

ORIGINAL

Decision No. 90098 ; MAR 27 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY for authority to split the present Canoga Park - North Hollywood - Reseda - Van Nuys - Agoura Yellow Pages Directory into two separate directories to be known as the Canoga Park - Reseda - Agoura Yellow Pages Directory and the North Hollywood - Van Nuys - Sun Valley Yellow Pages Directory; move Sun Valley from the Glendale - Burbank - La Crescenta Yellow Pages Directory to the proposed North Hollywood - Van Nuys - Sun Valley Yellow Pages Directory.

Application No. 57981  
 (Filed April 7, 1978)  
 (Amended August 24, 1978)

O P I N I O N

By application filed April 7, 1978, amended August 24, 1978, The Pacific Telephone and Telegraph Company (Pacific) is requesting authority to split the present Canoga Park-North Hollywood-Reseda-Van Nuys-Agoura yellow page directory ("present Canoga Park-North Hollywood directory") into two separate directories to be known as the Canoga Park-Reseda-Agoura yellow page directory ("proposed Canoga Park directory") and the North Hollywood-Van Nuys-Sun Valley yellow page directory ("proposed North Hollywood directory"), and to move Sun Valley from the Glendale-Burbank-La Crescenta yellow page directory ("present Glendale-Burbank directory") to the proposed North Hollywood yellow page directory.

Pacific's proposal

As detailed in the application, Pacific's proposed Canoga Park directory would cover the communities of Agoura, Calabasas Highlands, Canoga Park, Glenview, Hidden Hills, Malibu Lake,

Oak Park, Reseda, Tarzana, Winnetka, and Woodland Hills. The proposed North Hollywood directory would cover Encino, North Hollywood, Sherman Oaks, Sun Valley, and Van Nuys. All of the above communities are currently included in the present Canoga Park-North Hollywood directory except Sun Valley, which is in the current Glendale-Burbank directory. Exhibits A and B to the application show the geographic areas of the present and proposed directories. The changes would be effective with the publication of the 1980 issues.

The coverage of Pacific's Northwestern white page directory, which includes all of the yellow page areas under consideration, would remain unchanged by these rearrangements. For subscribers in the present Glendale-Burbank directory area, the Northwestern white pages are bound together with the Glendale-Burbank yellow pages, while for subscribers in the present Canoga Park-North Hollywood directory area, the Northwestern white pages and the Canoga Park-North Hollywood yellow pages are bound separately.

Pacific's Tariffs 17-T (Exchange Telephone Service - Directory Listings) and 39-T (Classified Telephone Directory Advertising) provide that each business subscriber is entitled to one free Service Regular Listing (SRL) in the yellow pages. Under Pacific's proposed rearrangement plan, all SRL's appearing in the current Canoga Park-North Hollywood directory would be included in the proposed Canoga Park and North Hollywood directories. Further, all Sun Valley SRL's, which now appear in the present Glendale-Burbank directory, would continue to appear in that directory and would also appear in the proposed North Hollywood directory.

Pacific alleges that the current Canoga Park-North Hollywood yellow page directory is relatively heavy and covers a large and populous area. Further, splitting this directory would greatly improve the yellow pages as a number source and buying guide for the directory user and as an advertising medium for the advertisers.

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The split would reduce the size of the books and separate areas that have little community of interest while joining areas that have a high community of interest. In support of these contentions, Pacific relies on a study done by the research firm of MSI International<sup>✓</sup> which conducted a total of 1,800 personal in-depth interviews of where people in these directory areas shop, and attaches as Exhibit C to the application a matrix developed showing the relationship between where residential customers live and where they shop. Pacific maintains that the study shows that the preponderance of residential customers, including residential customers in Sun Valley, shop in those areas which would be located within the areas covered by the proposed directory reconfigurations.

Pacific's application details the number of telephones and network access lines in the existing and proposed directory areas. Under present tariffs, the current Canoga Park-North Hollywood directory is in rate group 22; both the proposed Canoga Park and proposed North Hollywood directories would be in group 20. The current and proposed Glendale-Burbank directories would be in group 17. Under the tariffs proposed by Pacific in Application No. 57465 and now before the Commission, the current Canoga Park-North Hollywood directory would be in rate group 48; the proposed Canoga Park directory would be in group 40, and the proposed North Hollywood directory would be in group 42. The reduced Glendale directory would drop from group 37 to group 36.

Exhibits D and E to the application set forth the directory advertising rates for the current and proposed directory configurations under both the present and A-57465 proposed tariff schedules. Pacific points out that the proposed rearrangements would reduce rates for advertisers in the present Canoga Park-North Hollywood directory and would increase advertising rates for Sun Valley advertisers.

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Pacific states in the application that the rearrangements as proposed would have resulted in a \$523,000 increase in revenues and a \$94,000 reduction in expenses for the 1978 issues under the present tariffs. Similarly, this rearrangement, together with the rate increase proposed in Pacific's Application No. 57465, would have caused an increase in revenues of \$1,789,000 and a decrease in expenses of \$174,000 for the 1978 issues under the A-57465 proposed tariffs.

Pacific has presented in Exhibits F and G to the application summaries of the expected paper savings due to the proposed rearrangements under both the present tariffs and the tariffs proposed in Application No. 57465. In each case, Pacific estimates it would need to print fewer total pages than under the present arrangement, and thus paper usage would be less. Pacific claims that there would be an annual savings of 345 tons of paper (25%) without considering effects of the proposed rate increase in Application No. 57465.

#### Discussion

In an attempt to make classified directory boundaries suit the shopping habits of their users more closely, Pacific has instituted a series of shopping habits studies. In each study an independent firm surveys a representative sample of subscribers in a selected area to determine (1) the areas in which residence customers most frequently shop, (2) the areas in which customers most frequently call businesses and other residences, and (3) the foreign directories most often requested by residence customers. The results of the studies are used to suggest and evaluate possible directory reconfigurations that might lead to more rational directory area boundaries, i.e., customers' receiving yellow pages more closely aligned with their shopping habits and the advertisers' reaching a larger percentage of potential buyers.

Exhibit C to the application is the matrix developed by the shopping habits study of the San Fernando Valley area. The study indicates that there are many areas with little community of interest joined within the present Canoga Park-North Hollywood directory, and areas with high community of interest segregated into the present Canoga Park-North Hollywood and Glendale-Burbank directory areas. As an example of the former, two percent or less of Canoga Park-Agoura and Reseda residents' shopping is done in North Hollywood and only 4% and 9%, respectively, is done in Van Nuys. Both of the latter areas, however, are included in the yellow pages distributed to Canoga Park, Agoura and Reseda residents in the current Canoga Park-North Hollywood directory. Similarly, a very small proportion of the shopping done by Van Nuys and North Hollywood residents is done in Canoga Park-Agoura or Reseda. Thus, many businesses in these areas which wish to expose their potential customers to yellow page advertising must pay for far more extensive coverage than they require.

At the other extreme, Sun Valley residents do 34% of their shopping in Van Nuys and North Hollywood, and a much smaller proportion in communities in the Glendale-Burbank directory area. Sun Valley residents, however, are in the Glendale-Burbank directory area and do not receive Van Nuys and North Hollywood yellow pages. Thus, businesses in Van Nuys and North Hollywood which wish to target their yellow pages advertising at the Sun Valley residents who shop in their areas must purchase advertising in both the Canoga Park-North Hollywood and Glendale-Burbank directories and pay for and cover a far greater geographic area than they need in most cases.

In no instance does Sun Valley draw as much as 1% of the shopping from any other area, so that the main effect of shifting it from the Glendale-Burbank directory to the proposed North Hollywood directory would be on Sun Valley residents rather than on potential shoppers from outside.

Pacific's point that the current Canoga Park-North Hollywood yellow page directory is relatively heavy and would be improved as a number source and buying guide for directory users and as an advertising medium for advertisers is well taken. The 1978 edition of this yellow page directory alone (we noted above that the white pages are bound separately) is over 2 inches thick, contains 1,774 pages, and is the third largest yellow page directory in California, ranking behind only the Los Angeles and Orange County books.

In the case of the Canoga Park-North Hollywood directory user and the Glendale-Burbank directory user, receiving a smaller yellow page directory with fewer unneeded ads would make those directories more convenient and usable than at present. Additionally, shifting Sun Valley from the present Glendale-Burbank directory to the proposed North Hollywood directory would give Sun Valley residents access to a greater number of usable listings than at present. From the standpoint of an advertiser in any of the proposed directory areas, when the user finds the directory more usable and convenient, the advertiser receives more value from the ad.

There will no doubt be some advertisers and some shoppers for whom the present directory arrangement more closely parallels their needs than would the proposed rearrangements; however, the shopping habits study matrix shows that they are at most a small minority and that the proposed rearrangements would be an improvement for most advertisers and shoppers.

For those shoppers who do need a greater area of yellow page coverage, Pacific's present directory distribution practices allow them to request and receive free of charge directories for their adjacent areas of interest. For the minority of advertisers who require geographic coverage beyond the boundaries of the proposed new directories, there remains the option of subscribing to advertising in more than one of the proposed directories, albeit at somewhat higher cost than at present.

As shown in Exhibits D and E to the application, advertisers in the present Canoga Park-North Hollywood directory who choose to advertise in only one of the proposed new directories would realize a reduction in their advertising charges and a corresponding reduction in their area of coverage with this proposed rearrangement. We note that this reduction in coverage area is greatly ameliorated by Pacific's proposal to offer dual-free listings. Thus all businesses in the current Canoga Park-North Hollywood directory would have their listings appear in both the proposed Canoga Park and North Hollywood directories free of charge, and Sun Valley businesses would continue to receive free listings in the Glendale-Burbank directory along with new free listings in the proposed North Hollywood directory.

We are persuaded that Pacific's proposal would greatly reduce the bulk of its San Fernando Valley area directories while enhancing their usefulness and promoting paper conservation.

In connection with this proposal, we believe there is one additional point that warrants discussion. We are informed that in all of its directory operations Pacific carries what it refers to as "till-forbid" accounts. These are advertisers who, for one reason or another, have advised Pacific that they desire to have their directory advertising automatically extended from issue to issue without the necessity of being recontacted annually to renew their contracts. Exhibit D to the application shows that for some

of the lower cost items of advertising the rates would not change despite a decrease in directory coverage. Thus it might be possible for some till-forbid directory advertisers to be unaware that their directory advertising coverage has been reduced, simply because their monthly advertising charges remain unchanged. We believe it would be reasonable to direct Pacific to recontact all advertisers in directories affected by rearrangements, including those previously on a till-forbid basis. Advertisers should be fully informed of coverage changes at the time their orders are placed, and we shall so order.

Letters of Protest

Jack H. Krebs

Jack H. Krebs of Krebs Organ Studio, Encino, offered no objection to reconfiguring the directories, but did object to the proposed directory advertising rates. Mr. Krebs suggested a 30 to 40% reduction in rates for each of the proposed books to prevent a massive increase in advertising costs for those businesses which must advertise in both new books.

As we noted in our discussion above, advertisers in the present directories who choose to advertise in only one of the proposed new directories would realize a reduction in their advertising charges and a corresponding reduction in their area of coverage with this proposed rearrangement. Further, the reduction in coverage is greatly ameliorated by the offer of additional free listings. We recognize that the minority of businesses which feel they must advertise more widely than in just one local directory would benefit from the lower per capita coverage costs offered by directories which cover as large an area as possible.



However, the shopping habits study matrix shows that they are at most a small minority and that the proposed rearrangements would be an improvement for most advertisers and shoppers. As for the suggestion of a 30 to 40% reduction in rates for these books, the rate structure for all Pacific's California directories has been established in previous formal proceedings and is being tested in Pacific's Application No. 57465 currently before us. There are no special circumstances that would make it appropriate to vary from that structure in this instance.

Robert O. Milner

Robert O. Milner of Bob Milner and Associates Co., Canoga Park, protested the proposed reconfigurations as increasing costs and diminishing the expected return on advertising investment, as diluting the effectiveness of having one major book as a ready reference for businesses to locate supplies or services, and as being done solely to increase Pacific's revenues.

We have already addressed the increased costs argument in our response to Mr. Krebs' letter above. Mr. Milner may be correct in his second point regarding having one major book as a ready reference for the convenience of some businesses, but here again it is a matter of balancing the convenience of a few against the convenience of many. As any directory increases in size there comes a point where listings within each classified heading become so numerous and far flung as to make the directory less useful and convenient, and the size at which the directory reaches that point varies as the shopping area of interest of the user. Mr. Milner's letter indicates that for his business the book is not of excessive size, but Pacific's shopping habits

study indicates that for the vast majority of shoppers the book is far larger than optimum. With regard to Mr. Milner's last point, our decision herein does not hinge upon the revenue and expense effects of Pacific's proposal and we make no explicit finding as to their magnitude. We shall, however, take those effects into full consideration in any future rate proceedings of Pacific.

Howard Suer

Howard Suer of California Moving and Storage Co. in Van Nuys opposed the rearrangements, holding that the entire San Fernando Valley constitutes a single marketplace for the majority of subscribers and advertisers and splitting the directory would serve no beneficial purpose.

As we have previously discussed, we cannot agree that the entire San Fernando Valley area is one marketplace in light of the results of Pacific's shopping habits study. Exhibit C to the application, the shopping habits matrix, shows clearly that there are pronounced shopping patterns within the Valley that differ according to geographic section. Pacific's proposed rearrangements would take these patterns into consideration to determine the revised directory area boundaries. Nor can we agree that these changes would serve no beneficial purpose. We believe, as we have stated previously, that the proposed directories would, among other things, be less bulky and more convenient and usable to shoppers, and therefore more valuable to advertisers.

William H. Fox

William H. Fox of Auto Fox in Van Nuys wrote that he was strongly against the proposed changes if they would create an additional cost to the advertisers. He suggested

that the economic effect on private businessmen should be considered in arriving at a decision. Mr. Fox further implied that Pacific may be proposing these changes solely to increase advertising revenues.

We have previously observed that advertisers who choose to advertise in only one of the new directories would experience a decrease in advertising charges and, because of Pacific's proposal to offer dual-free listings, would still receive basic coverage in the other yellow page directory. Thus Pacific's proposal should have the beneficial effect on most private businesses of reducing their advertising costs. As to Mr. Fox's point regarding increased advertising revenues, we have previously addressed that point in our above discussion concerning Mr. Milner's protest.

Peter D. King, M.D., Ph.D.

Peter D. King of Encino wrote to oppose the split on the basis that the San Fernando Valley is one economic unit. Dr. King stated that if it is necessary to split the present Canoga Park-North Hollywood directory then a north-south split would be more appropriate than the east-west split proposed by Pacific.

Whether or not the San Fernando Valley is one economic unit with every part dependent upon the others for services and customers could be vigorously argued by all sides. However, that is not the central issue in determining appropriate directory area boundaries. We do not see the function of yellow page directories as advertising every business within some large, nebulous "economic unit", but rather as a guide to goods and services which should be as convenient and usable as possible for shoppers. The present San Fernando Valley directory has expanded as the area it serves has grown until

now its very size threatens to make it too bulky to be convenient and usable. Pacific proposes to rearrange the present directories into smaller, more convenient books and the shopping habits matrix attached to the application shows that the revised directories will still well serve the shopping needs of the great majority of users. Further, an examination of the shopping habits matrix does not bear out Dr. King's assertion that a north-south split would be more appropriate than that proposed by Pacific.

Alan H. Simon

Alan H. Simon of Van Nuys wrote that if Pacific's proposal were granted he would have to search through two large books instead of one to locate businesses in the future; that this was merely a scheme by Pacific to raise its advertising revenues at the expense of small businesses by forcing advertisers to buy ads in two books instead of one; and that it would "lay the foundation for added revenue through restricting directories so charges can be made for information operator assistance".

We believe the application indicates that most directory users will find one of the proposed directories sufficient, and that the directory will be considerably smaller and more convenient than at present. Likewise, the application indicates that the majority of advertisers will find that the proposed books more accurately cover their advertising area of interest because they are arranged along rational lines of demonstrated shopper interest. ✓

In answering Mr. Simon's last two points, we must observe that any connection between this directory split proposal and a hypothetical future charge for directory assistance usage is tenuous. As we have stated in responding to Mr. Milner's ✓

objections, our decision herein does not hinge upon the revenue and expense effects of the proposal. However, those effects, including the revenue from any future directory assistance charge, will be given full consideration in future rate proceedings.

Charles E. Brink, Jr.

Charles E. Brink, Jr., of JR Electronics in Chatsworth cites as reasons he opposes this proposal the increased costs to advertisers, both in absolute terms and per user reached, and increased difficulty on the part of users in determining which book to use for particular suppliers.

Mr. Brink correctly points out that costs will increase for advertisers who choose to advertise in both new directories. That is evident from a comparison of the rates shown in Exhibit D to the application. It is likewise true that some advertisers benefit from the lower per capita coverage cost offered by directories which cover as large an area as possible. We earlier noted that there would no doubt be some advertisers for whom the present directory setup more closely parallels their needs than would the proposed rearrangements, but that they are at most a small minority and the proposed rearrangements would be an improvement for most advertisers and shoppers. Finally, we cannot agree with Mr. Brink's assertion that users will find the new books less convenient to use. The new books' reduced bulk and more precise geographic coverage lead us to the opposite conclusion.

Frances Landry

Frances Landry of Canoga Park wrote a letter to the editor of the Valley News in Van Nuys and forwarded a copy to the Commission. Ms. Landry maintains that most of the businesses she patronizes are east of Canoga Park and users in her area will now need three books instead of two. Further,

she maintains that this is a scheme by Pacific to increase its advertising revenues. Ms. Landry suggests that if Pacific is concerned by large book size it should begin by dividing the central (Los Angeles) directory.

We have already discussed at length the reasons behind our conclusion that the revised directory boundaries will lead to books more convenient for the users, and have pointed out that those users who do need more than one book may request and receive them free of charge. With respect to the revenues to be derived from this rearrangement, we have stated that full consideration will be forthcoming in the course of future rate making. Ms. Landry's last point concerning the size of the Los Angeles directory is not relevant to this proceeding; we do, however, expect Pacific to give consideration to that problem.

Ron Wynner

Ron Wynner of Wynner T.V. in Sherman Oaks wrote to oppose the rearrangements as inconvenient and unnecessary, saying that 80% of his business is in the Canoga Park, Reseda and Woodland Hills areas.

We will not repeat our previously stated reasoning which led us to conclusions contrary to Mr. Wynner's concerning convenience and necessity of the revised directories. Nor do we take issue with his statement that his firm located in Sherman Oaks does 80% of its business in non-adjacent areas as opposed to 20% or less in his own community and the large and populous nearby communities of Van Nuys and North Hollywood.

Under Pacific's proposal, Mr. Wynner's firm still has the option of advertising in either or both of the two new directories. He may find it in his best interest to concentrate his advertising in the proposed Canoga Park directory

which, he says, covers 80% of his customers and to rely on reduced advertising or merely his free listing in the proposed North Hollywood directory. In any case, he will continue to receive his dual-free listings in the two proposed books.

Edgar Penny

Edgar Penny of Penny Brothers in Van Nuys objected to splitting the present book, stating that the San Fernando Valley is one natural whole, that the present book is of very small size, and that Westlake, Malibu Lake, and other outlying areas do not belong in the present book and should be moved to the Thousand Oaks book.

We have already addressed Mr. Penny's argument that the San Fernando Valley is one entity in our prior discussions, and in our responses to Mr. Suer and Dr. King. We cannot agree with Mr. Penny that the present Canoga Park-North Hollywood directory is of very small size, having previously pointed out that the 1978 edition is over 2 inches thick, contains 1,774 pages, and is the third largest yellow page directory in California.

Mr. Penny's last point that Westlake and Malibu Lake do not belong in the Canoga Park-North Hollywood directory could be taken as concurrence in Pacific's claim that these areas have little community of interest with Van Nuys and North Hollywood and are more properly segregated into different books. We note that General Telephone Company of California (General) serves the Thousand Oaks area and publishes that directory. It is beyond the scope of this proceeding to examine the merits of revising the coverage of General's Thousand Oaks directory.

Daphne Arnold

Daphne Arnold of Canoga Park opposed the split, citing the inconvenience of having and using two books instead of one as a number source.

For the reasons stated in our previous discussions, we believe that each of the proposed new directories will be more convenient and usable than the present bulky directory, and that the majority of users will need only one of the books as a number source and buying guide. Additionally, it should be pointed out that Pacific's proposal to offer dual-free listings means that each of the two proposed new directories will have all the business listings from the geographic area of the existing Canoga Park-North Hollywood directory. Thus users will find either of the proposed directories a far better number source than Ms. Arnold's letter implies.

Arnold L. Raymon

Arnold L. Raymon wrote to oppose splitting the current yellow pages on the grounds that the present volume is concise and easy to use; that having and using two volumes would be cumbersome; and that including Sun Valley in the proposed North Hollywood directory would add little and only cost advertisers in the long run.

Mr. Raymon's first two points have been covered at length in our previous discussions and we will not restate our reasoning here. We cannot agree with his third point concerning Sun Valley. In our discussion we pointed out that Sun Valley residents do 34% of their shopping in Van Nuys and North Hollywood, a much larger proportion than in Glendale-Burbank. Thus shifting Sun Valley from the present Glendale-Burbank directory into the proposed North Hollywood directory will be of distinct benefit to Sun Valley shoppers. Likewise,



this change will enable North Hollywood businesses which wish to target their yellow pages advertising at the Sun Valley residents who shop in their areas to do so without also paying for unwanted coverage in the Glendale-Burbank directory. We believe that the treatment of Sun Valley in the proposed rearrangements will thus benefit shoppers and advertisers alike.

Arlene King

Arlene King of King's Western Wear in Van Nuys urged denial of the application because of its increased costs to advertisers and because it appears to her to be solely a method to increase Pacific's revenues. She also recommended that Pacific and General be required to provide indices in all of their directories to enable users to find needed headings.

In addressing Mr. Krebs' objections above, we have discussed why we do not accept Ms. King's first argument of increased costs to advertisers. As for her second point alleging that this is solely an attempt by Pacific to increase its revenue, we note once again that this decision does not hinge upon the revenue effects but that those effects will be taken into full consideration during the course of future rate making.

Ms. King's third point requesting Pacific and General be required to provide indices in all of their yellow page directories is outside the scope of this proceeding. We note that Pacific currently provides indices such as Ms. King suggests, but if she wishes to pursue the subject our OII-5 covering the telephone directory rates, charges, contracts, rules, practices and service of Pacific and all California telephone utilities, which is currently being heard, would be a more proper forum.

Howard Kleinman

Howard Kleinman of Judee K. Creations, Inc. in Van Nuys objected to Pacific's proposal on the grounds that he would have to look in two different yellow pages to find suppliers; and that when customers try to contact him they will not remember in which book to look and consequently businesses will be forced to advertise in both new directories.

In response to Mr. Kleinman's objections we would refer to our previous response to Mr. Milner's similar letter. We would also add that Pacific's proposal to offer dual-free listings in the rearranged directories means that in whichever directory Mr. Kleinman or his customers look first they will generally find listed the businesses from the geographic area of the other directory.

Ben H. Zwein

Ben H. Zwein of Van Nuys objected to splitting the current directory, citing as reasons that he and most other San Fernando Valley residents would need to store and use two directories as compared to one today; that it would increase costs of printing and distributing directories; that the present Canoga Park-North Hollywood directory is smaller than the Los Angeles directory which he finds manageable; and that this is a device to obtain more revenue from advertisers. Mr. Zwein observes that the entire San Fernando Valley, including Sun Valley and excluding Glendale and Burbank, is one entity.

We cannot agree with Mr. Zwein that most San Fernando Valley residents would need both new directories to replace the one they now use. Pacific's shopping habits study matrix, Exhibit C to the application, shows that there is little shopping community of interest across the proposed directory boundaries. Additionally, Pacific's proposal to offer dual-free listings means that potential cross-boundary shoppers will have at least listings for most businesses ✓

in the other directory area. We will not dispute Mr. Zwein's statement that he finds the Los Angeles yellow page directory of manageable size. That is a subjective judgment and does not bear directly upon the merits of this application.

Mr. Zwein's comment that the expense of printing and distributing directories would increase under this proposal is contradicted by Exhibits F and G to the application. Those exhibits claim a moderate decrease in manufacturing, paper and delivery expense and a significant reduction in directory paper usage. As we have noted in our discussion of Mr. Milner's protest above, our decision herein does not hinge upon the revenue and expense effects of Pacific's proposal and we make no explicit finding as to their magnitude. We shall, however, take those effects into full consideration during the course of future rate making.

For a reply to Mr. Zwein's last point, we refer to our previous discussion of Dr. King's protest. We note also that Mr. Zwein states that he trades with merchants in Sun Valley on a routine basis, which would tend to support Pacific's inclusion of that area in the proposed North Hollywood directory.

Fred Krinsky

Fred Krinsky of Ad Visor, Inc., in Santa Ana put forth a protest on the general concept of splitting directories. He correctly points out that those businesses which must cover the entire directory area will incur higher advertising charges in a greater number of smaller directories. Mr. Krinsky offers to provide ". . . signatures of 25 or 2,500 persons . . ." or whatever is necessary to ensure that this and other pending directory split proposals are brought to hearings. He further maintains that Pacific may have a duty to publish only wide area directories and leave the smaller directories to independent, non-regulated directory publishers.

Ad Visor has been offered the opportunity to address the general concept of directory splits in OII-5 currently being heard, and indeed has cross-examined staff and Pacific witnesses extensively on that subject. We are here dealing with one specific directory reconfiguration proposal, not with the general concept, and have addressed the arguments for and against granting it. We believe the proposed rearrangements in this specific case to be in the best interests of the public as a whole, while recognizing that they may work to the disadvantage of some.

Mr. Krinsky mentions wide area directories and the smaller directories put out by independent publishers. We find no merit in any argument which maintains that the directories of a regulated telephone utility must be less than optimally convenient lest they inadvertently draw users and advertisers from non-regulated directories. Our conclusions in this matter rest in large part on the usefulness of the directories for the public, and not the utility's ability to meet competition.

Helen Adelberg, M.D., and Marvin Adelberg

Helen and Marvin Adelberg of Encino opposed Pacific's proposal, saying it would result in more confusion, higher advertising rates for the San Fernando Valley, more revenues for Pacific, and the loss of a central source of information.

In our previous discussions we have pointed out that while rates for some advertisers who choose to advertise in both new directories may increase, the majority of advertisers will experience decreased charges. Our decision in this application will be based in major part upon the convenience and usability of directories and not upon revenue and expense effects to Pacific. We have discussed the reasons we believe

splitting the San Fernando Valley into two directory areas will yield books more convenient and usable for the public and have come to the conclusion that the resulting books will cause less confusion, not more as the Adelbergs believe. With regard to the Adelbergs' statement that this proposal would cause the loss of a central source of information, we observe that the public's need is not so much for a single source as it is for a convenient source.

Ralph F. Wilson

Ralph F. Wilson of Lindley Avenue Baptist Church in Tarzana put forth a number of arguments against the proposed split, each based upon the location of directory area boundaries. Mr. Wilson believes that the boundaries were determined arbitrarily and do not reflect natural community divisions and as a result yellow page advertising costs for small businesses and organizations such as his will be unfairly increased.

Pacific's Exhibit B to the application shows the approximate boundaries of the existing and proposed directories. Page 3 of the application lists the communities to be included in each new book. Pacific states in its application that these boundaries were chosen to separate areas that have little community of interest while joining areas that have a high community of interest. It is unfortunate that in any densely developed urban area such as the San Fernando Valley it is generally not possible to draw boundaries in such a way that there are no establishments on or near the borders. We appreciate Mr. Wilson's concern that his church may be near a directory boundary. However, any different boundary we might order Pacific to follow would likewise work to the detriment of others who might then with equal

justification voice the same complaint. The boundaries proposed are not designed to the detriment of any group, and the shopping habits matrix shows that the resulting directories combine areas with great shopping community of interest and separate areas with little shopping community of interest. We conclude that the proposed boundaries are proper and that there is no basis for ordering boundaries different than those proposed. ✓

Conrad E. Agajanian

Conrad E. Agajanian of Commercial Closer Service in Northridge objected to the proposed changes on the basis of increased costs to advertisers and, ultimately, the public. Mr. Agajanian believes that many concerns will need to double or nearly double their advertising expenditures and this would conflict with the President's guidelines for inflation control.

We have earlier recognized that this proposal would increase the advertising costs of some businesses, but that it would also decrease advertising costs for many others. We need not repeat those discussions here. And while we do not make specific finding as to the revenue effect to Pacific of this proposal, we do note that Exhibit F to the application shows Pacific's estimate of a \$523,000 revenue gain contrasted with total revenues for the 1978 Canoga Park-North Hollywood directory of \$9,949,486. Revenues from all Pacific's directory operations are in the range of \$200,000,000. Accordingly, we believe there is little justification for denying a needed rearrangement on the grounds of excessive contribution to inflation.

Public Hearings

Pacific has given notice of the proposed directory rearrangements to all subscribers in the affected area by bill inserts and has published notices in local newspapers. Only 19 protest letters have been received from the hundreds of thousands of subscribers notified. We have addressed the main thrust of each of the protests and explained why they should not prohibit the ex parte approval of Pacific's request. The protests contain no information or offers of proof which would reasonably justify the expense and delay of public hearings.

Under the circumstances, we conclude that a public hearing is not necessary.

Findings

1. Pacific commissioned a study to determine the shopping habits of users and thus the advertising coverage needs of advertisers in these directory areas. This study indicates that the Canoga Park-North Hollywood and Glendale-Burbank yellow page directories as presently constituted do not reflect the shopping habits of users or the coverage needs of most advertisers.

Rearrangement of the Canoga Park-North Hollywood and Glendale-Burbank directories as proposed would result in directories which more closely match the shopping needs of users and the advertising needs of businesses than do the present directories.

2. The resulting proposed directories would be less bulky and more convenient for the user. Also, the resulting directories would use less paper and thus promote conservation of that resource.

3. Under Pacific's present directory advertising Tariffs 39-T and 106-T, present Canoga Park-North Hollywood directory advertisers who choose to advertise in one of the proposed new directories would realize a reduction in their advertising charges from group 22 to group 20, and a commensurate reduction in directory area coverage; present Glendale-Burbank directory advertisers would realize a small decrease in their directory area coverage.

4. Under Pacific's tariffs proposed in Application No. 57465, present advertisers in the Canoga Park-North Hollywood directory who choose to advertise in one of the proposed new directories would realize a reduction in their advertising charges from group 48 to group 40 or group 42, depending upon the directory chosen, and a commensurate reduction in directory area coverage. Present advertisers in the Glendale-Burbank directory would receive a decrease in their advertising charges from group 37 to group 36 and a small decrease in their directory area coverage.

5. Pacific's proposal to offer dual-free listings to Canoga Park-North Hollywood and Sun Valley businesses would satisfy their needs for basic coverage and ameliorate any effects of loss of coverage due to the proposed rearrangements.

6. Pacific should be required to fully inform all advertisers affected by directory rearrangements, including till-forbid advertisers, of coverage changes at the time their advertising orders are placed.

#### Conclusions

1. Pacific's proposal to split the present yellow page section of the Canoga Park-North Hollywood-Reseda-Van Nuys-Agoura directory into two directories to be known as the Canoga Park-Reseda-Agoura yellow page directory and the North Hollywood-Van Nuys-Sun Valley yellow page directory and to move Sun Valley from the Glendale-Burbank-La Crescenta yellow page directory to the proposed North Hollywood-Van Nuys-Sun Valley yellow page directory is reasonable and should be approved.

2. A public hearing is not necessary.



ORDER

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company (Pacific) is authorized to split the present yellow page section of the Canoga Park-North Hollywood-Reseda-Van Nuys-Agoura directory into two directories to be known as the Canoga Park-Reseda-Agoura yellow page directory and the North Hollywood-Van Nuys-Sun Valley yellow page directory and to move Sun Valley from the Glendale-Burbank-La Crescenta yellow page directory to the proposed North Hollywood-Van Nuys-Sun Valley yellow page directory. Pacific is authorized to file and make effective in accordance with General Order No. 96-A revisions to its alphabetical and classified directory advertising tariffs to reflect these changes.

2. Pacific shall fully inform all advertisers affected by directory rearrangements of coverage changes at the time their advertising orders are placed.

3. Pacific shall offer dual-free listings to Canoga Park-North Hollywood and Sun Valley businesses.

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

Dated at San Francisco, California, this 27<sup>th</sup> day of MARCH, 1979.

John E. Byron  
President  
Thomas L. Sturgeon

Richard D. Gravelle  
James W. [unclear]  
Commissioners