directory division for the Southern area of Los Angeles County.

2. Exhibits Nos. 101 and 116 demonstrate that the larger the area served by a directory, the greater will be the number of calls placed with listings available in the directory. No data is available in this record to indicate what constitutes an acceptable ratio of calls with local directory listings to total calls.

3. Exhibit No. 102 does not convincingly demonstrate that directory changes have had minor effect on the level of information service traffic loads.

4. Exhibit No. 103 clearly indicates that applicants' directory proposals may be unfavorably received by many subscribers.

5. The large variation in requests for secondary directories from Pacific and General shown in Exhibit No. 104, respectively 16.33 percent and 1.35 percent of primary directories, is not consistent with the variations between applicants' information service traffic loads shown in Exhibit No. 102.

6. Exhibit No. 105 shows that actual revenues from foreign directory listings exceeded those estimated by applicants in Exhibit No. 16 of this proceeding by approximately 107 percent.

7. If applicants apply the survey procedures delineated in Exhibit No. 115 they can accurately determine the community of interest areas and classified advertising market areas.

8. It is reasonable to include alphabetical and classified directory listings from the Gardena area in directories for the South Bay area and exclude said listings from directories for Mid-Cities area.

9. This record does not contain information sufficient to determine if applicants' proposals best serve the directory needs and convenience of subscribers.

10. It is reasonable to permit applicants to continue the present four alphabetical directories for the Southern Section of the Los Angeles extended area in 1969 and 1970 to afford applicants time for needed further studies.

The Commission concludes that the request of Pacific to exclude Gardena classified listings from the Compton directory and to include Gardena listings in the Torrance-Lomita-San Pedro classified directory should be granted and that authority should be granted applicants to publish and issue four alphabetical sections of the Southern Section directory only in the years 1969 and 1970, as hereafter ordered.

O R D E R

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company shall exclude Gardena classified listings from the Compton directory and include

said listings in the Torrance-Lomita-San Pedro classified directory, effective with the next issue of said directories after the effective date hereof.

2. Pacific shall exclude Gardena alphabetical listings from the Mid-Cities area directory and include said listings in the South Bay area directory with the next issue of said directories after the effective date hereof.

3. The Pacific Telephone and Telegraph Company and the General Telephone Company of California may continue to publish and issue in 1969 and 1970 the four alphabetical sections for the Southern Section of the Los Angeles extended area directories. Without Commission authorization to the contrary being obtained, applicants shall revert to, publish and issue a single alphabetical section for the Southern Section of the Los Angeles extended area directories for issue subsequent to October 1970.

4. Applicants shall conduct a study of the Southern Section of the Los Angeles extended area designed to determine what classified advertising market areas and community of interest areas exist therein. Based on procedures similar to those set forth in Exhibit No. 115 of this proceeding and other appropriate data, applicants shall submit to this Commission their recommendations and reasonable alternates thereto for realignment of alphabetical and classified directories in said area, with sufficient supporting data so that the Commission may make a determination of which of the various reasonable directory configurations best serve the need and convenience of calling subscribers. The Commission shall also be informed of the revenue and cost effects of alternate proposals.

Presentation of this required material shall be made in writing on or before January 1, 1970 or at such time as applicants request further authorization relating to realignment of said directories.

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

Dated at Los Angeles, California, this 18th day of FEBRUARY, 1969.

William Synovitz
President

Augustin

Glenn P. Monsey
W. F. Moran

Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.