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Decision No. 90830 SEP 25 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY for authority to split and rearrange the present Yellow Pages sections of the Orange County and Orange Coast South Directories into five Yellow Pages directories to be known as Fullerton, Anaheim, Santa Ana, El Toro, and Orange Coast South Yellow Pages Directories.

Application No. 58227
(Filed July 14, 1978)

O P I N I O N

By application filed July 14, 1978, The Pacific Telephone and Telegraph Company (Pacific) is requesting authority to split and rearrange the yellow page sections of the present Orange County and Orange Coast South telephone directories into five separate directories to be known as the Fullerton, Anaheim, Santa Ana, El Toro, and Orange Coast South yellow page directories.

Pacific's Proposal

As detailed in the application, Pacific's proposed Fullerton directory would cover Fullerton, La Palma, Cypress, Buena Park, La Mirada, Brea, Placentia and Yorba Linda. The proposed Anaheim directory would cover Anaheim, Garden Grove, Villa Park, Orange and Silverado. The proposed Santa Ana directory would cover Santa Ana, Tustin, Irvine, Costa Mesa and Newport Beach. The proposed El Toro directory would cover El Toro, Laguna Hills, Mission Viejo and Laguna Niguel. The proposed Orange Coast South directory would cover San Juan Capistrano, Capistrano Beach, Dana Point, and San Clemente. All of the areas listed above in the proposed Fullerton, Anaheim, Santa Ana, and El Toro directories,

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except Laguna Niguel, are in the present Orange County yellow page directory. Laguna Niguel and all the areas listed in the proposed Orange Coast South directory are included in the present Orange Coast South directory. Exhibits A, B, C and D to the application show the geographic areas of the present and proposed directories.

Pacific states that the white page sections of the Orange County and Orange Coast South directories would not be changed by this proposal. Pacific's subscribers in its Orange County yellow pages area currently receive the Orange County Central and North white pages. This separate white page book covers essentially the same area as the Orange County yellow pages, plus the General Telephone Company of California areas of Westminster, Huntington Beach and Laguna Beach. Pacific's Orange Coast South subscribers currently receive a combined white and yellow pages directory with white listings covering their area plus General's Laguna Beach area.

Pacific alleges that Orange County has a high residential growth rate and a concomitant growth in local businesses, and that continued growth in telephone service is expected. Further, the Orange County directory is growing at a rate of 15% per year and is expected to reach the printer's binding capacity of approximately 2,600 pages in the near future, despite Pacific's having converted from four-column to five-column format in 1977. The present Orange County yellow page directory is too bulky and could be improved as a number sources buying guide for directory users and as an advertising medium for advertisers by reducing book size and scope of geographic coverage.

Pacific's proposed rearrangements would reduce the size of the Orange County classified directory and separate areas that have little community of interest while maintaining or joining areas that have a high community of interest. In support of these contentions, Pacific points to a study done by the research firm of Bardsley and Haslacher which conducted a total of 2,268 personal

in-depth interviews of where people in Orange County shop, and attaches as Exhibit E to the application a matrix developed showing the relationship between where residential customers live and where they shop. Pacific states that the proposed five-directory rearrangement is based upon the shopping habits of communities as shown by the matrix.

Pacific's application details the number of telephones and network access lines in the existing and proposed directory areas. Under present tariffs, the November 1978 Orange County directory is in rate group 26 and the January 1979 Orange Coast South directory is in rate group 12; as of those dates the proposed Fullerton directory would be in rate group 18, Anaheim would be in 19, Santa Ana would be in 22, El Toro would be in 15, and the proposed Orange Coast South directory would be in rate group 11. Under the new set of rate groupings proposed by Pacific in Application No. 57465 and now before the Commission, the November 1978 Orange County directory would be in rate group 53, and the January 1979 Orange Coast South directory would be in rate group 22; as of those dates the proposed Fullerton directory would be in rate group 38, Anaheim would be in 40, Santa Ana would be in 44, El Toro would be in 27, and Orange Coast South would be in rate group 21.

Exhibits F and G 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. The proposed rearrangements would reduce rates for advertisers in all of Pacific's Orange County areas except Laguna Niguel. Laguna Niguel advertisers would experience a rate increase.

Pacific states in the application that the rearrangements as proposed would have resulted in a \$167,000 increase in revenues and a \$715,000 reduction in expenses for the 1977/1978 issues under

the present tariff structure. Similarly, this rearrangement, together with the rate increase proposed in Pacific's Application No. 57465, would have caused an increase in revenues of \$1,618,000 and a decrease in expense of \$828,000 for the 1977/1978 issues under the A-57465 proposed tariffs.

Pacific has presented in Exhibits H and I to the application summaries of 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 a greater number of smaller directories than at present, and the total number of pages, and thus paper usage, would be less. Pacific claims that there would be an annual savings of 1,367 tons of paper (42%) without considering effects of the proposed increase in Application No. 57465.

Staff's Alternative

The Commission staff has prepared a report entitled "Report on Proposed Directory Rearrangements in Orange County of The Pacific Telephone and Telegraph Company", dated July 2, 1979. The staff's report is received herein as Exhibit No. 1. Exhibit 1 summarizes the history of directory rearrangement proposals in the Orange County area over the past 15 years and puts forth recommendations concerning the present application.

Staff discusses the very large population and geographic extent of the present directory area, the size and rapid growth of the present book, and steps that have been taken to reduce the size to date. Problems are found with the specific configuration of Pacific's five-directory proposal. The report points to very rapid development in the southern Orange County area, a major shopping center now under construction very near the proposed El Toro/Orange Coast South boundary, and the small size of the proposed El Toro

and Orange Coast South directories as factors leading it to recommend that these two directory areas be combined to create a two-into-four directory alternative as compared to Pacific's two-into-five proposal. Under this alternative, staff believes Pacific would have the advantage of being able to observe the course of development and possibly proposing a further division in the future when growth and shopping patterns have stabilized.

Under staff's alternative, the Fullerton, Anaheim, and Santa Ana directories proposed by Pacific would be unaffected. The combined El Toro/Orange Coast South directory would be in rate group 16 under present tariffs, and in rate group 31 under Pacific's A-57465 proposed tariffs. This would result in lower rates and decreased coverage for all present Orange County directory advertisers and higher rates and increased coverage for all present Orange Coast South advertisers compared to the present arrangements.

The staff's alternative would result in a revenue increase of \$514,700 and an expense reduction of \$681,500 as compared to the present arrangement, and an annual savings of 1,300 tons of paper (40%).

Exhibit 1 also explains the alphabetical directory arrangements now existing and details the changes that would be required under Pacific's proposal or staff's alternative to keep white page listing coverage undiminished. The staff recommends that Pacific arrange its alphabetical directory coverage in such a way that subscribers receive white listings for their yellow page areas and not lose any of the white page coverage they now enjoy.

Staff points out that complications have arisen since the filing of the application due to Pacific's plan now under way to rearrange the yellow page directory publication schedule by shortening or lengthening directory in-service lives. In order to maintain

full yellow page directory coverage through the transition period, advertisers will need to subscribe to ads in directories which will be superseded by rearranged directories before the expiration of their in-service lives. Staff therefore recommends that Pacific be required to waive remaining directory advertising charges for local advertisers when their directory is superseded by another for their area, as was done for San Mateo and Palo Alto advertisers in Decision No. 89734.

Discussion

As detailed in Exhibit No. 1, Orange County is the second largest of Pacific's directory areas in California, including within its boundaries a population of over 1.3 million. According to Exhibit 1, the 1978 issue of the Orange County yellow page directory has 2,352 pages and is growing at 9% annually, making it second only to the Los Angeles yellow page directory in size.

This is not the first time we have been asked to consider authorizing changes to the Orange County directory because of its size. In Decision No. 67056 (April 7, 1964), we recognized that the then-existing Orange County white and yellow page directory was unwieldy and should be reduced in size. In that decision we determined that the simplest and most direct way of solving the problem, at least for an interim period, would be separating the alphabetical from the classified section, and we ordered Pacific to do so.

In Decision No. 71735 (December 20, 1966), we granted Pacific permission to split its then-existing directory into the present Orange County and Orange Coast South directories.

In Commission Resolution No. T-9592 (March 22, 1977), we authorized Pacific to convert the Orange County classified directory from four-column to five-column format because it had grown to such

a size that it could not continue to be published in one volume otherwise. According to Exhibit 1, Pacific has now notified staff that the 1979 Orange County classified directory has grown so large that it must be issued in two volumes (i.e., A to L and M to Z) despite the conversion to five columns. An examination of the current directory confirms that it is indeed unwieldy and would be more usable and convenient if split into a number of smaller books.

In an attempt to make classified directory boundaries suit the shopping habits of 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 E to the application is the matrix developed by the shopping habits study of the Orange County area. The study indicates that there are many areas with little shopping community of interest joined within the present Orange County classified directory, and some areas with high community of interest segregated into the present Orange County and Orange Coast South directory areas. As an example of the former, residents of the communities of Buena Park, Fullerton, Brea, Placentia and Cypress average less than 2% of their shopping in the combined communities of Costa Mesa, Irvine, Laguna Hills, Newport Beach and Corona Del Mar. Conversely,

residents of each of the communities in the second group do less than 1% of their shopping in the combined communities of the first group. All ten of these communities, however, are included in the present Orange County yellow page directory and all the subscribers in each receive advertising from all the others. 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, Laguna Niguel residents do 42% of their shopping in Laguna Hills, yet Laguna Niguel and Laguna Hills are separated into different directory areas. Thus, businesses in Laguna Hills which wish to target their yellow page advertising at the Laguna Niguel residents who shop in their area must purchase advertising in both the Orange County and Orange Coast South directories and pay for and cover a far greater geographic area than they need in most cases.

Considering the size and growth rate of the Orange County classified directory, and its excessive geographic coverage, we believe that Pacific is correct in its contention that the directory could be greatly improved as a number sources buying guide for the directory user and as an advertising medium for the advertiser by rearranging it into a number of smaller directories. In the case of the Orange County directory user, receiving a smaller yellow page directory with fewer unneeded ads would make his directory more convenient and usable 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.

Pacific is proposing in this application a rearrangement of two directories into five. An examination of the shopping habits matrix, Exhibit E to the application, shows that if Pacific's configurations for the five areas were adopted each of the new

directories would still cover most of the shopping area of interest to the residents of those areas.

With respect to the proposed El Toro/Orange Coast South boundary, Exhibit 1 raises some points which merit further consideration. First, there is evidence that these southern Orange County areas are growing very rapidly contrasted to the more stable areas to the north. Pacific's shopping habits study was completed in 1977, and the proposed directory rearrangements would not be implemented until 1980/1981 or later. Thus, it would be reasonable to conclude that shopping habits in the El Toro and Orange Coast South areas might change drastically in the interim. Second, there is a major shopping center under construction very near the proposed El Toro/Orange Coast South directory boundary between San Juan Capistrano and Mission Viejo on Interstate 5. This center appears certain to draw shoppers from a large surrounding area, including from El Toro and San Juan Capistrano and environs. Since the location of the boundary between these two directory areas was predicated upon the observed shopping habits of southern Orange County residents, changes such as those outlined in the two points above would cast doubt upon the specific boundary location chosen. The staff's third point is that the proposed El Toro and Orange Coast South directories would be by far the smallest of the five new directories.

The staff recommends that the two southernmost proposed directories be combined into one, thus allowing advertisers to reach potential customers throughout this rapidly developing area and giving shoppers yellow page listings for a far greater geographic area. The staff's alternative would still leave this combined directory somewhat smaller than the other three proposed directories. We previously observed that each of Pacific's proposed directories

would cover most of the shopping area of interest of residents of that area. Since the staff's alternative contemplates combining two of these areas, it would by necessity leave the shopping coverage of the other three unaffected and increase the shopping coverage of the two combined into one.

We conclude that there is reason to believe that the proposed El Toro/Orange Coast South directory boundary does not accurately reflect present or future shopping habits of residents nor the advertising coverage needs of businesses in the southern Orange County area. The staff's suggestion that these two areas be combined into one would allow Pacific to propose a further division along more rational lines in the future if such a division is warranted. We will authorize rearrangements along the lines staff recommends.

There will no doubt be some advertisers and some shoppers for whom the present directory arrangements more closely parallel 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 rearrangements authorized herein will 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.

Pacific's application states that the white page sections of the directories would not be changed under its proposal. It is apparent, however, that the proposal to move Laguna Niguel from the present Orange Coast South directory to the proposed El Toro

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directory would require some white page changes. The staff plan for four directory areas which we embrace will likewise require white page changes. The thrust of Pacific's application is directed entirely toward yellow page rearrangements and no showing has been attempted to support a reduction in white page coverage for any area. We, therefore, agree with staff's recommendation that in making these classified directory rearrangements Pacific should arrange its Orange County alphabetical directories so as to ensure subscribers receive listings covering their yellow page areas without reducing alphabetical coverage they presently have, and we will so order. Pacific, of course, is free to study white page coverage needs and propose changes in the future should it find them warranted.

Pacific's application requests approval by October 1, 1978 to enable it to meet November 1979 and January 1980 publication dates for the proposed new directories. Since that date was not met, Pacific's schedule will presumably slip one year, with the exception detailed below.

By Commission Resolution No. T-9979 (February 27, 1979), Pacific was granted authority to revise the in-service lives and publication dates of a number of its directories. The January 1980 edition of the present Orange Coast South directory will remain in service for 17 months, and the next issue will be published for June 1981. The remaining Orange County white and yellow page directories will not be affected.

This revision causes complications for El Toro area advertisers assuming, as is most likely the case, that the rearranged directories published as a result of this application are November 1980 for Orange County and June 1981 for Orange Coast South. El Toro advertisers in the November 1979 Orange County yellow pages will find that book discontinued in November 1980 and they will not be

included in any of the new directories until the new El Toro/Orange Coast South directory is published in June 1981.

Exhibit 1 suggests a possible solution to this problem. For the November 1980 issue only, El Toro business subscribers would automatically receive their free service listings in the new Santa Ana yellow page directory. The Santa Ana yellow page directory would then be delivered to all El Toro subscribers. El Toro businesses which purchased yellow page advertising in this directory would thus reach all of their local area potential customers, and when the new El Toro/Orange Coast South directory is published in June 1981, El Toro local advertisers would be forgiven their Santa Ana directory advertising charges for the remainder of that book's life.

Similar complications, although of lesser magnitude, occur no matter what rearrangement schedules are followed. Staff recommends that Pacific be required to waive remaining directory advertising charges for any local advertiser when his directory is superseded by another for his area, and we concur. This procedure is consistent with the treatment given in similar circumstances to San Mateo and Palo Alto advertisers in Decision No. 89734 (December 12, 1978).

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. Appendix B to Exhibit 1 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 will so order.

In filing advice letters for directory advertising rate group changes, we require all telephone utilities to follow the guidelines of Commission Resolution No. T-9668. Since this decision will authorize new directories, we will require Pacific to follow those guidelines in this case also.

Public Letters

City of Placentia

The City of Placentia wrote to urge that Orange County not be split into more than three yellow page directory areas and that rates not be increased for county-wide advertisers. Placentia is located near the border of one of the proposed areas and feels that many of its residents who have occasion to shop in Anaheim and Orange could be adversely affected. The City believes that increasing costs to county-wide advertisers is inconsistent with Pacific's statement that the proposed rearrangements would reduce printing and paper costs.

It is unfortunate that in any densely developed urban area such as Orange County, it is generally not possible to draw boundaries in such a way that there are no communities on or near the borders. In this case, the boundary between the proposed Fullerton and Anaheim directory areas will run along a sparsely

populated area near the Placentia/Anaheim city limits. 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. The City's letter implicitly concedes the need to split the existing directory and while we understand its concerns, the City cites no justification for locating the boundaries elsewhere. We conclude that the boundaries are proper and that there is no basis for ordering boundaries different than those established herein.

With regard to the City's concern that rates for county-wide advertisers will increase despite expense savings to Pacific, we note only that the rate structure for directory advertising is standard throughout all of Pacific's directories based upon directory circulation as measured by telephones. We find no reason to deviate from that standard structure in this instance.

City of Buena Park

The City of Buena Park wrote to object to Pacific's proposal on the grounds that small businesses will be hardest hit and experience rate increases of from 200% to 500%.

We cannot agree that the City's estimate of a 200% to 500% rate increase is representative of what businesses can expect under this rearrangement. Exhibit 1 indicates that display advertising rates, which account for over one-half of Pacific's total directory revenues, will increase less than 100% for advertisers who cover all of Orange County now and in the future, and

Buena Park businesses now advertising in the Orange County yellow pages will be able to buy the same display advertising in the northernmost three of the four new directories at less than a 100% increase. The same is true for space listings.

It is undoubtedly true that some small businesses will require advertising in more than one of the new directories, but we believe that Pacific's shopping habits matrix shows that the new directory areas are divided along rational lines and will offer most advertisers a better medium for their advertising dollar.

James F. Troeller

James F. Troeller of Fullerton wrote to oppose the proposed rearrangement, stating that it would mean checking five directories when looking up business numbers, and that it was another attempt by Pacific to give the public less service for more revenue.

The shopping habits study matrix, Exhibit E to the application, indicates that the great majority of directory users will find the business numbers they require in their local books, and we believe they will find those local books to be more convenient once distant, unneeded listings are separated out into other local books. As to Mr. Troeller's comments on the increased revenue Pacific estimates it will realize, our decision herein does not hinge upon the revenue and expense effects 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.

Milan M. Dostal

Attorney Milan M. Dostal of Orange wrote that Orange County is one market area for most products and services. He objected to the rearrangements because of the inconvenience and additional cost of having five separate directories.

As we pointed out in responding to Mr. Troeller's letter above, separating Orange County into four local directory areas will enhance the convenience of the books for users, contrary to Mr. Dostal's view. Very few directory users will require all four new books. Additionally, advertising costs will actually decrease for firms in the present Orange County classified directory who elect to advertise in only one of the new directories. By carefully choosing which directories to use, businesses can more closely target their advertising and achieve greater effectiveness from their ad dollars.

Allan Baird

Allan Baird of Santa Ana objected to the proposed rearrangements on the grounds that costs to cover a given area will increase. Mr. Baird cites a decrease in ad size last year as an example of Pacific's attempts to extract ever greater revenues from its advertising customers.

Mr. Baird's example of a recent reduction in ad size is presumably directed toward Pacific's 1977 change from four-column to five-column format in the Orange County classified directory. We have already discussed how we authorized this format change to enable Pacific to continue to publish the directory in one volume; this was only one of several changes in recent years to attempt to keep the Orange County yellow pages of manageable size. Despite these measures, the directory continues to grow ever more unwieldy, and we are authorizing the present rearrangements as one more step to improve directory usability. We recognize that costs will increase for those advertisers who must purchase advertising in all four new directories, but we have pointed out previously that at most a small minority of businesses will fit into this category. For most businesses costs will decrease as they are able to more selectively control coverage areas.

Anthony W. Cynor

Anthony W. Cynor of Anaheim wrote that this is a terrible idea which would make finding a particular service difficult.

We disagree. For the average directory user, having fewer, more area-specific listings will make the future Orange County yellow page directories considerably easier to use. For example, the 1978 Orange County classified directory now contains 25 pages of listings for attorneys, 51 pages of listings for physicians and surgeons, and 21 pages of listings for moving and storage firms scattered throughout

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Orange County and elsewhere. The directories we will authorize should considerably reduce these numbers and allow users to more easily locate the goods and services they require closer to home or work.

Bernard J. Maxum

Bernard J. Maxum of Mission Viejo objected to the proposed change on the grounds that it would seriously limit the low-key but highly effective advertising effect of having a listing in a directory with broad distribution.

Pacific has characterized its yellow page directories as number sources buying guides for the directory user. Mr. Maxum may see in his directory something different, but we are convinced that at some point a directory can grow so large as to no longer effectively serve the purpose of providing a convenient guide to goods and services. Pacific's classified directories in Orange County are approaching that size. Only by rearranging them into smaller, more convenient books can Pacific continue to meet its obligation to the directory user and advertiser in Orange County.

Nothing in our actions here need preclude businesses from continuing to advertise in yellow page directories throughout Orange County, although we recognize that for such businesses which do costs will increase.

Robert F. Vogel

Robert F. Vogel of Irvine wrote that splitting the Orange County directories will increase costs since Pacific will have to distribute several volumes to each user and the public will be significantly inconvenienced by having to use more than one directory. He alleges that the Los Angeles yellow page directory is one volume and covers a geographical area much larger and less unified than the current Orange County yellow pages.

Mr. Vogel contends that every telephone user will require several of the rearranged directories. We do not believe that this will be the case. Orange County is such a geographically large area that most users will find their own new local directory to contain the great bulk of the goods and services they require. Pacific will still stand ready to provide foreign directories for users who need additional coverage, but the number who need more than one or two directories should be minimal. Nor do we accept Mr. Vogel's contention that the Los Angeles yellow page directory covers a larger geographical area as accurate or relevant to this case. The fact is that the present Orange County classified directory is far larger than optimum and by rearranging the two existing directories in Orange County into four the value to users and advertisers alike will be increased.

William Schaefer

William Schaefer of Laguna Hills wrote to state he is aware that the Orange County yellow page directory has grown so large as to need changes, but objects to losing classified listings for major Orange County cities such as Santa Ana and Costa Mesa. He believes unregulated local directories already satisfy the needs of local directory users. He suggests that if the Orange County yellow pages are to be downsized, it would be better for Pacific to discontinue publishing them altogether and pass the savings on to telephone subscribers.

Mr. Schaefer's letter does acknowledge the need to make changes due to the Orange County classified directory's growth. The shopping habits matrix, Exhibit E to the application, shows Laguna Hills residents doing 3.6% and 2.6% of their shopping in Santa Ana and Costa Mesa, respectively. These percentages do not support a need to include these cities in a directory distributed to

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Laguna Hills. As we noted earlier, directory users who need classified listings from areas outside their local directory will be provided with the directories they need upon request and without charge.

Our intent here is to maximize the value of Pacific's directories to advertisers and users and in so doing we cannot rely upon continued publication of unregulated local directories.

The suggestion that Pacific discontinue publishing classified directories in Orange County and pass the savings on is apparently based on the misconception that classified directories are subsidized by telephone rates. We reject that argument as unfounded.

Kenneth W. Holt

Kenneth W. Holt of The Fairmont School in Anaheim opposed the application, saying that it would increase costs to Pacific and the consumer.

The staff report, Exhibit 1, indicates the four-directory rearrangement will save \$681,500 in expenses over the present two directories. While we base our decision herein on the convenience and usability of yellow page directories and make no specific finding of the revenue and expense effects, we believe that Mr. Holt is incorrect in stating that Pacific's costs will increase.

As we have previously discussed, costs to advertisers may increase or decrease depending upon their advertising coverage. There is no objective way to quantify at this time the increase or decrease in costs to consumers.

Howard Keefer

Howard Keefer of Rayne Water Conditioning in Irvine protested that he would be required to advertise in three directories at higher rates if the application were approved.

We appreciate Mr. Keefer's concern. We noted earlier that there would no doubt be some advertisers for whom the present directory setup more closely parallels their needs than would the rearranged directories. Many of these are advertisers who benefit from the lower per capita coverage cost offered by directories which cover as large an area as possible. No arrangement we could order would satisfy all potential users or advertisers. We believe the changes authorized herein strike a reasonable balance.

Dolores B. Mitchell

Dolores B. Mitchell of Dyke Plumbing and Heating in Huntington Beach wrote that her firm would have to advertise in at least three of the Pacific yellow pages if this proposal were authorized. According to Ms. Mitchell, large businesses can afford the increased costs but small businesses cannot.

We note that Ms. Mitchell's firm is located in General Telephone Company's Huntington Beach exchange rather than in Pacific's Orange County directory area. We understand her concern that her firm will possibly have to advertise in more directories to cover the same geographic area, but believe that to be insufficient justification for maintaining an oversized unusable Orange County classified directory. The rearranged books will better serve most advertisers and the public and the rates will be consistent with those for Pacific's business customers, both large and small, in books elsewhere in California.

Penny Harrell

Penny Harrell of Laguna Niguel objected because she would have to search the southernmost four of Pacific's proposed directories to find the services she needs. She believes this is a move by Pacific to increase its advertising revenues rather than improve service.

With consolidation of the El Toro and Orange Coast South directories ordered herein, Ms. Harrell will now presumably have to use three smaller directories in the future: the future Anaheim, Santa Ana, and El Toro/Orange Coast South yellow page books. To cover this area now she must use the large Orange County and smaller Orange Coast South classified directories. Knowing how large and unwieldy the present Orange County classified directory is, we cannot but believe that the authorized changes will be an advantage to her.

We have previously commented that our decision herein does not hinge upon the revenue and expense effects to Pacific, but that we will take those effects in full consideration during the course of future rate making.

City of San Juan Capistrano

The City of San Juan Capistrano wrote two letters in opposition to Pacific's proposal, particularly the deletion of Laguna Niguel from the Orange Coast South directory area. The City's objections were that (1) rapid growth, road changes and two large shopping centers now under development would change shopping patterns in the near future, (2) local advertisers would lose 12.5% coverage as measured by listings while advertisers' costs would decrease by only 10%, and (3) county-wide advertisers' costs would increase by approximately 100% to 170%.

The staff report, Exhibit 1, discusses the City's letter, and we have previously addressed in our discussions some of the points raised by the City. As a result of the City's letters and staff's recommendations, we will require Pacific to combine its proposed El Toro and Orange Coast South directory areas, thus effectively keeping Laguna Niguel in the Orange Coast South directory as requested by the City. In answer to the City's first point, this will make allowances for changes in shopping patterns in the near future. In response to the second point, the revised directory will provide

greater coverage than the present Orange Coast South directory and thus lower per capita advertising rates. In response to the third point, we have previously recognized that rates for county-wide advertisers will increase with a four-directory arrangement, although the increase will be less than under Pacific's five-directory plan. County-wide advertisers, however, are a small minority; rates for most businesses will decrease.

Mrs. Ray Headlee

Mrs. Ray Headlee of Anaheim sent a card opposing any further division of Pacific's yellow page directories. She believes that if the directories are rearranged as proposed she will not have the classified listings she requires. Although she opposes any divisions, if any are necessary she suggests a two-way split with Fullerton, Anaheim and Santa Ana as one directory area and El Toro and Orange Coast South as the other.

No directory arrangements we could authorize would suit the shopping habits of all potential users, and obviously Mrs. Headlee's shopping needs will not be met by just her one new local directory. However, the shopping habits study, Exhibit E to the application, shows that the four-directory rearrangement will fulfill the needs of most of Pacific's Orange County users. If Mrs. Headlee shops regularly in a wider area and needs additional classified coverage, she can request and receive adjacent directories without charge. For reasons discussed earlier, we have combined the El Toro and Orange Coast South directory areas as Mrs. Headlee suggests.

Ross B. Wankier

Ross B. Wankier of Ross Publications, Inc., in Fullerton wrote three times to oppose Pacific's proposals. Some of Mr. Wankier's views were shared and the corresponding letter countersigned by Mayor Sam Cooper of Brea, Mayor Duane Winters of Fullerton, and Mayor Earl Roget of La Habra.

Mr. Wankier contends that authorization of Pacific's proposal would increase directory advertising rates by 300% to 400% and seriously disturb the economies of the communities involved without benefiting advertisers or users. Also, Mr. Wankier alleges that Pacific's actions are intended in part to put Ross Publications out of business. Ross publishes neighborhood directories in Pacific's Orange County directory area.

We reject Mr. Wankier's contention that directory advertising costs will increase 300% to 400%. Our response to the City of Buena Park addressed this concern. Also, for most advertisers rates will decrease, so there is no justification for claiming the changes will disrupt economies of the communities in Orange County.

In our discussion we pointed out that this application is only the latest of many proceedings aimed at improving Pacific's Orange County directories. We note as well that three other applications to rearrange classified directories have been filed with this Commission since April, 1978. It is evident that the requested changes in this instance are not aimed at stifling competition but are rather one more step in an effort to conform Pacific's directories to the evolving needs of the communities they serve. To bar all such changes simply because an unregulated competitor perceives potential disadvantage in them would be a disservice to advertisers and the public.

Frances L. Rowland

Frances L. Rowland of Fullerton urged denial of the application as being an inconvenience to businesses and users. She believes it would limit her ability to locate businesses outside the immediate locale and maintains that Pacific is proposing the rearrangements to make room for new advertisers to the detriment of users and present advertisers.

Our decision in this application will in no way limit the classified listings available to directory users because Pacific has a policy of offering to provide subscribers with extra books for their adjacent areas of interest. What it will do is eliminate the wholesale wide distribution to subscribers of classified listings they are extremely unlikely to need and reduce the attendant costs and waste of directory paper. The resulting books will be available to old and new advertisers alike and, Ms. Rowland's contentions to the contrary notwithstanding, will offer benefits to both advertisers and users.

Gary E. Miller

Gary E. Miller of Newport Beach sent a card opposing Pacific's application. Mr. Miller recognizes that the current Orange County yellow page directory is of unmanageable size but believes that a division into two new books would best serve the public. He also recommends Pacific be required to provide directories free of charge to all subscribers in Orange County.

A two-way split of the present Orange County classified, plus the present Orange Coast South directory, would give a total of three Pacific classified directories in the area under Mr. Miller's suggestion. Pacific's application proposes five. Our order herein will authorize four. Considering the size of the present

Orange County yellow pages, which Mr. Miller and many others acknowledge is excessive, and the extensive study done to determine the most appropriate new division, we believe a four directory rearrangement is reasonable. We recognize, however, that not all users or advertisers will agree and have previously discussed the options available to those whose needs are not satisfied by these changes.

Mr. Miller's last point is not relevant to this proceeding which concerns whether and how to rearrange Pacific's Orange County classified directories. We note, however, that Pacific currently does provide all subscribers with alphabetical and classified directories covering their area, and will provide directories for other areas without charge on request.

Robert J. Young

Robert J. Young of Engel Van Lines in Fullerton wrote to oppose the application. He cited no reasons for his opposition.

Mathew Golonka

Mathew Golonka of Reliable Foreign Car Parts in Anaheim urged that the application be denied on the grounds that shoppers cannot always find the goods and services they want locally and with freeways nothing is very far away. He believes that Pacific's yellow pages directory is the only really comprehensive listing for Orange County.

The logical extension of Mr. Golonka's argument would require that we order Pacific to combine books rather than split them, so as to create huge directories for other large sections of California. While these would be truly comprehensive books with extensive lists of goods and services, they would contain so many listings from far-flung places as to be nearly useless as shoppers' guides. The present Orange County classified

directory differs from this extreme only in degree. The directory user's need is not so much for a comprehensive listing for all Orange County so much as it is for a convenient and usable listing of local goods and services. The unwieldy size and tremendous geographic coverage of the current Orange County yellow pages directory make it unsuitable for this purpose.

Drew Petelin

Drew Petelin of Continental Distributors in Anaheim opposed the application as both a businessman and a private party. As a businessman he will have to purchase advertising in four directories to cover the same area he now covers in one. As an individual directory user, he believes that the proposed Fullerton, Anaheim and Santa Ana directory areas are a single marketing area.

We previously recognized in our discussions that some businesses would need to advertise in more than one of the proposed new directories and that their total directory advertising costs would increase, but we also stated that the majority of businesses would benefit from the smaller directories by being able to target their advertising more precisely and would need only one book. Additionally, the new books we authorize herein will be more convenient to the user, and the more convenient the user finds his directory the more valuable the book becomes for the advertiser. Mr. Petelin may well shop in more than just one of the new directory areas, but the shopping habits matrix presented by Pacific shows that the four-directory rearrangement will satisfy the needs of most shoppers and advertisers.

Mrs. McIntyre

Mrs. McIntyre of Don McIntyre Photo in Anaheim called the Commission's Consumer Affairs Branch in Los Angeles to object that the proposed rearrangements are just another way for Pacific to increase its advertising charges by forcing businesses to appear in more than one directory to get proper exposure.

As we have previously pointed out, we recognize that advertising charges will increase for some advertisers. Our decision herein does not hinge upon the revenue and expense effects to Pacific and we make no explicit finding as to their magnitude. However, we will take those effects into consideration during the course of future rate making to ensure that Pacific is not unjustly enriched through these changes.

Dorothy L. Gibson

Dorothy L. Gibson of Orange wrote to oppose the rearrangements on the grounds that Orange County residents shop all over the county and will need to search five separate directories in the future. She points out that the cities in Orange County blend together with no open spaces to separate them.

Ms. Gibson is probably correct in stating that Orange County residents shop throughout the County at one time or another. It is also quite probable that they shop in neighboring Los Angeles County at times, considering that there is no distinct separation between the two areas. The directories authorized herein will not cover all the shopping areas of interest to all residents - no directories we could authorize would do that. However, considering the size of the present Orange County classified directory, we believe that some changes must be made and that the authorized directories are the best reasonable

compromise under the circumstances. Ms. Gibson may well be correct in stating she will need all of the new directories, but if so we do not believe her situation is representative of the average directory users.

Jill Ford

Jill Ford of the Saddleback Personnel Agency in Mission Viejo wrote that Saddleback Valley desperately needs one complete directory to cover the entire area. As a new business owner she finds it almost impossible to work from and advertise in five different directories (Pacific's Orange Coast South, Pacific's Orange County, General's directory, Luskey Brothers' directory, and the local Chamber of Commerce's community directory).

We can appreciate Ms. Ford's concern over the number of directories she needs to ensure complete coverage for her business. Of the five directories she mentions, only Pacific's two are within our regulatory jurisdiction (we presume the General directory she mentions is General Telephone Directory Company's Saddleback Valley directory; she may, however, be referring to General Telephone of California's Laguna Beach directory over which we do have jurisdiction). Our concern in this proceeding is to require Pacific to publish directories which are as convenient and usable as possible. Pacific's five-directory proposal which Ms. Ford addresses did split the Saddleback Valley between the El Toro and Orange Coast South directories. Ms. Ford may be pleased to learn that the four-directory arrangement we authorize herein contains the entire Saddleback Valley area, with the possible exception of that part of South Laguna in General Telephone's territory, in the El Toro/Orange Coast South directory.

G. Alan Snodgrass

G. Alan Snodgrass of Eco Rec Properties in Irvine wrote to oppose Pacific's proposed rearrangements on the grounds that: (1) advertisers will get less coverage for more money thus increasing the probability of small business failures, (2) users will find the smaller directories inconvenient, (3) Pacific will be forcing more users to call directory assistance and thereby raising its revenues if directory assistance charging is permitted.

We have discussed in detail the changes in rates and directory coverage that will result for advertisers under these changes; we need not repeat those discussions here. Likewise, we have stated previously that our major purpose in authorizing revisions in the present Orange County classified directories is to improve their convenience and usability, and we believe that purpose will be achieved. In response to Mr. Snodgrass' last point, we must observe that any connection between this directory rearrangement and a hypothetical future charge for directory assistance usage is tenuous. However, we note that our order herein will require Pacific to arrange its white pages directories in such a way as to ensure subscribers receive alphabetical listings for their yellow page areas without reducing alphabetical coverage they presently have. This should ensure that directory assistance volumes are unaffected by these changes.

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, nonregulated directory publishers.

Ad Visor has been offered the opportunity to address the general concept of directory splits in OII-5 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 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 nonregulated 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.

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City of Yorba Linda

The City of Yorba Linda wrote two letters opposing the proposed rearrangements. While the City acknowledges problems associated with one large directory, it would prefer to have the boundaries realigned to include shopping areas immediately adjacent to its city limits.

The City of Yorba Linda's objection is very similar in content to that of the City of Placentia which it adjoins. Pacific's proposed boundary in this area runs along the Santa Ana River channel near the Yorba Linda/Anaheim city limits and seems to us to be very reasonably placed. For further discussion in response to the City's objection, we refer to the first paragraph of our response to the City of Placentia and will not repeat that reasoning here.

M. W. Conway, M. D.

M. W. Conway of Santa Ana wrote to object to splitting the existing Orange County yellow page directories into five new directories, but gave no reasons for his opposition. Dr. Conway suggested that Pacific's Orange County directories be split into two directories; the first encompassing Pacific's proposed Fullerton, Anaheim and Santa Ana directory areas, and the second the proposed El Toro and Orange Coast South areas.

We have extensively discussed our reasons for favoring a four-directory split in Orange County. We note here only that Dr. Conway's suggestion has been adopted to the extent of combining the proposed El Toro and Orange Coast South areas.

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W. D. Rogers

W. D. Rogers of W. D. Rogers Carpets in Dana Point wrote in support of the proposed five-directory rearrangement. Mr. Rogers believes that when Pacific's books get too thick nonregulated independent directory publishers bring out smaller books to the detriment of small businesses such as his. Mr. Rogers pointed out, however, that he would prefer the present Orange Coast South directory remain as is and that rates not be raised for present Orange County classified directory advertisers when splits are made.

We share Mr. Rogers' concern over the size of the present directory. The lack of convenience and usability of an oversized directory has been a major consideration in deciding whether to authorize rearrangements in Orange County. With respect to Mr. Rogers' second point, we refer back to previous discussions wherein we pointed out that there is a significant shopping community of interest between the El Toro and Orange Coast South areas. As one example of that interest, we cited the 42% of Laguna Niguel residents' shopping which is done in Laguna Hills. Additionally, the rapid growth and development of shopping centers cited by staff's Exhibit 1 and the City of San Juan Capistrano's letter support the combination of El Toro and Orange Coast South directory areas. In response to Mr. Rogers' last point regarding price increases to county-wide advertisers, we note once again that the rate structure for directory advertising is standard throughout all of Pacific's directories based upon directory circulation as measured by telephones. We find no reason to deviate from that standard structure in this instance.

A. A. Tabikh

A. A. Tabikh of Stockwell Interiors and Floors in Capistrano Beach wrote in support of Pacific's proposal, saying that it was a very good and practical proposal. No specific reasons were given.

City of La Palma

The City of La Palma wrote two letters concerning Pacific's proposed rearrangements. The first letter opposed the application and urged the Commission to reject it. The City's later second letter reversed that position and stated that the City Council voted unanimously to support the plan.

Thomas J. Stratton, O. D.

Thomas J. Stratton of Irvine wrote to support Pacific's proposed rearrangements. Dr. Stratton believes that Pacific's Orange County classified directory has become very awkward and cumbersome to use. He strongly recommends that Pacific be allowed to divide the book into at least two, and preferably three or more directories very soon.

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 32 responses have been received from the hundreds of thousands of subscribers notified. We have addressed the merits of each protest. None of the protests presented contentions or made offers of proof which would, if they were developed at public hearings, alter the outcome of the decision reached herein.

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 its Orange County directory areas. This study indicates that the Orange County and Orange Coast South yellow page directories as presently constituted do not reflect the shopping habits of users or the coverage needs of most advertisers. Rearrangement of the Orange County and Orange Coast South classified directories as proposed, with the exception of the proposed El Toro and Orange Coast South separation, 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. Because of changes due to rapid growth and development since Pacific's study was completed, the study does not accurately reflect shopping habits likely to exist in southern Orange County by the time the rearranged directories are issued.

3. Combining the proposed El Toro and Orange Coast South directories would provide shoppers with the classified listings they need and advertisers with improved local coverage compared to the present arrangements.

4. The resulting 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.

5. Under Pacific's directory advertising tariffs, November, 1978 Orange County directory advertisers who chose to advertise in one of the new directories would have realized a reduction in their advertising rates from group 26 to group 18, group 19, group 22, or group 16 depending upon the directory, and a

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commensurate reduction in directory area coverage; January, 1979 Orange Coast South directory advertisers would have realized an increase in their advertising rates from group 12 to group 16 and a commensurate increase in directory area coverage. These rate groups may have changed by the time the rearrangements authorized herein become effective.

Conclusions

1. Pacific should be authorized to split and rearrange the yellow page sections of its present Orange County and Orange Coast South directories as requested in the application, provided, however, that the proposed El Toro-Laguna Hills-Laguna Niguel-Mission Viejo directory area and the proposed Orange Coast South directory area should be combined into one yellow page directory area. The provisions of Commission Resolution No. T-9668 should apply as though the authorized changes were circulation group changes which would result in increased rates.
2. Pacific should be required to arrange its Orange County alphabetical directories in such a way that subscribers receive alphabetical listings covering their yellow page areas without reducing alphabetical coverage they presently have.
3. Pacific should be required to waive remaining directory advertising charges for local advertisers for the months that their directory is superseded by another for their area.
4. 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.
5. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company (Pacific) is authorized to split and rearrange the yellow page sections of its present Orange County and Orange Coast South directories into four yellow page directories covering Fullerton, Anaheim, Santa Ana, and El Toro/Orange Coast South. 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. The provisions of Commission Resolution No. T-9668 shall apply as though the authorized changes were circulation group changes which would result in increased rates.

2. Pacific shall arrange its Orange County alphabetical directories in such a way that subscribers receive alphabetical listings for their yellow page areas without reducing alphabetical coverage they presently have.

3. Pacific shall waive remaining directory advertising charges for local subscribers for the months that their directory is superseded by another for their area.

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

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This proceeding is closed.

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

Dated SEP 25 1979 at San Francisco, California.

John E. Supt
President

Thomas L. ...

Richard D. ...

Clare ...

Edward ...
Commissioners