ORIGINAL

Decision No. 74969

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Chelfont Communications,

Complainant,

Vs.

Case No. 8203 (Filed June 21, 1965)

Tesco Communications and A & B Service, Inc.,

Defendents.

Frank Chalfont, for Chalfont Communications, complainant.
Wien & Thorpe, by Spencer Thorpe, for Tesco Communications, defendant.
Lewis A. Plourd and Thomas M. Heim, for A & B Service, Inc., defendant.
Lester W. Spillane, for Allied Telephone Association, Inc., intervenor.
John D. Quinley, for the Commission staff.

## OPINION

## Proceeding

Complainant (a California corporation, certificated as a radiotelephone utility by this Commission) alleges that defendants, individually and collectively are telephone corporations within the meaning of Section 234 of the Public Utilities Code and are providing radiotelephone utility service to the public in Imperial County; that this is being done without authorization of this Commission and in direct competition with complainant; that this service provided by the defendants includes the tariff forbidden interconnecting of and the passing of radiotelephone traffic into the public message landline circuits of The Pacific Telephone and Telegraph Company (Pacific); and that defendants are not licensed by the Federal Communications Commission as common carriers.

C. 8203 Chalfont states in its request for Interim Order, dated September 9, 1965: On various subsequent dates, believed to include July 26, 1965, July 28, 1965, August 26, 1965, August 27, 1965, September 3, 1965 and September 7, 1965, voice message traffic was passed from mobile units of Defendants' subscribers, via Defendants' radiotelephone circuits and interconnection devices, to the public message landline circuits of Pacific Telephone Company." No evidence in support of these allegations appears in the record. In answer to complainent's "request", defendant Tesco denied interconnection or the use of the Carterfone device on the dates alleged or on any date subsequent to July 9, 1965, and further reasserted the denials in its answer on file to the complaint. Hearings were held at El Centro, before Examiner Gillanders, on January 26, 27 and 28, 1966. On April 1, 1966, Allied Telephone Companies Association (Allied), a non-profit association of radiotelephone utilities under Commission jurisdiction, filed & "Petition to Intervene." In support of its petition, Allied made, among others, the following statements: "Petitioner proposes to support the complaint filed by Chalfont Communications against Tesco Communications and A & B Service, Inc., Defendants herein - which alleges that Defendants are providing radio-telephone utility services to the public in Imperial County without certificate or other authorization from this Commission. Manifestly if persons are allowed to provide such services to the public, free of regulation -- in competition with regulated utilities, such practices are inherently adverse, and potentially ruinous, to the regulated utility. It has now become apparent that this case will be of precedent making importance, and that any decision in it will vitally affect all the presently regulated radiotelephone utilities in California." Defendant Tesco opposed the petition of Allied to intervene upon the grounds, among others, that ell of the issues were -4C. 8203 ms The examiner filed his proposed report on February 9, 1968. Exceptions were filed by Chalfont and the staff on February 28 and A & B Service, Inc. and Allied Telephone Companies Association on February 29, 1968. Chalfont filed a reply to the exceptions of the other parties on March 14, and the matter was submitted for decision on March 15, 1968. In his proposed report, the examiner discussed the two material issues raised in this matter. These issues are: 1. Were the operations of Tesco of such a nature that it should be found a public utility? 2. Were the operations of A & B of such a nature that it should be found a public utility? Issue No. 1 Were the operations of Tesco of such a nature that it should be found a public utility? The examiner concluded that the selling, leasing, renting, maintaining, and servicing of 2-way radio equipment by Arch Thistle and A. E. Andreotti as Tesco was not of a public utility nature, but that the leasing (or renting), instructing in its use, and advertising the availability of interconnection equipment and service between radio and land telephone by Arch Thistle and A. E. Andreotti through Tesco was of a public utility nature. He therefore concluded that Arch Thistle and A. E. Andreotti are public utilities subject to the jurisdiction, control and regulation of this Commission. He recommended that these defendants be ordered to cease and desist from operating as a radiotelephone utility. Chalfont agreed with the conclusions of the Exeminer's Proposed Report only to the extent that defendents were operating as -5C. 8203 ms a radiotelephone utility and that such operations must be terminated. Chalfont took emphatic exception to the examiner's distinction between a regulated operation and one that is not regulated. Allied Telephone Companies Association maintains that the distinction found by the examiner (between the regulated and the nonregulated) is manifestly erroneous. In essence, Allied states that all of the examiner's conclusions are in error. The staff claims that the dividing line established by the examiner is not consistent with the Commission's previous findings regarding radiotelephone utilities, nor will it establish a stable guideline under which regulated and nonregulated enterprises may exist. We believe it is appropriate, at this juncture, to set out certain of the rules governing the practices and procedures of this Commission which were ignored by the parties, but not by staff. (Rule 79) Proposed Reports. Upon direction by the Commission, the presiding officer shall prepare and file his proposed report. The Secretary's office *"*79. shall cause copies thereof to be served upon all parties to the proceeding. Such proposed report shall contain recommended findings, conclusions, and order. (Rule 80) Exceptions. A party may serve and file "80. exceptions to a proposed report within twenty days after service thereof. Exceptions shall be specific, and stated and numbered separately. Exceptions to factual findings shall specify the portions of the record relied upon; proposed substitute findings; and proposed additional findings, with supporting reasons. Exceptions to conclusions shall cite statutory provisions or principal authorities relied upon; proposed substitute conclusions; and proposed additional conclusions." Chalfont filed a document consisting of 27 pages entitled "Chalfont's Exceptions to Examiner's Proposed Report." Nowhere in this lengthy document is a single proposed substitute finding or -7proposed additional finding or proposed substitute conclusion or proposed additional conclusion, labeled as such.

"It has now become apparent that this case will be of precedentmaking importance, and that any decision in it will vitally affect
all the presently regulated radiotelephone utilities in California",
filed a short three-page document entitled "Intervenor's Exceptions
to Examiner's Proposed Report." This document contained only argument previously set forth in its brief.

The staff filed a five-page document entitled "Staff Exceptions to Examiner's Proposed Report." The staff proposed certain language changes in the opinion portion of the proposed report and proposed certain substitute findings and proposed additional findings, as well as a proposed substitute conclusion. The proposed substitute findings and conclusion of the staff would change the examiner's distinction between regulated and nonregulated operations as presented by this case.

Chalfont responded to the exceptions filed by the other parties by filing a 20-page document entitled "Chalfont's Responses to Exceptions to Examiner's Proposed Report."

In its response Chalfont agrees with Allied "exceptions." Up to a point, Chalfont agrees with the staff. Chalfont maintains that "Beyond this point, the Staff's Exceptions propose new law, mapping a calamitous regulatory cruise where the charts are in error, where the draft of the vessel is not considered, and where conflicting rights-of-way are proposed. The intention of the Staff to be constructive is not questioned. It is appreciated that they have suggested a result closer than that in the Proposed Report to

a proper disposition but it is arbitrary instead of resulting from the application of sound regulatory principles; it exists for the wrong reasons; it rests on improper foundations; and it cannot be lived with by industry and regulators any more than the guideline contained in the Proposed Report."

Although the "exceptions" filed by Chalfont and Allied do not conform to the requirements of Rule 80 (supra), we did study these documents, as well as the response to the various exceptions. The gist of Chalfont's position seems to be:

"To regulate equipment and techniques is not only to open a Pandora's box but to tear out some of the deepest roots of California regulation. Particularly because of this feature, to substitute the Staff's proposed law for the Proposed Report's guide would simply be to change one written in sand for others drawn in the sky with smoke." (Sic)

Chalfont concludes that its

"....Closing Brief contains a suitable vehicle to properly dispose of this case."

It urges that the Commission render a decision along the lines of that which is the appendix to its closing brief, possibly including some codification such as contained in Section H of his Exceptions to the Proposed Report.

The examiner, the staff, and Chalfont independently arrive at the conclusion that defendants are public utilities, but for different reasons.

One of Chalfont's recommendation is that the Commission find that defendants have been operating as radiotelephone utilities. It recommends that defendants be ordered to divest themselves of all telephone utility service and business and that the business and service be transferred to an existing telephone utility.

C. 8203 ms counsel for defendants urged many technical evidentiary objections proper for consideration only in jury trials. Therewith, Chalfont's approach served to unnecessarily complicate this complex record. Chalfont appears to reason that if any same or similar service rendered by a certified radiotelephone utility is duplicated by some other entity, as here, or if such entity owns or operates any plant or equipment used in supplying such service, then ipso facto such entity is a public utility subject to regulatory jurisdiction. The staff reasons that: "The acts which brought Tesco across the dividing line between nonregulation and regulation were the combination of: (1) the dedication of equipment to public use, and (2) arranging for use of such equipment, the purpose of which was to furnish transmitted. to furnish transmitting and receiving, to provide control and message relay service, and to connect radio systems to the facilities of a public utility landline network. These facilities were offered for common use by the public." From this reasoning, the staff concluded that: 1. The selling, leasing, renting, maintaining, and servicing of 2-way radio equipment by Arch Thistle and A. E. Andreotti through Tesco was not of a public utility nature. The offering to the public and dedications of common repeater service combined with the leasing, instructing in its use, and advertising the availability of common control and message relay and interconnection equipment and service by Arch Thistle and A. E. Andreotti through Tesco constitutes public utility telephone service and is subject to regulation by this Commission." The examiner reasons that the acts established in the record which brought Tesco clearly across the dividing line between nonregulation and regulation were the dedication of equipment and -11C. 8203 ms

the use of such equipment, the sole purpose of which was to connect private radio systems to the facilities of the public utility land-line network.

Chalfont misses the point made in the Examiner's Proposed Report. The Proposed Report does not attempt necessarily to regulate equipment or technique, but does establish the principle that interconnection of a private radiotelephone system to public landline service, but not under a tariff of a public utility furnishing landline service, is per se an act of dedication to public use. This Commission is aware that there are many devices and many methods of connecting radio circuits to telephone lines now in use. It is also aware that in the expanding technology of communications new and different devices and methods will be developed. The examiner maintains that interconnection is a fact that can be readily determined and one which does not vary. The examiner points out that a radio circuit is or is not interconnected to the landline network at any point in time and that this is a juridical fact of utility significance.

The tariffs of public utility landline telephone companies in California presently prohibit unauthorized interconnection

<sup>2/</sup> For example, The Pacific Telephone and Telegraph Company's Schedule Cal.P.U.C. No. 36-T, 2nd Rev. Sheet 58, Rule 15(A)(4) contains the following language:

<sup>&</sup>quot;(4) No equipment, apparatus, circuit or device not furnished by the Company shall be attached to or connected with the facilities furnished by the Company, whether physically, by induction or otherwise, except as provided in the tariffs. In case any such unauthorized attachment or connection is made, the Company shall have the right to remove or disconnect the same; or to suspend the service during the continuance of said attachment or connection; or to terminate the service." (Emphasis added.)

by any means between private mobile units and their public message telephone network. This record shows that Dorothy Hall of Alert Answering Service, an adverse witness called by complainant, operated an answering service which interconnected Tesco's radio operations with the landlines of The Pacific Telephone and Telegraph Company.

The keystone of the staff's conclusion that the operations of defendant Tesco constitute public utility service is its offering of common (shared) repeater service. Shared Repeater stations are licensable in almost all of the Land Mobile Services - Municipal Public Safety, Industrial, the Railroad portion of the Land Transportation Service, and Amateur. At the present time, they are most extensively used in the Business Radio Service where a number of users, usually engaged in noncompeting businesses, find it economic and operationally attractive. Shared Repeaters are used in the Local Government Radio Service where towns and small cities find it advantageous to set up a single radio system for many or all functions, including Police, Fire, Highway Maintenance, Water Department and Administration. To be dual or multiple licensed, a transmitter need not be owned or leased by one of the parties. The Repeater can be owned and operated by a private entity such as a radio equipment manufacturer, a manufacturer's representative, a telephone answering service, etc., and such ownership and operation should not be viewed as a public utility.

It is apparent from the above discussion that a blanket pronouncement that establishing Shared Repeater service automatically brings the owner or user of such repeater under our jurisdiction would patently be in error as there is nothing in this record that shows that such service or equipment has been dedicated to public

C. 8203 ms In his proposed report, the examiner made the following findings of fact: 1. Tesco Communications is a partnership in which Arch Thistle is the active partner. The limited pertner is A. E. Andreotti. 2. Tesco was engaged in selling, leasing, maintaining and servicing 2-way radio equipment in El Centro and vicinity. 3. Tesco prevailed upon Dorothy Hall to operate control points for users of the radio systems it established. 4. Tesco leased equipment to Dorothy Hall which enabled her to connect users of 2-way radio equipment to the facilities of Pacific. 5. Tesco instructed Dorothy Hell in the use of such interconnection equipment. 6. Tesco advertised that it could supply the same services as the RTU in El Centro. 7. Tesco has been dissolved and is in the hands of a meceiver, elthough its assets have been sold. From our review of the record, we believe the examiner correctly stated most of the essential facts. We shall, however, restate the facts as we view them. Issue No. 2 Were the operations of A & B Service, Inc. of such a nature that it should be found a public utility? The examiner found that: 1. Mr. William A. Stenstrom is president of A & B Service, Inc., a California corporation. 2. A & B operates two distinct and separate services, one of which is a telephone answering service and the other a radio -15-

C. 8203 ms communication system. All of the equipment that is used by A & B belongs to A & B, and the equipment is located on the premises of A & B at 137 South A Street, El Centro. 3. In the spring of 1965, A & B purchased certain radio and control equipment from Tesco for \$2,000. Included in the purchase price were six radio subscribers. The charges to these subscribers were established originally by Mr. Thistle of Tesco and were continued by A & B. 5. In 1965 and succeeding years, A & B advertised in the yellow pages of the Imperial County Telephone Directory that it did provide "Mobile Radio Service." 6. Mr. Stenstrom knew of no one who was refused service on his radio communication system. The examiner stated in his proposed report that: "It is the ownership of equipment used and useful in connecting private radio systems to the general toll and switching facilities of Pacific's land-line telephone system and the offering of interconnection service to anyone who desires such service that brings A & B over the dividing line between regulated RTUs, telephone enswering services and private radio systems and establishes that such operations are subject to regulation by this Commission. by this Commission." He recommended that A & B Answering Service, Inc. be ordered to immediately cease and desist from operating as a radiotelephone utility in the El Centro area because it had interconnected mobile radio conversations with landline. A & B took exception to the recommended order on the grounds that the order is ambiguous, uncertain and too broad. It offered the following replacement: "A & B Service, Inc., aka A & B Answering Service, Inc., shall immediately cease and desist from -16-

C. 8203 ms \*4. Tesco leased equipment to Dorothy Hall which enabled her to connect users of 2-way radio equipment to the facilities of Pacific. \*5. Tesco instructed Dorothy Hall in the use of such interconnection equipment. \*6. Tesco advertised that it could supply the same services as the RTU in El Centro, but accepted only compatible subscribers. \*7. Tesco has been dissolved end is in the hands of a receiver, although its assets have been sold. 8. Tesco Communications developed a system in association with a telephone and a radio answering service (Alert, and then A & B Answering Service) which consisted of base stations, mobile units, repeaters in multiple use, and the answering service. 9. A & B operated substantially as did Alert in connecting radio with landline and vice versa. Conclusions of Law Tesco, Alert, and A & B are public utility telephone corporations, and come within the jurisdiction of the Commission. 2. Chalfont Communications has proved the material allegations of its complaint and is entitled to the relief sought. ORDER IT IS ORDERED that: 1. Arch Thistle and A. E. Andreotti, individually and as partners doing business as Tesco Communications, shall forthwith cease and desist from operating as a radiotelephone utility in the El Centro area. 2. A & B Service, Inc., a corporation, doing business as A & B Answering Service, and the officers and employees thereof, -19shall forthwith cease and desist from operating as a radiotelephone utility in the El Centro area.

3. Complainant's request for interim orders is denied.

The Secretary of the Commission is directed to cause service of this order by registered mail to be made upon defendants at their last known address.

The effective date of this order shell be twenty days after completion of such service.

		Dated at _	San Francisco	California,	this	26 +4
day	of	NOVEMBER	, 1968.		•	

Commissioners

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Fred P. Morrissey, being necessarily absent, did not participate in the disposition of this proceeding.