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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION  
Telecommunications Branch

RESOLUTION NO. T-13082  
July 19, 1989

R E S O L U T I O N

REQUESTS FOR WITHDRAWAL OF 2-WAY MOBILE RADIOTELEPHONE SERVICE. ADVICE LETTERS NO. 6 OF MOBILECOMM OF CALIFORNIA, INC., NO. 76 OF GENCOM INCORPORATED, NO. 27 OF RADIOCALL CORPORATION, NO. 27 OF RADIO DISPATCH CORPORATION, NO. 125 OF ICS COMMUNICATIONS, AND NO. 39 OF RADIO RELAY CORPORATION.

SUMMARY

Authority is granted these radiotelephone utilities to withdraw 2-way mobile radiotelephone service (non-cellular). In the case of Mobilecomm of California, Inc., Radiocall Corporation, Radio Dispatch Corporation, ICS Communications, and Radio Relay Corporation, the utilities' Federal Communications Commission licenses for the 470-512 MHz Band have been reassigned to the cities of Burbank, Compton, Glendale, Torrance and Whittier. In the case of Gencom Incorporated, the company's Manual Mobile Service offering has experienced significant losses.

We find that the losses to provide these services outweigh the revenues produced; even though there are present customers for the service, with investment in customer-owned mobile equipment, there exist alternatives for those customers desiring to continue receiving mobile telephone service, in the form of other public utility radiotelephone service (IMTS or cellular) or private 2-way mobile telephone service (Specialized Mobile Radio).

BACKGROUND

On April 14, 1989, Mobilecomm of California, Inc. (U-2032-C) filed Advice Letter No. 6; on May 8, 1989, Radiocall Corporation (U-2046-C) filed Advice Letter No. 27 and Radio Dispatch Corporation (U-2047-C) filed Advice Letter No. 27; on May 10, 1989, ICS Communications (U-2033-C) filed Advice Letter No. 125; on May 11, 1989, Radio Relay Corporation (U-2049-C) filed Advice Letter No. 39.

The purpose of these filings is to withdraw these utilities' 2-way radio telephone service for "automatic interconnected mobile

telephone service (IMTS) on certain FCC licensed channels in the 470-512 MHz band. The service, which was introduced prior to the advent of cellular, is now being abandoned by its customers, and substantial losses are being incurred by the utilities.

In addition, a majority of the FCC licenses held by these utilities in this band have been reassigned by the FCC to the cities of Burbank, Compton, Glendale, Torrance and Whittier.

On April 24, 1989, Gencom Incorporated (U-2019-C) filed Advice Letter No. 76. Gencom proposes to discontinue its 2-way Manual Mobile Service because the utility is experiencing significant losses compared to the revenues generated; the utility proposes to continue utilizing the channels currently used for Manual Mobile Service for other certificated utility services, including Automatic Interconnected Mobile Telephone Service.

A protest was received against Advice Letter No. 76 of Gencom; the protest alleges that the statement of financial losses by Gencom in the provision of Manual Mobile Service has not been proved.

#### DISCUSSION

In the case of Mobilecomm, Radiocall, Radio Relay, ICS, and Radio Dispatch (utilities doing business under the name of Common Carrier Communications) initial IMTS service in the 470-512 MHz band was introduced in the early 1980's, with about 1,000 subscriber units in service. Cellular service came to the Los Angeles area in mid-1984, offering superior coverage, greater capacity, and less expensive customer terminal units. Gradually, IMTS customers have migrated toward cellular and other alternative private (SMR or trunked radio) services. Fewer than 182 customer units are now served in the 470-512 MHz band by the utilities. Total revenues for the utilities were \$113,882 in 1988, against which expenses of \$353,336 were charged.

The utilities propose to discontinue the service effective July 31, 1989; the utilities will assist customers in acquiring cellular service and terminal units.

All affected customers have been noticed of the proposed discontinuance; complaints have been received by the Commission Advisory and Compliance Division (CACD) staff. The general concern of the customers is with the loss in value and investment for the customer terminal equipment purchased to receive this service.

We find that it is reasonable for the utilities to be allowed to withdraw their IMTS offerings in the 470-512 MHz band; the utilities have lost significant customer base to competing mobile services, public and private, and the majority of their frequencies in this band have been reassigned to public safety use by the FCC. Being required to continue serving the few remaining customers on this

470-512 MHz band would continue to be non-compensatory for the utilities. Viable alternative 2-way mobile services exist for the present 470-512 MHz customers. It is unfortunate that these 470-512 MHz customers will lose value and investment in certain customer terminal equipment, but customer terminal equipment has been unregulated since 1984, and is the responsibility of the customer, not the utility.

As for the proposed withdrawal of Manual Mobile Service by Gencom, we find that again the losses associated with providing the service are significant. A protest was received that the losses claimed by Gencom in the provisioning of this service have been unproved. The company responded to the protest by stating it has lost approximately 70% of the Manual Mobile Service subscribers since January 1986. CACD staff reviewed the annual reports filed by Gencom, and observed significant reductions in customer base and revenues for mobile services offered by the company. The company provided additional confidential financial data for CACD staff to review that confirms the company claim of substantial Manual Mobile Service losses. The costs and expenses to provide Manual Mobile Service exceed the revenue generated from this service by 142%. The utility has likewise experienced a reduction in its Manual Mobile Service subscriber base of 70% since January 1986. The utility estimates that if it raised rates for the service to make it profitable, more, if not all, of the utility's Manual Mobile Service subscribers would terminate.

Viable 2-way mobile service alternatives exist for Gencom's Manual Mobile Service subscribers; these include the utility's own IMTS offerings, private SMR services in the area, and public utility cellular radiotelephone service. Some Manual Mobile Service customers have complained about the withdrawal of this offering to CACD staff; the principal concerns are loss in value and investment in expensive terminal equipment.

Again, we find that it would be unreasonable to require the utility to continue an unprofitable service when there exist viable 2-way mobile telephone service alternatives for its Manual Mobile Service subscribers. It is unfortunate that the subscribers will incur financial loss with the forced obsolescence of the terminal equipment. But customer terminal equipment is deregulated and is the responsibility of the customer. Should the company reconsider its decision to withdraw this service, it would be free to apply for a rate increase to make the service compensatory; such a rate increase could be granted after the company makes a showing that the increase is justified. The company has surmised that an authorized rate increase would reduce the subscriber base even further, to the point where it could not be profitable.

FINDINGS

1. Mobilecomm, Radiocall, Radio Relay, ICS, and Radio Dispatch are offering a 2-way mobile telephone service which is unprofitable and for which they have lost FCC licenses to provide.
2. There are alternative 2-way mobile telephone services for the 187 remaining customers of Mobilecomm, Radiocall, Radio Relay, ICS, and Radio Dispatch.
3. The customer terminal equipment is the responsibility of the customers of Mobilecomm, Radiocall, Radio Relay, ICS, and Radio Dispatch.
4. Gencom is operating a 2-way manual mobile service which is unprofitable. CACD staff has confirmed the losses.
5. There are alternative 2-way mobile telephone services available to the customers of Gencom.
6. The customer terminal equipment is the responsibility of the customers of Gencom.
7. There is no indication that any customer is using any of these services for fixed access to basic exchange service or that any customer lacks alternative mobile or fixed access to basic exchange service.

IT IS ORDERED that:

(1) Mobilecomm, Radiocall, Radio Relay, ICS, and Radio Dispatch are authorized to withdraw their offerings of Automatic Interconnected Mobile Telephone Service (IMTS) in the 470-512 MHz band, as requested in Advice Letters on file with the Commission.

(2) Gencom is authorized to withdraw its offer of Manual Mobile Service as requested in Advice Letter No. 76, filed April 25, 1989. The protest to Advice Letter No. 76 is dismissed.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 19, 1989. The following Commissioners approved it:

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
Commissioners

*John H. Weisell*  
Executive Director

Commissioner Patricia M. Eckert,  
being necessarily absent, did  
not participate.