

Decision 83 12 069 DEC 7 1983

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of	)	
MOBILE COMMUNICATIONS CORPORATION OF	)	
AMERICA, a Delaware corporation, and	)	Application 83-09-57
of MOBILE RADIO SYSTEM OF VENTURA,	)	(Filed September 20, 1983)
INC., a California corporation, pur-	)	
suant to §854 of the Public Utilities	)	
Code.	)	

O P I N I O N

Mobile Communications Corporation of America (MCCA) and Mobile Radio System of Ventura, Inc. (MRSV) seek authority under Public Utilities (PU) Code Section 854 for MCCA to control MRSV through the purchase by MCCA of 73.75% of the issued and outstanding capital stock of MRSV.

MRSV is a California corporation with its principal place of business in Ventura. It is a privately-owned company with 10,000 shares of issued and outstanding capital stock in the hands of 15 separate shareholders.

MRSV is one of the miscellaneous common carriers which has been issued a "grandfather" certificate of public convenience and necessity to operate as a radiotelephone utility (RTU) by Decision 62156, dated June, 1961 in Case (C) 6945. MRSV provides one-way paging and two-way radiotelephone service in Ventura County and portions of western Los Angeles County.

MCCA is a Delaware corporation with its principal place of business in Jackson, Mississippi. MCCA is a communications holding company. Through subsidiaries it provides radio common carrier services, including both one-way paging and two-way land mobile service, marine telephone service and air to ground service, as well as telephone answering service. It serves customers in 46 metropolitan areas throughout the United States. MCCA provides

financial, operating, and technical support to its subsidiaries through its management and engineering staffs and its computerized billing, bookkeeping, budgeting, inventory control, and market information capacity. With its subsidiaries, MCCA is the fourth largest radio common carrier in the United States with more than 100,000 paging units in service. MCCA's stock is traded in the over the counter market.

MCCA provides paging and mobile telephone service in the greater Los Angeles area through three wholly-owned subsidiaries: Mobilecomm of Los Angeles, Inc. (formerly Intrastate Radio Telephone, Inc. of Los Angeles), Intrastate Radio Telephone, Inc. of San Bernardino, and American Mobile Radio, Inc.

The agreement of sale encompasses both the stock of MRSV and of Pacific Communications Corporation (PCC), an affiliated non-utility company engaged in the telephone answering service business. In the agreement, holders of 73.75% of the outstanding capital stock of MRSV and of PCC agree to transfer and assign to MCCA their shares. In exchange for those transfers, MCCA will deliver, at closing, \$1,106,250.00 in cash, to be distributed pro rata among the shareholders in accordance with their ownership interests. Closing is conditioned upon obtaining all necessary regulatory approvals.

Following the transfer, MCCA will hold the stock of MRSV and provide financial, technical, managerial and operational support for its continued operation. The applicants have no present intent to merge or consolidate the properties of MRSV with MCCA with any subsidiary of MCCA, or with any other company.

The applicants state that the reasons for the proposed transaction are that the shares of MRSV are, for the most part, held by retired persons over the age of 65 or the estates or heirs of deceased original shareholders. Only one of the current shareholders actively participates in the management of the business.

The primary objective of the shareholders of MRSV in holding its shares has been to obtain annual cash dividends, which contribute to their maintenance and support.

However, the major changes taking place in the radio-telephone industry will require MRSV to reinvest most, if not all, of its earnings over the next four to eight years in new equipment if the company is to remain competitive. During this period substantial dividends cannot be expected, and retention of MRSV's stock is, therefore, no longer consistent with the investment objectives of the shareholders.

In order to compete with numerous, well financed, national corporations providing technologically advanced forms of service, MRSV has invested, and will invest, large sums of money in new plant. MRSV has committed itself to invest more than \$200,000 in terminal, transmitter, and microwave equipment in order to provide digital readout paging service. It will invest another \$56,000 in equipment to begin paging on the 900 megahertz (MHz) band. It will also be seeking \$6,000,000 in new financing to develop a cellular system, the application for which is now pending before the Federal Communications Commission.

Applicants allege that MRSV can remain competitive as a subsidiary of MCCA, which has the ability to generate capital on more favorable terms and which has investment objectives that include long term growth as well as generation of present income for its shareholders.

Applicants request ex parte handling of the application, alleging that the sale agreement provides that if final regulatory approval is not obtained on or before December 31, 1983, either party may cancel the agreement by giving thirty days notice. They also state that the estates of deceased shareholders cannot be conveniently closed until this transaction is concluded. A copy of the application was served upon each of seven RTUs operating in the greater Los Angeles area. No protest has been received. No protests were received from shareholders of either MCCA or MRSV concerning the merger.

Findings of Fact

1. The stock of MRSV is privately held by stockholders, many of whom are over the age of 65, and by the estates of deceased stockholders. Only one shareholder is presently active in the management of the business.

2. MRSV will need to redirect its internally generated funds from the payment of dividends to investment in new plant in order to compete in the rapidly changing RTU market.

3. The investment objectives of the stockholders are no longer compatible with the requirements of MRSV and therefore they desire to divest themselves of their shares in the business.

4. MCCA will be able to provide financial, managerial, technical, and operational support to MRSV to better enable it to compete with other RTUs in the greater Los Angeles area.

Conclusions of Law

1. The application of MCCA to control MRSV through the purchase of 73.75% of its outstanding capital stock should be granted.

2. The following order should be effective immediately to enable the transaction to be closed by December 31, 1983, and to enable the executors of the estates of deceased shareholders to conclude probate of those estates.

O R D E R

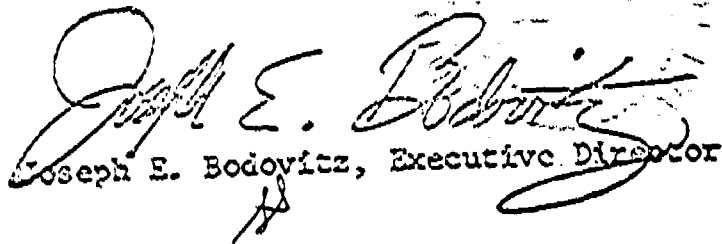
IT IS ORDERED that MCCA is authorized to control MRSV through the purchase of 73.75% of MRSV's outstanding capital stock as described in the application.

This order is effective today.

Dated DEC 7 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President  
VICTOR CALVO  
PRISCILLA C. GREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners

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

  
Joseph E. Bodovitz, Executive Director

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