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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Page America Communications of California, Inc., for a certificate of public convenience and necessity pursuant to Section 1001 of the Public Utilities Code to construct a new radio paging system in and around San Diego, California.	Application 83-01-39 (Filed January 19, 1983)
In the Matter of the Application of Page America Communications of California, Inc., for a certificate of public convenience and necessity pursuant to Section 1001 of the Public Utilities Code to construct a new radio paging system in and around Los Angeles, California.	Application 83-01-41 (Filed January 19, 1983)

O P I N I O N

In Application (A.) 83-01-39, as amended, Page America Communications of California, Inc., (PAC), a California corporation, requests a certificate of public convenience and necessity to construct and operate radio communication facilities for the purpose of providing one-way radio paging service on radio frequency 35.24 megahertz (MHz) with base stations located at San Miguel Mountain, Otay Mountain, and Palomar Mountain in the San Diego area. The original application was protested by GENCOM, Inc., but upon the application being amended GENCOM, Inc. withdrew its protest. No other protests to the application or amended application have been received. The application shows that PAC has the requisite Federal Communication Commission (FCC) construction permit and frequency assignments to construct and operate the three base stations.

In A.83-01-41, as amended, PAC requests a certificate of public convenience and necessity to construct and operate radio communication facilities for the purpose of providing one-way radio paging service on radio frequency 35.24 MHz with base stations located at Verdugo Peak (near Glendale) and Palos Verdes. The application shows that PAC has the requisite FCC construction permit and frequency assignments to construct and operate the two base stations. The original application was protested by ICS Communications, Intrastate Radio Telephone, Inc. of Los Angeles (now known as Mobilecomm, Inc.), and General Telephone Company of California (General). Upon the application being amended all protestants withdrew their protests. Other than as set out above no protests have been received to either the original or amended application.

One service area PAC proposes to serve in the San Diego area, represented by the combined outer limit of 43 dBu reliable signal strength contours, extends from the coast at Ocean Beach inland in an arc to the northeast to the Miramar Naval Air Station, then in an arc to the southeast through Alpine to a point on the United States--Mexico border east of Tecate. The other service area extends in an imperfect circle approximately between Vista on the west, Aguanga on the north, Warner Springs on the east, and Ramona on the south.

PAC's Los Angeles area 43 dBu service area describes a land area within a line generally between Topanga Beach, Newhall, Monrovia, El Monte, Whittier, Downey, Long Beach, then along the coast to Topanga Beach.

Each transmitter will initially be controlled through leased wireline or microwave connection with a DAY Data Page 480 terminal. The paging terminal will automatically dispatch messages without the assistance of operators. PAC anticipates that if, as, and when additional transmitter sites are added and the use of the system increases, the lease line control circuits will be replaced with 72 MHz, 900 MHz or FM subcarrier control links. Base station and control equipment will be installed and maintained by Motorola Communications and Electronics, Inc. which will also provide 24-hour repair and technical monitoring of all locations. All antennas and transmitters will be installed on existing towers or in existing buildings used to support or house radio transmission facilities, and terminal and other ancillary equipment will be housed in rented office space. Suitable paging receivers may be leased or purchased from an affiliate of PAC which will maintain sales and service facilities throughout the San Diego area. Receivers may also be purchased from nonaffiliated sources.

Subscribers to PAC's paging services will carry a small radio receiver tuned to the transmitter frequency. The receiver will react when the unique telephone number associated with the subscriber's receiver is dialed from any station on the public switched telephone network, using standard end-to-end dialing techniques. When the number assigned to it is dialed, a tone-only receiver will react by emitting a "beep" tone which alerts the user to take some predetermined course of action. The tone plus digital display receiver reacts by emitting a tone which alerts the subscriber that a message consisting of up to 40 numeric characters has been transmitted to and is stored in memory in his receiver. The message, which the caller conveys by use of the touch tone pad on his telephone, appears visually on a liquid crystal display incorporated into the receiver when the subscriber desires to retrieve it. Tone

plus voice paging consists of a tone followed by a short voice message not exceeding 10 seconds in duration.

Concerning the adequacy of the number of base stations to serve each service area effectively PAC states as follows:

> "Applicant is aware that, due to the inherent characteristics of the 35 MHz radio band, the [number of] transmitters specifically proposed herein may not generate a signal capable of effectively penetrating certain types of structures throughout the indicated service area contour. PAC intends to construct and integrate into its system such additional 'fill-in' transmitters as may be necessary to insure adequate coverage throughout its contour. A number of potential 'fill-in' transmitter sites have been identified, and financial planning of the system has considered the need for...additional sites. However, due to the highly restrictive entry standards which your Commission has, until recently, applied in RTU entry matters, and the consequent uncertainty of obtaining state certification, applicant has not deemed it prudent to undertake the expense of obtaining FCC authorization for the additional sites until state authorization has been obtained or appears reasonably certain."

PAC expects the installation costs of the facilities in the San Diego area to be approximately $194,000 exclusive of $200,000 which it anticipates it will need for start up working capital. During the first year of operation in the San Diego Area PAC expects that its revenue will be approximately $131,100 and its expenses will be $183,000 for a net loss of $51,900. However, it expects its revenue to increase approximately 25% annually and for the fourth year of operation it expects its revenue to be $256,054 and expenses to be $188,000 for a net annual fourth year profit of $68,054.

PAC expects its Los Angeles area installation costs will be $151,000 and its working capital needs will be $250,000. Anticipated first year revenues will be $160,930 and expenses $205,000 for a

first year loss of $44,070. It anticipates its fourth year revenue will be $313,846, expenses $210,000, and net profit $103,846.

The applications show that Page America Group, Inc. (PAGI) is the sole stockholder of PAC, which states that PAGI will provide the capital necessary for construction and initial operation of all facilities. A copy of a letter of intent from PAGI is attached to each application confirming PAGI's intention to make available to PAC these capital funds. PAGI's consolidated balance sheet as of March 31, 1983 is attached to each aplication and shows that on that date PAGI had a net worth of $3,257,200.

Responsibility for supervision and control of the proposed radiotelephone utility operations will reside in the principals and management of the parent corporation, PAGI. A district manager, reporting directly to PAGI's Director of RCC Operations, will be employed in each of the Los Angeles and San Diego areas to manage day-to-day operations of the business and facilities. Each District Manager will be responsible for hiring local personnel and working with contractors to insure that convenience and adequate service are maintained. PAGI's chief executives have had extensive experience in the radiotelephone business, in both the offering of radiotelephone services and the technical aspects of radiotelephone facilities and equipment. Currently, PAGI has launched its Gateway Communications Center program which will enable customers to obtain a complete package of local, regional, nationwide or international communication services tailored to their needs.

Based on their extensive experience in the radiotelephone business, PAGI's principals and management personnel are aware of a substantial need for PAC's enhanced paging services as well as for traditional paging services. In order to gauge more accurately the extent of this need, they conducted a survey of a limited number of potential paging customers in the Los Angeles area, which showed that

interviewees expressing a willingness to subscribe to PAC's proposed service require a total of 493 paging units. A review of the annual reports (Form Ls) filed with the Commission by the eight primary radiotelephone utilities presently serving the Los Angeles Area shows tnat while only 26,211 pagers were in service in that market at the end of 1975, 117,946 units were in service at the end of 1981, an increase of 450% or an average of 30% per year. A survey they conducted in the San Diego area showed that interviewees expressing a willingness to subscribe to the proposed service require a total of 144 paging units. A review of the annual reports filed with the Commission by GENCOM, Inc., the only radiotelephone utility presently serving the San Diego area shows that while only 3,073 pagers were in service in this market at the end of 1975, 13,576 units were in service at the end of 1981, an increase of 442% during this period, or a 27% increase per year. PAC expects the growth trend in both the Los Angeles and San Diego areas to accelerate as technological advances make new services, such as digital readout and network paging, available, thus expanding the uses of and potential market for paging. PAC contends these facts demonstrate that a grant of the two applications will not so damage existing service or the particular marketplace as to deprive the public of adequate service and will benefit the public interest in generating additional competition and by making unique services available.

PAC points out that its FCC licenses expire December 20, 1983 and for that reason requests the Commission issue the proposed certificates as soon as possible before the expiration of its FCC permits.

Discussion

PAC warns of possible technical shortcomings in its proposed service by indicating that the number of base stations proposed in each application may not generate a signal capable of

effectively penetrating certain types of structures due to the inherent characteristics of the 35 MHz band and that more base stations may be needed to insure adequate coverage. PAC expressed a willingness, should it be certificated to perform the requested service, to follow through and, where necessary, install fill-in transmitters. We do not think PAC's caveat should cause the application to be denied. While the quality of service without the fill-in transmitters may not be as good as with the fill-in transmitters, we believe that PAC's own acknowledgement of this possibility, its taking steps to identify a number of possible fill-in transmitter sites, and its stated willingness to take corrective action if found necessary, lend assurance that adequate service will be achieved. Furthermore, PAC knows full well that if it gives poor quality service it will lose customers and potential customers to its competitions, of which there will be many. This last factor is sufficient incentive for PAC to determine without delay whether or not fill-in transmitters are necessary and, if necessary, to place them in operation. It will be noted that we have given PAC 24 months in which to begin operations, sufficient time in which to determine the need for, and to construct fill-in transmitters.

Findings of Fact

1. PAC requests that it be certificated to construct and operate radiotelephone utility facilities in the Los Angeles and San Diego areas as more particularly set forth in its applications.

2. PAC possesses the requisite FCC construction permits.

3. The applications, as amended, are not protested.

4. PAC expects its start up capital needs for the proposed services to total $795,000, which will be advanced to PAC by its parent company PAGI.

5. As of March 31, 1983 PAGI had a net worth of $3,257,200.

6. Operations in each of the two areas are expected to show a net profit by at least the end of the fourth year of operation.

7. PAGI's executives, who will oversee much of the installation and operation of the proposed facilities and service, have had extensive experience in the technical aspects and service of radiotelephone utilities.

8. There has been a substantial increase in the number of paging units in use in each of the proposed service areas during the last several years.

9. Surveys indicate potential subscribers to PAC's Los Angeles area service would require 493 paging units and those willing to subscribe to PAC's San Diego area service would require 144 paging units.

10. PAC is financially fit to institute and maintain the proposed service.

11. The proposed service is technically feasible.

12. Public convenience and necessity require the issuance of the proposed certificates.

13. A grant of the proposed services will not so damage existing service or the particular marketplaces as to deprive the public of adequate service.

14. A hearing is not necessary.

15. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Conclusions of Law

1. The applications should be granted.

2. Since PAC's FCC construction permits will expire in the near future this decision should be made effective today.

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 Page America Communications of California, Inc. (PAC) for the construction and operation of a public utility one-way radiotelephone system with base stations and service areas as follows:

Base station locations:

1. San Miguel Mountain, 13 miles east of the City of San Diego.
2. Otay Mountain, City of San Diego.
3. 3.8 miles South of Palomar Mountain Observatory, City of Palomar Mountain.

Service Areas: As set out in Exhibit C of A.83-01-39.

2. A certificate of public convenience and necessity is granted to PAC for the construction and operation of a public utility one-way radiotelephone system with base stations and a service area as follows:

Base station locations:

1. Verdugo Peak, City of Glendale.
2. 28501 High Ridge Road, Palos Verdes.

Service Area: As set out in Exhibit C of A.83-01-41.

3. PAC is authorized to file, after the effective date of this order, tariffs applicable to the service authorized containing rates,

rules, and charges otherwise applicable to its radiotelephone services. This filing shall comply with General Order 96-A. The tariffs shall become effective on not less than 10 days' notice.

4. PAC shall file, after the effective date of this order, as part of its individual tariff, engineered service area maps drawn in conformity with the provisions of the Federal Communications Commission Rule 22.504, commonly known as the "Carey Report".

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

6. The certificates granted and the authority to render service under the rates, rules, and charges authorized will expire if not exercised within 24 months after the effective date of this order.

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