

ORIGINAL

Decision No. 77947

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
General Telephone Company of California,
a corporation, for authority to increase
its rates and charges for telephone
service.

)
) Application No. 49835
) First
) Supplemental Application
) (Filed February 27, 1970)

Albert M. Hart, Walter Rook, and John
Robert Jones, for General Telephone
Company, applicant.

Roger Arneberg, City Attorney, by Charles
E. Mattson, Deputy City Attorney, for
City of Los Angeles; Robert W. Russell
and Manuel Kroman, for Department of
Public Utilities and Transportation;
Raymond C. Clayton, for City of
Thousand Oaks; Louis Possner, for City
of Long Beach; City of Santa Barbara;
interested parties.

Bernard A. Peeters and Sergius Boikan,
Counsel, and Paul Popenoe, Jr. and
Raymond E. Heytens, for the Commission staff.

O P I N I O N

On December 1, 1967 General Telephone Company of California (General) filed Application No. 49835 seeking to increase its rates for intrastate telephone service by \$41,934,000 annually. On July 1, 1969 the Commission issued Decision No. 75873 which found that General was entitled to earn a reasonable rate of return of 7.2 percent on depreciated rate base through increased rates of \$16,000,000. However, that decision also found that General's service was inadequate. As a result of this inadequacy the Commission reduced General's rate of return by 0.2 percent and

authorized two sets of rates, one set designed to generate revenues sufficient to produce a 7.0 percent rate of return to go into effect initially, the other to produce a 7.2 percent rate of return, to be made effective upon General's application and proof, after hearing, that its service is adequate.

To facilitate comparison of General's level of service with The Pacific Telephone and Telegraph Company's (Pacific) level of service the Commission ordered General to adopt the service quality indices used by Pacific, and to compute such indices by use of Pacific's practices. General was further ordered, in the next hearing concerning service, to submit a market survey directed to the adequacy of its service in the Los Angeles metropolitan area in comparison with Pacific's service, such survey to be conducted by an independent survey organization approved by the Commission, and the compensation for such survey to be charged to General.

On February 27, 1970 General filed a supplemental application stating that its service was adequate and that it was now entitled to charge increased rates which would produce a 7.2 percent rate of return. The amount of revenue involved is \$4.4 million annually.

Public hearings on this supplemental application were held in Los Angeles on June 24, 25, 26 and July 1, 2, and 3, 1970 before Examiner Robert Barnett.

General's Evidence

Pursuant to Commission order General employed an independent research organization to conduct a survey of customer attitudes of General's customers and Pacific's customers in the Los Angeles area. This survey, entitled "A Survey of Telephone Company Customer Attitudes Fall - 1969," was placed in evidence at the hearing. (The cost of the survey was approximately \$115,000.) It reflected interviews with 2,516 General and 1,687 Pacific customers. Customers were chosen by random sample methods which insured that human bias was eliminated in the selection.

The questionnaire used in the interview was designed to elicit three basic kinds of information: 1) customer attitudes toward their telephone company - the company image; 2) customer recall of specific service difficulties and their importance; 3) classification information to permit combinations of various kinds of customers.

All interviewing was conducted by specially trained, professional interviewers during late October, November, and early December 1969. The conclusion of the survey, as determined by the survey managers, may be summarized as follows:

1. The image, or overall reputation, of General is mildly, but predominantly favorable among its customers.

2. The image of Pacific, however, is far more favorable. Nearly six in ten Pacific resident customers say their service is "excellent" or "very good." Only a third of General resident customers say this.

3. General's major reputation deficiencies are among the heavy users. There are differences between the companies across the board, but the greatest disparity exists among residents of the San Fernando Valley; those with high bills, indicating heavy usage; those with higher incomes, better educations; and heavy business users.

4. On specific image characteristics, neither company is viewed by a majority of its customers as backward, nor a bad community citizen. But Pacific customers, particularly business customers, are more prone to pick favorable service-related items than are General customers. On specific recall of service deficiencies, however, the picture is substantially different.

5. Among 23 possible service deficiencies, the six most serious, according to resident customers, relate to inaccurate or unfair bills, failure to fix equipment on the first service call, and mid-call disconnects. No more than 10 percent of the resident customers of either company say any of these six things have happened in the past four weeks. The same is true of business customers of both companies, except that mid-call disconnects are cited by more than 10 percent for both.

6. Among the somewhat less serious service deficiencies, both General and Pacific are cited by substantial numbers of customers, both residence and business. While there is a tendency for General to be cited more frequently, there is not a major "order of magnitude" difference between the two companies, according to customer reports. Only in difficulties with dialing is there a really major set of differences. On other kinds of problems the companies are more comparable.

7. The great difference in company images, General vs. Pacific, is not supported by differences of the same magnitude in reported service deficiencies. This gives rise to serious questions about the relationship of overall current reputation to actual service levels at the present time.

The interpretation of this data by General's experts was that in the Los Angeles area, General suffers a considerable image deficiency when compared to Pacific. Although the tendency is for this problem to be reflected across the board, the intensiveness and pervasiveness of the difficulty lies with the heavy user, be he or she at home or at work. The service picture as defined by the customer does not reflect the dramatic company to company image contrast and, therefore, it seems reasonable to assume that General's negative image is at least partially the result of factors other than current service problems.

Dr. Abelson, an expert in market surveys, stated that he was one of three people who actually interpreted the raw data of the survey and that he was the primary source of the final conclusions. He said that the principles that he brought to bear in interpreting the raw data collected in the survey were drawn

not so much from the field of telephones, but from his general experience in the field of corporate surveying. He testified that the purpose of the survey was to produce as realistic a picture as possible of customer feelings about the telephone companies which serve them and to obtain reports of recent customer experience with service. He said that General's residence customers have a much more unfavorable opinion about General than Pacific's residence customers have about Pacific; and that this image is even more pronounced among business customers of each company. After reviewing the answers to the 23 specific questions asked, he concluded that there are higher proportions of General's customers than Pacific's customers who report service defects of one kind or another. However, he stated that the differences between General and Pacific on unfavorable customer experience are not as great as the differences in reputation between the two companies. In his opinion, General's customers may be extra ready to notice and remember service lapses because such lapses fit better with their unfavorable view of the company; Pacific's customers, being more inclined to a favorable view of their company, may in fact be unlikely to notice and remember service lapses to the same extent as would General's customers. He said that this interpretation of the data is based on a considerable body of attitude research which shows that people attempt to fit new experiences in with existing attitudes.

He pointed out that the survey could be interpreted in two ways: one way is to take it exactly as it appears. The other way is to attempt some subjective modification of the data based on the notion that General has a reputation deficit which could lead to a higher incidence of remembered complaints about its service than Pacific's customers have about their company's service. A prudent approach might be (1) just to deal with the data on service at face value as they are, but (2) keep in mind that if there is a selective bias in reports of service problems, it is unlikely to work in favor of General. This, in fact, is how he viewed the data.

The witness testified that there are indications in the findings of the survey that suggest a disadvantage for General in being compared with Pacific, as follows:

- A. A rather poor reputation that General has, possibly as a consequence of experience in years past rather than lately, can tend to predispose General's customers to be more sensitive to service problems and, thus, tend to recall them more readily than is the case with customers of Pacific;
- B. Heavy telephone users contribute disproportionately to the study findings because of more opportunities for experience within a given time period (past four weeks). General has a greater proportion of heavy users than Pacific. Heavy users of telephone service, unlike heavy users of many other product groups, cannot switch to another brand, or even have the comfortable feeling that they could change if they wanted to, if they are dissatisfied. This produces a strange situation for dissatisfied heavy users in which they may become unusually sensitive to and possibly have exaggerated recollections of service difficulties;

- C. A substantially higher proportion of General's than Pacific's customers make or receive calls across exchanges. A relatively modest proportion of customers of either company think they can identify which company is at fault when something happens in the course of such a call.

Dr. Abelson, when asked whether the service rendered by General to its customers was comparable to the service rendered by Pacific to its customers, said that under the circumstances he was unable to draw a final conclusion that would indicate the clear superiority of one company's service over the other's.

On cross-examination Dr. Abelson explained in more detail why he felt that General's customers may be extra ready to notice and remember service lapses. He stated that norms developed by himself and others about what they might expect public response to be to large corporations show that not more than 10 percent of the public would express disapproval of a company's reputation in the terms used in the survey. Therefore, he felt that there was a predisposition among General's customers possibly to be ready to assimilate any new information or experience about General into a negative framework much more so than would be true for customers of Pacific.

He testified that the result of the survey concerning General's image (that is, the questions that went to a comparison of General with other utilities and nonutilities) were unusual. It was unusual that a very high percentage of subscribers would rate General relatively low in its level of service. He has never seen a company selling a public service or selling service to the public with a rating on this type of scale where 29 percent of the users rated them in the bottom three categories. He noted that the same kind of reputation for General comes from Pacific's subscribers as well as General's subscribers.

He said that the image of Pacific is very much the way that he would expect to see other companies on image profiles. He said that one of the factors in determining image is the length of time a customer was exposed to the company. However, in this survey he did not make an analysis of the answers based upon length of use of the service. He assumed that attitudes are stable and once built up remain pretty much the same until there is a great deal of contradictory evidence or some critical incident.

He reiterated that his conclusion that there was no indication of clear superiority of Pacific's service over General's is because of the image factor. He said that if all the questions that were asked only concerned dissatisfaction with specific items of service his conclusion would be a simple and clear one that the customers of Pacific were much more satisfied with the service that they are receiving than customers of General with the service that they are receiving. However, he said that it is difficult for him to draw this conclusion because there are indications that the responses of General's customers are somewhat distorted on the matter of service because of the factors of unfavorable image, heavy usage, and intercompany calling which lead them to interpret their experience in a particular way. General is considered to be a much poorer company than is shown in the answers to the 23 specific items. This is because the 23 specific items are a distortion in a negative direction. The image is pulling the items in that direction. In his opinion there is a predisposition to remember and to recall things which are consistent with the image that one has of an institution.

He could not say with any degree of certainty that these factors are operative with every General customer, but he could say that of the possible sources of bias that he had observed in the results of the questionnaire, all of them point in the same direction, that is, they all tend to be sources of bias which if they were operative would be operative in an unfavorable way toward General.

Dr. Abelson did not necessarily believe that if one telephone company gave poor service and another telephone company gave good service he would expect to find a difference in the image of the companies. He felt that it is quite possible that the attitudes people have about a company could be unrelated to one particular aspect of that company's service. Nor did it necessarily follow that merely because a significant percentage of people say they don't get good performance from telephone instruments such statements show inadequate service. He explained that if the 23 specific service questions constituted the entire body of the questionnaire and there was general agreement among all of the specialists in the field, that those questions were all that were needed to make service judgments then inadequate service could be found. But he said that there are many other factors that can bear on the gaps between General and Pacific as shown in these items, and, therefore, he could not conclude that General was rendering inadequate service.

Dr. Abelson testified that because of the poor image of General and the need for time in which General's customers could begin to appreciate any improvements of service approximately two years would be needed between the time that service improved and the time that a survey would note the change. He said that since a heavy user has more opportunities to view the service he would expect that heavy users would react more rapidly to improving service. In his opinion the survey is a much better gauge of the

comparative place that each company stands with respect to its subscribers than it is an absolute gauge of what has happened over a period of time. The best use of the survey is as a kind of a general appraisal of the state of the two telephone companies in the view of their subscribers. He felt that the Commission should look to measures of service other than this survey to determine the levels of service; objective measures that are more susceptible to measurement and engineering should be preferred to the survey.

Dr. Cohen, the person responsible for the statistical design of the survey, testified that the survey was a joint effort of Mr. Delbridge, Dr. Abelson, and himself. His particular duty was designing the sampling and statistical portions of the survey. In his opinion the survey should be given heavy weight because it is an accurate representation of customer opinions and attitudes. He said that a survey taken based upon a statistical sample as he devised has great value because it reflects the opinions of those who feel strongly about a problem as well as those who feel less strongly about it. As the survey included questions concerning a recent four-week period of time, a better reflection of actual occurrences was obtained than if the survey had merely contained questions about deficiencies without referring to a recent time period. Because of the design of the survey, in the witness's opinion there would be no reason to expect more chronic complainers from General's customers than from Pacific's.

The plant director of General testified that he measured General's service by using Pacific's exchange maintenance service results plan and dial central office service index. He said that using Pacific's exchange maintenance service results plan in December 1969, 22 out of 35 General service offices met Pacific's objective of a 96 to 98 percent range. Of the remainder, 12 scored in the 90 to 95 range. He then compared General's results under this index with Pacific's results in adjacent Pacific territory. Twenty-two General service offices were compared to 28 Pacific offices. The comparison showed that for the combined three-month averages of October, November, and December 1969 General's service offices had a 94.9 rating while contiguous offices of Pacific had a 95.9 rating.

He then testified concerning Pacific's dial central office service index plan. The results of applying this index to General's central offices and comparing them with Pacific's central offices show that General's four-month average for the months of September, October, November, and December 1969 was 97.3 while Pacific's average for the same period was 96.8. He concluded that under either Pacific's plan or General's plan the trends indicate improving performances. He found that in actual measurement of General using Pacific's plan, General performs within the prescribed satisfactory range. However, he said that service as reflected in this index is not yet up to what he would like to see. There is still a problem in the Marina area.

Testimony concerning held orders, dial line service, and operator speed of answer was to the effect that General's service was equal to, or better than, Pacific's.

Staff Evidence

A Commission engineer testified that after Decision No. 75273 was issued he entered into discussions with General and Pacific relative to General's adopting Pacific's service indices. It was agreed that five service indices of Pacific would be adopted by General. Those indices are a) held orders; b) dial central office service index; c) exchange maintenance service results plan; d) dial line service index; and e) operator speed of answer.

He analyzed the exhibits presented by General in this case and compared General's service to Pacific's. His analysis showed that as to held orders General has performed better than Pacific. General's held orders are at a negligible level. On the dial central office service index (which measures central office performance) he found an improving trend indicated in most of General's central offices with the exception of Marina and Santa Monica. Overall he felt that on this index Pacific might have a slightly better performance than General.

He testified that Pacific's exchange maintenance service results plan includes the customer reports per 100 stations as one of its components. General adopted and computed the entire Pacific index but for the purposes of his review he concentrated on the customer reports per 100 stations component. His study showed that as far as customer reports per 100 stations are concerned General compares favorably with Pacific in all areas except Perris, Pomona, Marina, and Downtown Long Beach.

The operators' speed of answer index shows that General compares favorably with Pacific. Similarly for the dial office performance index.

He stated that the informal complaints filed with the Commission show that over the past few years the number of complaints against General have remained fairly steady, whereas in the most recent two years complaints against Pacific increased.

Based on information supplied to him concerning General's service performance in 1969 and early 1970 he concluded that approximately one-quarter of General's telephones are in areas where the service has been below standard a majority of the time. He gave heavy weight to the customer reports per 100 stations index and noticed that those exchanges which consistently fell below the objective in this index usually had low performance in the dial equipment service index, frequently had low performance in the traffic indices, and almost without exception were the source of the majority of complaints in the Commission's files.

He commented on the lag between improved service and the time customers notice the improved service. In his opinion it takes at least one year before the customer notices the improved service. He said that a company with established good service might provide poor service for a period and still have a favorable public image. And a company with established poor service might provide good service for a period and not show any improvement in its image for some time. In the witness's opinion service deficiencies in General's service area are not the sole reason why some

customers would prefer to have Pacific provide their telephone service. Many people prefer Pacific's service rather than General's service because Pacific's rates are often lower and because Pacific often has a more advantageous calling area as far as a particular customer is concerned.

He stated that the indices used by General and the objectives to be achieved by the indices were as good as any used by any telephone company in the world. The indices are reasonable to indicate trends. They should not be used to determine the level of service at any particular month. However, indices standing by themselves, do not form a complete picture of service performed by a telephone company. In addition to the indices it is useful to have public testimony at hearings, market surveys such as the one presented in this case, and records of telephone customer contacts with the Commission, in order to more accurately determine adequacy of service. He said that it would assist in determining the relative quality of service between General and Pacific if their service indices were standardized. He suggested that the large telephone companies in California form a committee, including members of the Commission staff, to standardize telephone service indices. He said that a recent Federal Communication Commission study showed that service provided by Pacific in Los Angeles was of a higher and better quality than service in any other large city in the nation.

He said that to acknowledge General's continued improvements, as well as recognize the need for further improvements, the Commission staff recommends that General's penalty be reduced by three-quarters with the remainder to be remitted when satisfactory service has been achieved companywide.

Discussion

The evidence on the issue of the adequacy of General's service may be conveniently discussed in two categories: Adequacy of service as measured by General's indices and by General's use of Pacific's indices, and adequacy of service as measured by the market survey. We need not be detained by a prolonged discussion of adequacy of service as measured by General's indexes and by General's use of Pacific's indexes. Those indices show that General, although perhaps performing slightly below Pacific's standards in some areas, is rendering adequate service. We do not mean by this that Pacific's standards of service are to be the measurement of service for General, but it has been assumed in this case that Pacific is rendering adequate service and General's service, as measured by the aforesaid indices, is comparable to Pacific's.

However, the evidence contained in the market survey as it pertains to adequacy of service casts doubt as to whether General is now providing adequate service.

The survey questions which compare the image of General with that of Pacific show that 29 percent of General's residential customers consider General's service either not so good, poor, or very poor, while only seven percent of Pacific's customers consider Pacific's service in those three categories. Further, 34 percent of General's residence customers and 48 percent of General's business customers would prefer to receive telephone service from Pacific, while only two percent of Pacific's residence customers and four percent of Pacific's business customers would prefer to receive telephone service from General. Although we are not

concerned with image as such in this proceeding, the answers relating to company image were felt to be important by General's witnesses in interpreting the answers relating to specific service questions, and to the general question of what constitutes adequate service.

In our opinion the market survey, taken by an independent survey company, of customers chosen through random samplings, is competent evidence and should be considered. Dr. Cohen, one of the principals of the survey team, testified that the survey should be given heavy weight because it is an accurate representation of customer opinions and attitudes; it reflects the opinions of those who feel strongly about a problem as well as those who feel less strongly about it; and there is no reason to expect more chronic complainers from General's customers than from Pacific's. However, the survey need not be taken at face value; it is subject to interpretation and we feel that Dr. Abelson's interpretation is reasonable and explains the marked degree of customer displeasure with General's service: Customers are remembering poor service in the past rather than noticing the present improvements in service. This analysis was supported, in substantial degree, by the staff. It would serve no useful purpose to detail Dr. Abelson's analysis in this portion of the opinion as that would merely restate his views which are set forth in preceding portions. However, we cannot escape the fact that there is extreme customer dissatisfaction with General's service, and we are not satisfied that this dissatisfaction is based solely on prior image, heavy usage, and lack of observation of service improvements. Some of it must

be related to current service deficiencies. In other words, we take Dr. Abelson's explanations with a grain of salt.

When we consider all of the evidence presented in this proceeding concerning General's present service our conclusion is that General has been making a sincere effort in improving service, and has improved service significantly. Such improvement in service should be shown within the next year in the service indices as well as in a change in customer image and customer observance of service adequacy. In our opinion, this upgrading of General's service should be reflected in General's rates. Since we cannot find General's service to be totally adequate at this time we cannot authorize total remission of the .2 percent penalty, but because General's service has improved significantly General should be authorized to recover 50 percent of the penalty. Therefore, we shall authorize a rate increase of \$2.2 million in accordance with Appendix A attached to this opinion.

General is presently before us in another proceeding (Application No. 51904) seeking to increase its rates. In that case adequacy of service is again an issue. We will order General to take another survey identical to the one presented in this case, with the addition of questions concerning length of use of service, and present the results of that survey in Application No. 51904.

Ordering paragraph No. 7 in Decision No. 75873 ordered General to adopt the service quality indices now used by Pacific and to compute such indices by the use of Pacific's practices. General complied with this order but at the hearing stated that in its opinion this order would not be effective after termination of this hearing and that at termination of this hearing General would not utilize the Pacific indices. General's interpretation of ordering paragraph No. 7 is wrong. One of the basic reasons for requiring General to use Pacific's indices was to comply with Public Utilities Code Section 728 which states that:

"... the commission shall, among other things, take into consideration any evidence offered concerning the quality of the particular telephone corporation's services as compared with that of telephone corporations in adjacent territory, and the permissible rates for comparable service charged by telephone corporations in adjacent territory."

To facilitate the comparison required by Section 728 it is necessary to have comparable indices. General will be ordered to continue to use those service quality indices used by Pacific which General has adopted until further order of this Commission.

The staff engineer's suggestion that the large telephone companies in California standardize their telephone service indices is a good one. We shall order the staff to organize a committee composed of representatives of the large telephone companies in California and the staff whose function shall be to standardize telephone service indices.

Findings of Fact

1. General's service, if measured solely by General's indices and by use of Pacific's indices, although slightly below Pacific's standards, is adequate.
2. General's service, if measured solely by the market survey introduced in evidence by General, is less than adequate.
3. The indices and market survey show that General's service is improving rapidly and is significantly better than it was at the time of Decision No. 75873.
4. Because of this significant improvement in service the 0.2 percent rate of return penalty found in Decision No. 75873 should be reduced by one-half. This amounts to an increase of approximately \$2.2 million a year in revenue.
5. The rates and charges authorized in Appendix A attached hereto are just and reasonable, and all rates and charges insofar as they differ therefrom are for the future unjust and unreasonable.
6. General should continue to use the service indices of Pacific that it adopted.
7. In order to facilitate comparison of telephone service as required by Public Utilities Code Section 722 the staff should organize a committee composed of representatives from the staff and from all large telephone companies in California, such committee to formulate indices to be used by all telephone companies.

Conclusion of Law

The first supplemental application of General should be granted to the extent set forth in the following order and in all other respects denied.

O R D E R

IT IS ORDERED that:

1. General Telephone Company of California is authorized to file with this Commission, after the effective date of this order and in conformity with the provisions of General Order No. 96-A, revised tariff schedules with rates, charges, and conditions modified as set forth in Appendix A attached to this order and, on not less than five days' notice to the public and to the Commission, to make said revised tariffs effective twenty-five days after the effective date of this order.
2. General Telephone Company of California shall continue to use those service quality indices used by The Pacific Telephone and Telegraph Company which General has already adopted.
3. The Commission staff is ordered to organize a committee composed of staff members and representatives of telephone companies in California, such committee to formulate standard telephone service indices. The first report of such committee shall be made to the Commission not later than July 1, 1971.
4. General Telephone Company of California is ordered to submit a new survey directed to the adequacy of its service in the Los Angeles metropolitan area in comparison with Pacific's service. This survey is to be conducted by an independent survey organization approved by this Commission. If General wishes the services

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of the survey organization that submitted the survey in this case approval is hereby granted. Compensation to be paid such survey organization is to be charged to General Telephone Company of California. The survey should be identical in form to the one presented in this case with the addition of questions concerning length of service. The results of such survey shall be presented in Application No. 51904. ✓

5. Further hearings concerning the service of General Telephone Company of California, and rate relief therefor, are hereby transferred to Application No. 51904. All evidence concerning the market survey placed in evidence in Application No. 49835 will be considered with all other evidence concerning service in Application No. 51904. ✓

6. Application No. 49835 is hereby terminated. ✓

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

Dated at San Francisco, California, this 10th
day of NOVEMBER, 1970.

Chairman

*I will file a dissent
Aogadon*

William J. ...
John ...
James L. Sturgeon

Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

RATES

Schedules A-1 and A-3,
Individual, Party Line, and Suburban Services

<u>Business Service</u>	<u>Monthly Rate Increase</u>
Individual Line-Flat Rate	\$0.30
Individual Line-Message Rate	.25
2-Party Line	.25
Suburban	.25
<u>Residence Service</u>	
Individual Line-Flat Rate	.15
Individual Line-Message Rate	.10
2-Party Line	.10
4-Party Line	.10
Suburban	.10

Schedule A-5
Semipublic ServiceExchanges Where Message Rate Service is Offered:

The semipublic rate shall be changed to equal the monthly exchange rate for business individual line message rate service.

Exchanges Where Only Flat Rate Service is Offered:

The semipublic rate shall be changed to equal 50% of the monthly business individual line flat rate rounded to the nearest 25-cent multiple.

Schedules A-6, A-7, and A-8
Private Branch Exchange ServicePBX Trunk Service

Business and Residence PBX Trunk Rate (Flat) shall be changed to equal 150% of the respective individual line flat rate, rounded to the next lower 25-cent multiple.

Business PBX Trunk Rate (Message) shall be changed to equal 50% of the business individual line message rate rounded to the next lower 25-cent multiple.

COMMISSIONER A. W. GATOV, Dissenting:

I dissent.

Because of inadequate service provided by General, the Commission on July 1, 1969, by Decision No. 75373, in Application No. 49835, found that the rate of return would be boosted to 7.2 percent from 7 percent after hearing and proof that service was adequate. General in any further hearing concerning service was to provide an independent market survey directed to the adequacy of its service in the Los Angeles metropolitan area in comparison with PT&T's service. The independent market survey, which is in evidence in this proceeding as Exhibit No. 1-S, was by the Commission's own terms to be the principal if not the sole basis for determining a justification for any increase.

The Examiner who heard the case leaned heavily, as he should have, on the independent market survey, and recommended to the Commission that any increase be denied. The decision which was put before us for consideration and voting, however, grants a portion of applicant's request, and is not sponsored or endorsed by the Hearing Examiner.

I agree with the Hearing Examiner who stated in his draft decision that the evidence in Exhibit No. 1-S leads to the inescapable conclusion that General's service is still inadequate, and that no increase is justified.

The City Attorney for the City of Los Angeles in his brief and statement of position clearly expresses my viewpoint where he states:

"It is the position of the City of Los Angeles that Exhibit No. 1-S does not establish that the telephone service supplied the residents of the City of Los Angeles by General Telephone is adequate. On the contrary, the results of the marketing survey establish that the quality of telephone service offered by General Telephone, as compared with that of telephone corporations in adjacent territory, is inadequate. Based upon the evidence presented, General Telephone is not, at this time, entitled to establish rates to produce a rate of return higher than the 7.0% previously authorized.

"This Commission established the penalty for inadequate service involved herein on appearances of less than 145 General Telephone subscribers. The marketing survey establishes that over 430,000 of General's customers would change to another company (if they only could) and that over 330,000 of General's customers classify their telephone service as 'Not so Good' to 'Very Poor'.

"The only reasonable conclusion from the evidence of those California citizens receiving their telephone service from General is that such service is inadequate."

The quality of General's current service is, furthermore, a matter of record in Application No. 51904, which is now being heard by the Commission. Testimony of public witnesses who have appeared in that case is that the service is still poor, and it may be getting worse. These are the people who are paying the bills, and their confirmation of the raw data of the market survey cannot be ignored. To give General an increase in rates on the grounds that the current service is adequate or even approaching adequacy is, therefore, a direct contradiction of General's own survey, past public witnesses and present public witnesses.

The majority fails to properly use its own records and yardsticks. The increase was apparently granted for no better reason than that it was felt General has been making a "sincere effort".

Dated at San Francisco,
California, Nov. 10, 1970.


Commissioner