

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Branch
Commission Advisory and Compliance Division

RESOLUTION T-14102
Date August 8, 1990

R E S O L U T I O N

RESOLUTION T-14102. PACTEL PAGING OF CALIFORNIA (U-2111-C). REQUEST FOR WITHDRAWAL OF TWO-WAY MOBILE RADIOTELEPHONE SERVICE IN THE SAN FRANCISCO, SACRAMENTO-DELTA, AND SANTA CRUZ REGIONS.

BY ADVICE LETTER No. 10, FILED ON JUNE 8, 1990.

SUMMARY

This resolution authorizes PacTel Paging of California (PacTel/utility) to withdraw its two-way mobile radiotelephone service in its San Francisco, Sacramento-Delta, and Santa Cruz regions. The utility is experiencing a significant decrease in earnings when compared to the revenues generated by this service. Alternatives exist for those affected customers who wish to continue receiving mobile telephone service; those alternatives are cellular telephone service and Specialized Mobile Radio (SMR).

PacTel will continue to utilize the withdrawn Mobile Service radio channels for its other certificated services, such as one-way paging. Protests were received from a number of customers. The utility responded to the protests. The protests have been dismissed.

BACKGROUND

PacTel Paging of California is a radiotelecommunications utility (RTU) that provides one-way and two-way mobile radiotelephone service. The utility filed Advice Letter No. 10 to terminate its two-way mobile radiotelephone service in its San Francisco, Sacramento-Delta, and Santa Cruz regions. The emergence and accessibility of cellular radio service to the public mobile telecommunications market has directly affected the growth and stability of this service.

PacTel has been experiencing a steady decrease in its two-way mobile service customers in the last five years. Since January 1987, the utility's mobile service subscribers has declined by more than 74%. There are currently 86 customers on this service: 46 customers in the San Francisco region, 12 customers

in the Sacramento-Delta region, and 28 customers in the Santa Cruz region; compared to 217 in 1987. This decrease in customers directly affects the earnings generated by this service.

PacTel's two-way mobile radio subscribers can be placed into two categories depending on their terminal equipment; they either have manual or automatic mobile radio. Manual mobile radio service employs the use of operators to receive and transmit radio calls between mobile radio subscribers and other mobile subscribers, or between mobile radio subscribers and landline users. These operators have to be present at their terminals 24 hours a day. In automatic mobile radio service, the utility's switching equipment performs all the necessary interconnecting functions. Currently, there are approximately 15 customers with automated service, and the balance have manual service.

Staff sent a data request to the utility on June 26, 1990 (Appendix A) for information to support this service withdrawal. This data request included proof of financial hardship, proof of customer decline, and a list of viable alternatives available to the remaining customers who wish to continue using radio telecommunications service. The utility provided staff with the requested information on July 10, 1990.

PROTESTS

A number of protests were received. The main issues mentioned in the protests were:

1. Termination of service would be in violation of Federal Communications Commission's (FCC) Rules. Protestants claim that the utility's license is limited to providing two-way service and is prohibited from providing one-way paging.
2. Utility failed to provide any compensatory service for the mobile users who will have their service discontinued.
3. Utility's losses are the result of its poor quality of service; for example, slow response to complaints, and poorly trained operators who sometimes do not complete calls or seem unfamiliar with the system.

The utility filed a response to the protests on July 3, 1990. In response to the first protest, the utility points out that the FCC previously allocated some common carrier channels primarily for two-way mobile telephone use but allowed one-way paging as a secondary service. The FCC eliminated this rule with respect to the common carrier mobile channels which the utility holds. The utility quotes Subchapter B, Part 22.501 (b) of the FCC's Code which reads:

"The following base and mobile channel frequencies may be assigned on a paired basis to communications common carriers for the following services: (1) one-way public land mobile service; (2) any one-way public land mobile service..."

This allows the utility to provide one-way service with its licensed channels as well as two-way service.

In response to the second protest, PacTel's Advice Letter No. 10, and notice to customers of the proposed discontinuance of service (Appendix B), offers to provide assistance to its customers in seeking other services. The utility feels that the true issue behind the second complaint is that the existing customers are upset that they will not get compensated for their terminal equipment which they may have to replace if they subscribe to a new service. Since all customers do not share the same type of service, they must have the proper terminal equipment in order to operate according to the new providers' specifications.

Customer owned terminal equipment is a deregulated item, and the Commission cannot enforce any measure for the utility to make any kind of compensation to each customer who is left with obsolete equipment, or who needs to replace their existing equipment in order to sign on with another mobile radio service provider.

With regard to the third protest, PacTel claims its service to be more than adequate. They also agree that "its manual mobile service may have been at times below its standards." PacTel feels that some of this blame can be attributed to a third party. The utility contracts its operator service for its manual mobile customers to a Santa Cruz company. They report that many of the manual mobile customer complaints can be due to "the low use of Utility's mobile telephone service, (since) these operators do not get sufficient work to maintain their training." The low call traffic these operators receive does not contribute to the provision of efficient service.

This 24-hour operator service has been provided under contract since 1989 because the utility found it more economical than providing its own operator service. The utility further points out that had this contract not been obtained they would have requested to discontinue this service last year.

Staff consulted with the Commission's Consumer Affairs Branch on the utility's service and found no major or outstanding complaints filed against PacTel in the last three years.

DISCUSSION

Some protestants have questioned why the company does not file a rate increase to compensate this money losing operation. In taking 1989 figures, the revenue generated by the Two-way Mobile Radio service was \$38,180 while the expenses were \$47,188. This

translates to an increase in revenues of approximately 23.6% for the utility to meet operating expenses. This increase does not take into account any compensation for the utility's capital investment to provide this service. Should this be taken into consideration, the overall increase will be significant. The utility feels that if they were to increase these two-way mobile rates, more of the existing customers would terminate service.

While the utility as a whole is making a profit, the two-way mobile radiotelephone service is not. In 1989, its revenues for mobile radio service was approximately 0.26% of the utility's total revenues (utility's mobile revenues were \$38,180 while the utility's total revenues were \$14,388,666). Should the utility decide to propose to raise their rates, they would have to comply with Article 6, Rule 23 (f) of the Commission's Rules of Practice and Procedure; Rate Increase Applications, which states:

"In rate applications involving a utility having more than one department, district or exchange, the earning should be presented for the total utility operations for the company, as well as for the part of the operations for which rate increases are sought."

The impact of a rate relief to compensate expenses incurred in providing mobile radio service will be negligible since the affected revenues are only a small amount of the utility's total revenues. It appears that the utility's overall earnings will not merit a rate increase.

Another concern resulting from the proposed service withdrawal is whether or not alternatives exist for the affected customers. In response to staff's data request, the utility provided a list of alternative service providers for its customers. The list includes cellular service providers and other public, as well as private automatic and manual radio mobile service providers. The only drawback for the customers, as was mentioned earlier, is that there is no guarantee that the customer owned terminal equipment will be compatible with any of these alternative services.

This list shows that the withdrawal of this service will not leave the customers unattended.

FINDINGS

1. PacTel Paging of California's two-way mobile radio telecommunications service has not been generating revenues to compensate for the expenses necessary to operate.
2. PacTel has been experiencing a steady decline in customers for this service in the last three years.
3. A majority of the present customers use manual mobile service.

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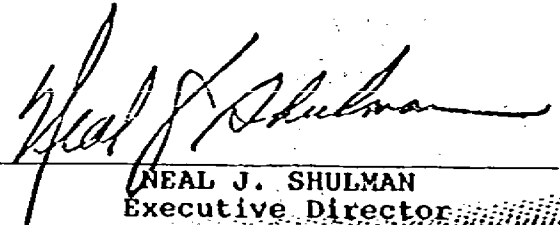
4. PacTel's present license permits them to provide one-way paging in place of the withdrawn two-way mobile service.
5. A rate increase would not be a viable alternative for the utility to recover expenses.
6. Viable alternatives exists for those customers who wish to continue using radio telecommunications service.

THEREFORE, IT IS ORDERED that:

Advice Letter No. 10 of PacTel Paging of California requesting authority to withdraw its two-way mobile radiotelephone service in the San Francisco, Sacramento-Delta, and Santa Cruz regions be made effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 8, 1990. The following Commissioners approved it:

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


NEAL J. SHULMAN
Executive Director

PUBLIC UTILITIES COMMISSION

555 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

APPENDIX A



June 26, 1990

Mark Stachiw
PacTel Corporation
130 Kearny Street, Suite 2759
San Francisco, CA 94109Re: PacTel Paging of California
Proposed Withdrawal of Service

Dear Mr. Stachiw:

We have received the supplemental information you have sent to support PacTel Paging of California's withdrawal of its two-way mobile service through its Advice Letter No. 10. This information supports those statements which contend that costs and expenses of Mobile Service exceed the revenues generated. However, we need additional information in order to expediate the processing of this the Advice Letter.

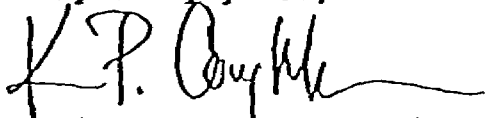
Please provide staff with the following information:

- o The analysis of PacTel Paging's Mobile Revenue vs. Expenses from 1984 thru 1989 by region (San Francisco, Sacramento-Delta, and Santa Cruz).
- o The number of 2-way mobile subscribers affected by this discontinuance of service; also by region.
- o The number of 2-way mobile subscribers from 1984 thru 1989 (yearly and by region).
- o The number of requests for 2-way mobile service and those that were accommodated from 1984 thru 1989 (also yearly and by regions).
- o A list of competing 2-way mobile service providers, public or private in the areas affected that would serve as alternate service providers; identify those providers compatible with present subscriber terminal equipment.

Mark Stachiw
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It should be noted that any request for the withdrawal of service requires the authorization of the Commission and this advice letter will not become effective until this authorization is received. Please address all correspondence on this matter to Ed Suriaga. He may be reached at (415) 557-9233.

Very truly yours,



Kevin P. Coughlan, Chief
Telecommunications Branch
Commission Advisory and Compliance Branch

cc: E. Suriaga ✓

APPENDIX B

EXHIBIT B

Dear Customer:

You are currently receiving Two-Way Mobile Service ("Mobile Service") from PacTel Paging of California (U 2111 C) (formerly Intrastate Radio Telephone, Inc. of San Francisco, Santa Cruz Telephone Answering and Radio Service, and Delta Mobile Radio Service, Inc.) ("Utility"). Due to the financial losses associated with providing Mobile Service, Utility has proposed to the California Public Utilities Commission that it terminate Mobile Service for San Francisco, Sacramento-Delta, and Santa Cruz region subscribers. Utility will, however, still continue to provide paging services.

Utility will assist you in either transferring to Automatic Interconnected Mobile Telephone Service (offered by Pacific Bell) or to Cellular One cellular telephone service. Of course, you will have to pay for any additional equipment necessary to use such other service, and all service charges for such other service (including, but not limited to, service activation fees, deposits, equipment fees, and equipment installation fees).

You may communicate with the California Public Utilities Commission concerning this planned discontinuance of Mobile Service within twenty (20) days of the date of this notice by writing to the following address (with a copy to Utility):

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Sincerely,

PacTel Paging