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Decision August 1, 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of MCI Airsignal of California, Inc., a California corporation, for a certificate of public convenience and necessity to expand its radio-telephone facilities and service in the Greater Los Angeles Area, encompassing portions of Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties, California.	Application 83-07-41 (Filed July 22, 1983; amended December 21, 1983)

O P I N I O N

Applicant MCI Airsignal of California, a California corporation, requests a certificate of public convenience and necessity for the construction and operation of facilities for the purpose of rendering public utility one-way radiotelephone service in portions of the Counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura. Copies of the application were served on the counties and principal cities in the proposed service area and on twelve radiotelephone and telephone utilities with whom the proposed service may compete. Notice of the filing of the application and amended application appeared in the Commission Daily Calendar of, respectively, July 26, 1983 and December 27, 1983. Three protests to the application were received but were later withdrawn. Applicant possesses six of the requisite 19 Federal Communications Commission (FCC) permits. The unissued permits have been applied for and are expected to be issued shortly.

Applicant is a radiotelephone utility authorized to provide and providing two-way mobile telephone and one-way paging services within and adjacent to the cites of Sacramento, Stockton, Concord, Modesto, Vallejo, South Lake Tahoe, Fresno, Hanford, Visalia,

Bakersfield, and Porterville, California, and two-way mobile telephone service to the cities of Taft and Shafter and adjacent areas. Currently, it provides two-way mobile telephone service and one-way paging service in the State of California to over 16,000 mobile and paging units on various low-band, VHF and UHF frequencies. As of June 30, 1983 it had a net worth of approximately $711,000. For the year ended on that date it had revenue from paging operations of $3,854,000 and a net loss of $531,996. Subsequent to the filing of this application, applicant has revised its paging rates.

Applicant's proposed service area extends from north of Ventura south along the Pacific Coast to approximately Laguna Beach and inland between 40 and 50 miles. It intends to offer tone-alert, numeric display and tone-and-voice paging from 19 base stations on frequency 35.56 megahertz (MHz). Its transmitting equipment will be installed at sites already occupied by radio communication facilities. Foreign exchange (FX) lines or an equivalent arrangement will be provided in order that paging messages originated by calling parties located in the proposed service areea will not cost more than a single local message unit. The proposed facilities will be easily accessible from the switched telephone network. Engineering data of the proposed system is set out in Exhibit C to the application.

The proposed facilities will be installed, operated, and maintained by and under the supervision of applicant's technical staff and that of its parent company, MCI Airsignal, Inc. (MCI Airsignal). The daily management, operation, and maintenance of the paging system will be provided by local station personnel of applicant, including applicant's local manager. Emergency maintenance and repair of facilities will be provided as required by local qualified radio communication service shops. Cost to install

the facilities and initial operation and maintenance expense is estimated by applicant to be $411,400.

Applicant will finance the purchase and installation of the proposed facilities through open account advances from its parent company. As of June 30, 1983 applicant's parent company had paging operations with a net worth of approximately $12,000,000.

For its proposed services applicant intends to charge its currently effective paging rates.

Applicant estimates its gross revenue from the first year of operation of the proposed system to be approximately $1,617,660 and that it will lose approximately $975,713 that first year. However, it expects to net $5,643,315 during the fifth year of operation on a gross revenue of $11,174,240.

Applicant contends that the area in which service will be provided has experienced a pattern of substantial and continuing growth in population, economic development and demand for one-way communication services in recent years. The need for additional paging services, particularly in the Greater Los Angeles Area, has been verified by a number of studies. The FCC explicitly acknowledged the extent of this potential demand when it allocated substantial amounts of new radio spectrum to the radiotelephone utility industry for the purpose of satisfying the public's requirements for innovative and diverse paging services.

Applicant contends that it is particularly well-equipped to meet these new and emerging needs. Since MCI's acquisition in the past year of Airsignal International, Inc., MCI Airsignal has successfully introduced and marketed innovative products and services in a number of cities around the country. Through a joint venture with Metromedia, Inc., American Express Company, and Communications Industries, Inc., MCI Airsignal is planning to implement a nationwide network paging service spanning many of the nation's most important

urban centers. Its application to provide this service will be submitted to the FCC soon. These recent efforts of MCI Airsignal have expanded public awareness of personal communications services, generated public acceptance of its service offerings, and resulted in overall market growth. Applicant will pattern its activities in Los Angeles after these successful efforts, expanding upon them in response to the particular needs of the market. Its analysis and understanding of customer requirements relative to service offerings provide applicant with ample confidence that its proposed system will meet a substantial unserved public need for paging services.

Applicant states that its parent, MCI Airsignal, has experienced particular success in the implementation and operation of lowband (e.g., 35 MHz band) paging facilities in a number of markets throughout the United States. It has developed wide-area paging systems employing simulcast techniques in large metropolitan areas, including Atlanta, Philadelphia, Pittsburg, Kansas City, and Memphis. This expertise will be fully available to applicant, thereby ensuring that it can rapidly develop the paging system proposed herein. The establishment of a technically efficient and viable system will afford the public high quality and reliable paging services. Moreover, applicant's proposal will achieve full and efficient use of the radio spectrum available for its use.

Applicant argues that it would provide a healthy competitive stimulus in the Los Angeles area. Enhanced competition will spur effective use of the available radio spectrum to accommodate expanding public need for innovative paging services. The provision of new competitive services at reasonable prices is clearly in the public interest. In addition, a paging customer of applicant residing in the proposed service area will be able to obtain paging service in the numerous areas in California and elsewhere in the United States where applicant, or MCI Airsignal and

its affiliates are or will be authorized to serve on the same frequency, or, in certain cases, on different paging frequencies through exchange or other arrangements made at local or foreign area business offices.

Findings of Fact

1. Applicant seeks a certificate for the purpose of constructing and operating facilities for rendering public utility one-way radiotelephone paging services in the service area embracing portions of the Counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura.

2. Applicant possesses 6 of the requisite 19 requisite FCC permits. The unissued permits have been applied for and are expected to be issued shortly.

3. The proposed service will offer tone-only, tone-and-voice, and numeric display paging.

4. Applicant's initial capital start-up requirements will be approximately $411,400 and will be met through advances from its parent company which had a net worth of approximately $12,000,000 as of June 30, 1983.

5. While applicant expects its first year of operation will result in a financial loss, its fifth year of operation will result in a substantial profit.

6. Engineering data concerning the proposed system are contained in Exhibit C.

7. As necessary antennas will be located at sites where there is already installed radio equipment, it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

8. Applicant's investigations have led it to conclude that there is a public need for its service in the proposed service aera.

9. The proposed system is economically feasible.

10. The proposed system is technically feasible.

11. Applicant has available to it financial resources to engage in the proposed operations.

12. Applicant has available to it persons who are technically qualified to construct and manage the proposed system.

13. Public convenience and necessity require the issuance of the requested certificate.

14. Paging receivers are Customer Premises Equipment and any pages acquired after January 1, 1984, cannot be offered by applicant on a tariffed basis.

15. A hearing is not necessary.

Conclusion of Law

The application should be granted to the extent stated in the following order.

Only the amount paid to the State for operative rights may be used in rate fixing. The State may grant any number of rights and may cancel or modify the monopoly feature of these rights at any time.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to MCI Airsignal of California, Inc. (applicant) for the construction and operation of a public utility one-way radiotelephone system with base stations and a service area located as follows:

Base station locations:

a. 600 S. Commonwealth Avenue, Los Angeles.
Lat. 34° 03' 47" N. Long. 118° 17' 03" W.

b. Lopez Canyon Road, San Fernando.
Lat. 34° 21' 14" N. Long. 118° 24' 54" W.

c. Verdugo Peak Radio Site, Glendale.
Lat. 34° 12' 54" N. Long. 118° 16' 29" W.

d. Sunset Ridge, Approximately 3 miles North of Pomona.
Lat. 34° 11' 17" N. Long. 117° 42' 16" W.

e. Santiago Peak Radio Site, Santa Ana.
Lat. 33° 42' 38" N. Long. 117° 32' 00" W.

f. 28501 High Ridge Road, Palos Verdes.
Lat. 33° 46' 38" N. Long. 118° 22' 54" W.

g. 485 East Easy St., Simi Valley.
Lat. 34° 16' 27" N. Long. 118° 46' 52" W.

h. Raznow Peak, Thousand Oaks.
Lat. 34° 09' 55" N. Long. 118° 54' 15" W.

i. 2100 Frontage Road, Corona.
Lat. 33° 52' 44.5" N. Long. 117° 36' 13.8" W.

j. 15925 Garfield Avenue, Paramount.
Lat. 33° 53' 18" N. Long. 118° 10' 06" W.

k. 666 Anton Blvd., Costa Mesa.
Lat. 33° 41' 32" N. Long. 117° 53' 04" W.

l. 201 South Lake Avenue, Pasadena.
Lat. 34° 08' 32" N. Long. 118° 07' 55" W.

m. 6033 West Century Blvd., Inglewood.
Lat. 33° 56' 46" N. Long. 118° 23' 20" W.

n. 1055 N. Main Street, Santa Ana.
Lat. 33° 45' 17" N. Long. 117° 51' 58" W.

o. 624 South Grand Avenue, Los Angeles.
Lat. 34° 02' 52" N. Long. 118° 15' 17" W.

p. Imperial Bank Tower Blds, Sherman Oaks.
Lat. 34° 09' 19" N. Long. 118° 27' 57" W.

q. Castro Peak, Malibu Lake.
Lat. 34° 05' 08" N. Long. 118° 47' 02" W.

r. 2050 Cyprean Drive, Los Angeles.
Lat. 34° 06' 26" N. Long. 118° 22' 51" W.

s. South Mountain, 2.5 miles SE of Santa Paula.
Lat. 34° 19' 52" N. Long. 119° 01' 16" W.

Service area: As set out in Exhibit B to the amendment filed December 21, 1983 to A.83-07-41.

To the extent that the FCC has not issued construction permits for certain of these locations, our construction authority for each is contingent upon such issuance.

2. Within 30 days after this order is effective, applicant shall file a written acceptance of the certificate granted in this proceeding.

3. Applicant is authorized to file, after the effective date of this order and in compliance with General Order 96-A, tariffs applicable to the service authorized containing rates, rules, and charges applicable to its radiotelephone services. The offerings, rates, and charges shall be the same as applicant is presently charging under its tariffs. The tariffs shall become effective on not less than 5 days' notice.

4. Applicant shall file, after the effective date of this order and consistent with Ordering Paragraph 3, as part of its individual tariff, an engineered service area map drawn in conformity with the provisions of the FCC Rule 22.504, commonly known as the "Carey Report," consistent with the map in Exhibit B to the amendment dated December 21, 1983 to A.83-07-41.

5. Applicant shall notify this Commission, in writing, of the date service is first rendered to the public under the rates, rules, and charges authorized within five days after service begins.

6. Applicant shall keep its books and records in accordance with the Uniform System of Accounts for Radiotelephone Utilities prescribed by this Commission.

7. Applicant shall file an annual report, in compliance with General Order 104-A, on a calendar-year basis using CPUC Annual Report Form L and prepared in accordance with the instructions included in that form.

8. The certificate granted and the authority to render service under rates, rules, and charges authorized will expire if not exercised within 12 months after the effective date of this order.

9. Insofar as the applicant seeks to offer paging receivers under tariff, the application is denied.

10. The application is granted in part and denied in part, as set forth above.

This order becomes effective 30 days from today.

Dated AUG 1 1984, at San Francisco, California.

Commissioner Priscilla C. Grew, being necessarily absent, did not participate

Commissioner William T. Bagley being necessarily absent, did not participate.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
DONALD VIAL
Commissioners

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Joseph E. Bodovitz, Executive Director

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