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Decision 91-05-061 May 28, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application for Approval of)
 the Transfer Control of Twentieth)
 Century Cellular, Inc. (U-4071-C),)
 Cellular Dynamics Telephone Company)
 of Los Angeles, Inc. (U-4046-C), and)
 Cellular Dynamics Telephone Company)
 of San Diego, Inc. (U-4080-C) to)
 Cellular Telephone Company of)
 America, Inc.)

ORIGINAL

Application 91-04-018
(Filed April 19, 1991)

OPINION

In this docket, three cellular resellers (the operating companies) and a prospective holding company seek authority to transfer control of the resellers from their existing owners to the holding company. The request for authority is made pursuant to Public Utility (PU) Code § 854. The operating companies are: Twentieth Century Cellular, Inc. (TCC); Cellular Dynamics Telephone Company of Los Angeles, Inc. (CDLA); and Cellular Dynamics Telephone Company of San Diego, Inc. (CDSD). The prospective holding company is Cellular Telephone Company of America, Inc. (CTA). Each corporation is chartered in California.

TCC's operating authority was granted in Decision (D.) 89-02-029. Its principal place of business is Long Beach. CDLA's operating authority was granted in D.87-03-054. Its principal place of business is Inglewood. CDSD's operating authority was granted in D.89-11-004. Its principal place of business is Inglewood. CTA has no operating authority. It was incorporated to act as a holding company for the operating companies. Its principal place of business is Long Beach.

The current ownership of the three operating companies is depicted in Chart 1. It shows that TCC is currently a wholly-owned subsidiary of Leo's Industries, Inc., a Delaware corporation. CDLA

and CSDS are currently wholly-owned subsidiaries of Cellular Dynamics Telephone Company, Inc., a Nevada corporation, which is, in turn, a wholly-owned subsidiary of Cellcom Corp., a Delaware corporation.

Chart 2 shows the proposed corporate organization. At the close of the transaction proposed in the application, CTA will issue common stock to Leo's Industries, Inc., which will provide it with a 30% interest in CTA. At the same time CTA will issue stock to Cellular Dynamics Telephone Company, Inc., which will provide it with a 70% interest in CTA. Thus, Cellular Dynamics Telephone Company, Inc. will hold a controlling (70%) interest in CTA, which in turn will hold all of the common stock of the three operating companies.

Each of the operating companies conducts business as a reseller of cellular radiotelephone service in California, pursuant to statewide operating authorities issued by the Commission. Following the transfer of control, the operating companies will continue to engage in separate operations pursuant to their existing authorities and filed tariffs. However, the parties expect to enter into various arrangements among themselves and with other affiliated and non-affiliated corporations from time to time in order to achieve efficiencies in their administration and operations.

The parties are entering into the proposed transaction in order to increase efficiency in their respective operations and to enhance their competitive positions. Increased efficiencies will result primarily from the elimination, where feasible, of duplicate operating, administrative, and management functions. In addition, the parties believe that the collective size of the operating companies will enable them to obtain necessary financing, goods, and services at a lower cost than is currently available to them.

This increase in operating efficiency, along with the ability to obtain lower-cost financing, goods, and services, will

improve the ability of the operating companies to compete against the much larger facilities-based carriers who now dominate the cellular telephone market in each service area. The parties believe that the enhanced competitive positions of the operating companies will ultimately enure to the benefit of customers in the form of lower rates and improved service, and that the proposed transaction is therefore clearly in the public interest.

On August 18, 1986, the Commission issued D.86-08-057, which authorized and directed the Executive Director to grant non-controversial applications for the transfer of control or assets of non-dominant carriers. In D.90-06-025, the Commission confirmed that cellular resellers should be classified as non-dominant telecommunications carriers. In accordance with those decisions, applicants request that the instant application be granted by an order of the Executive Director.

In support of its request, applicants submit that there is no reasonable basis for any opposition to this application. The transfer of control will not affect the rates or terms of service to any subscriber, except to the extent lower costs may ultimately produce lower rates. Moreover, each of the operating companies will continue to be managed, operated, and ultimately controlled by experienced personnel. Finally, because facilities-based carriers will continue to dominate all cellular markets, the proposed transaction can only increase the level of competition in the territories in which the operating companies operate. Therefore, expeditious ex parte action is, in the opinion of applicants, clearly warranted in this instance.

Findings of Fact

1. Notice of the filing of the application appeared in the April 22, 1991 Daily Calendar. No protests have been filed. A public hearing is not necessary.

2. The proposed transfer does not involve the sale of assets or operating authority.

3. The change of corporate control will not be adverse to the public interest.

4. No change in the operation of any of the regulated companies will take place as a result of the change of corporate control. Neither rate changes nor changes in the form of service provided to the existing customers will be affected by the change of control.

5. The new corporate owners are technically and financially able to support the service now provided by the regulated companies.

Conclusions of Law

1. The application should be granted.

2. D.86-08-057 authorized and directed the Executive Director to grant non-controversial applications for the transfer of control or assets of non-dominant carriers. D.90-06-025 confirmed that cellular resellers are non-dominant telecommunications carriers.

3. Since the application is not controversial, the following order should be effective immediately.

ORDER

IT IS ORDERED that:

1. Cellular Telephone Company of America, Inc. (CTA) may acquire and control Twentieth Century Cellular, Inc., Cellular Dynamics Telephone Company of Los Angeles, Inc., and Cellular Dynamics Telephone Company of San Diego, Inc. pursuant to the proposed transaction described in the application.

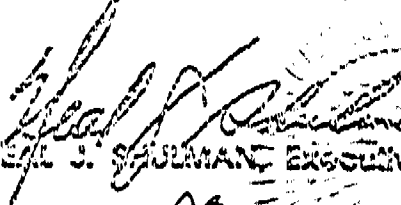
2. CTA shall submit to the Commission Advisory and Compliance Division within 30 days after the closing date of the proposed transaction a copy of each document evidencing the transaction.

This order is effective today.

Dated May 28, 1991, at San Francisco, California.

/s/ NEAL J. SHULMAN
NEAL J. SHULMAN
Executive Director

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


NEAL J. SHULMAN, EXECUTIVE DIRECTOR
RB

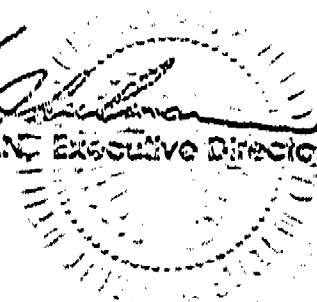


CHART 1 - Current Organization

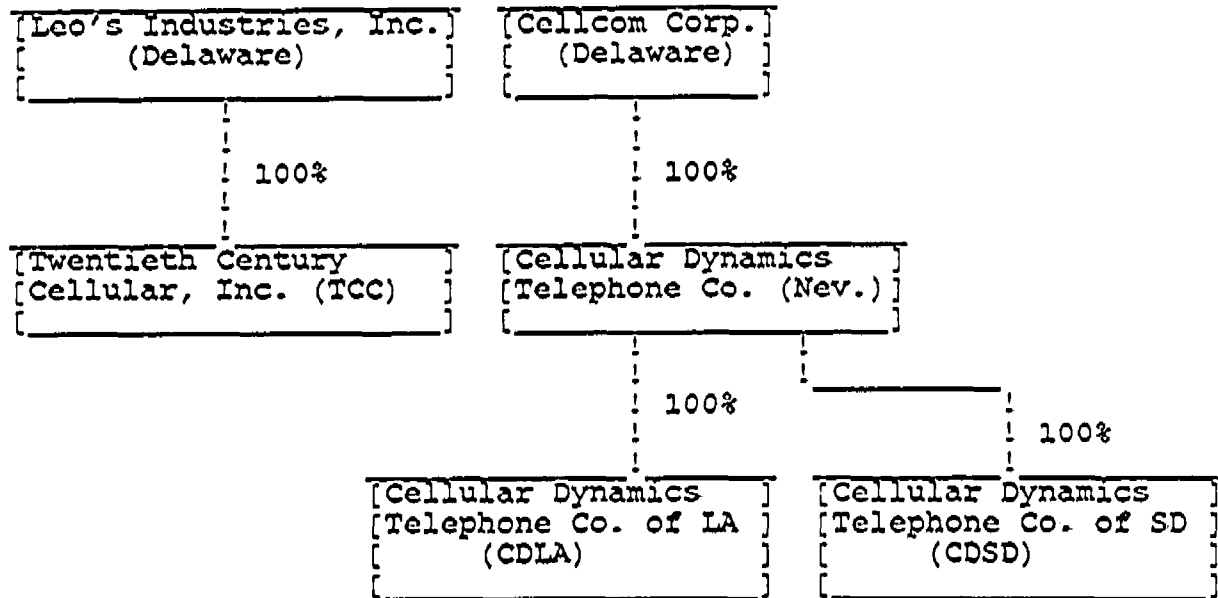


CHART 2 - Proposed Organization

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