

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Branch  
Commission Advisory and Compliance Division

RESOLUTION T-14150  
September 25, 1990

R E S O L U T I O N

RESOLUTION T-14150. LOS ANGELES CELLULAR TELEPHONE COMPANY. REQUEST AUTHORITY TO OFFER A VIP PROGRAM TO THE UTILITY'S HEAVIEST USERS WITH CERTAIN BENEFITS DESCRIBED IN THE TARIFFS.

BY ADVICE LETTER Nos. 47 AND 47A; FILED ON JULY 12, 1990, AND SEPTEMBER 12, 1990 RESPECTIVELY.

SUMMARY

This resolution authorizes Los Angeles Cellular Telephone Company (LA Cellular/utility) to implement a "VIP Plan" in its retail tariff schedules which is designed to provide the Utility's heaviest users with certain benefits described in its tariffs. A protest was received from Cellular Resellers Association, Inc. The utility responded to the protest. The protest has been dismissed.

BACKGROUND

LA Cellular is a facilities-based cellular radiotelephone service provider in the Greater Los Angeles Area. The utility has filed Advice Letter No. 47 on July 12, 1990 to implement a "VIP Plan" in its retail tariffs, which offers certain benefits from its tariffs to its heaviest users.

Membership into the plan will last for at least one year with the following entitlements:

1. An opportunity to obtain up to \$2,000 in insurance coverage for the subscriber's cellular telephone at bulk rates negotiated by the utility with an insurance carrier of its choice;
2. Complementary messaging and custom calling services for a period of sixty days;
3. Complementary cellular phone inspection and tune-up;
4. Complementary use of a cellular phone for a period not to exceed 30 days, when the customer's phone is lost or stolen;

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5. Immediate access to customer services by dialing STAR \* VIP;
6. Roadside services (battery charges, fuel, and similar emergency services) on a complementary or reduced cost basis.

PROTESTS

A protest was filed by Cellular Resellers Association, Inc. (CRA) on August 1, 1990. CRA points out two major issues. In its first allegation, CRA believes that the items offered by LA Cellular do not classify as nominal gift items as described in Commission Decision (D.) 90-06-025 Ordering Paragraph 16b, which listed key chains, pens, maps, as examples of nominal gift items. It estimated LA Cellular's benefit package to cost approximately \$207 per customer, which it considers more than a nominal value. A breakdown of CRA's cost estimates is shown below:

\$2,000 telephone insurance coverage:	\$35
Complementary messaging and custom calling:	22
Complementary phone inspection:	35
Complementary use of cell. phone for 60 days:	50
Roadside Services:	<u>65</u>
TOTAL	\$207

CRA's second allegation is that the VIP Program does not provide adequate discretionary guidelines on how a subscriber can qualify for membership into the program.

LA Cellular filed a response to the protest on August 9, 1990, and a supplement to its Advice Letter on September 12, 1990 to clarify certain issues mentioned in the protest.

DISCUSSION

In response to the first allegation, LA Cellular states that CRA made incorrect assumptions in its estimate for the VIP package. It explained that the total value of each package can be equated to no more than \$59.00 per subscriber. It broke down costs to be:

\$2,000 telephone insurance coverage:	\$ 0
Complementary messaging and custom calling:	22
Complementary phone inspection:	25
Complementary use of cell. phone for 60 days:	0
Roadside Services:	<u>12</u>
TOTAL	\$59

The Advice Letter does not say that the utility will pay the cost of telephone insurance coverage for the customers. It states that the customer will have the opportunity to obtain up to \$2,000 in insurance coverage at bulk rates negotiated by the utility. The utility also clarifies that the complementary use of cellular phones, "loaners" to VIP customers whose units have been lost or stolen, will cost them nothing. LA Cellular will use about 20 phones which have been provided to them on a

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complementary basis by manufacturers. The utility is in the process of negotiating for roadside services to VIP customers in consideration for a payment of \$12.00 per customer.

LA Cellular feels that the amount of its VIP package is comparable to the one offered by Los Angeles Cellular SMSA's (LASMSA) "Provisional Gift Program", which became effective June 14, 1990, pursuant to Advice Letter No. 63. In this program, LASMSA will provide current retail customers a gift of no more than \$50.00 in value if they agree to remain on LASMSA's service until October 31, 1990. LA Cellular's program differs from LASMSA's in that LASMSA's \$50 gift is not credited against any of its cellular service elements.

It appears that these programs can be seen as incentives for the utility's customers to remain with their respective service provider. The recent cellular decision encourages competition among cellular telephone service providers, and this is one way of promoting competition in the market. LA Cellular's VIP Program provides at least three options to its customers: They can continue at their present usage rate to earn those benefits; decrease their usage if they feel the benefits do not compensate them for their amount of usage; or leave the system for another carrier.

LA Cellular likens this program to promotional offerings other cellular utilities have been offering; such as, discounts and waived activation fees which have been approved by the Commission. The subject of the amount exceeding a nominal value can be attributed to the fact that the anticipated revenues of each VIP participant dwarfs the cost of each VIP plan. The utility feels that this offering will only enhance cellular competition.

CRA's allegation that the utility's Advice Letter does not provide the adequate discretionary guidelines on how to qualify for the VIP Program has merit. Advice Letter 47's proposed tariff reads:

"Utility will periodically qualify subscribers with the highest billed minutes of use during the previous six months for membership in Utility's VIP Program."

This statement does not clearly provide adequate restrictions for a subscriber to qualify for this program, and gives the utility freedom to impose this program "periodically". LA Cellular clarified these issues by filing Supplemental Advice Letter 47A which revised this statement to be more restrictive. The revised statement reads:

"Utility will, at intervals of no less than 6 months, qualify subscribers with the highest billed minutes of use during the previous six months for membership in Utility's VIP Program, provided, however, that said subscribers have incurred charges of at least \$250 per month."

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The new statement requires the subscriber to have incurred charges of at least \$250 per month for the last six months to qualify for membership. The utility will also implement this program at intervals of no less than six months at a time. Further discussion with utility's counsel revealed that it is the utility's intention to offer this program twice per year and will implement it as soon as Commission authorization has been obtained.

FINDINGS

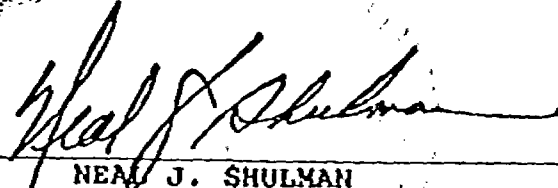
1. The cellular industry is a competitive industry, and it is in the interest of the Commission to foster this market.
2. The utility's VIP Program can be equated to the various promotional programs offered by other utilities to attract or retain subscribers.
3. A subscriber will qualify for membership into the VIP program for one year if he or she has incurred charges of at least \$250 per month in the last six months prior to the month of the program's offering.
4. The utility will offer this program twice a year.
5. The protest of Cellular Resellers Association, Inc. is dismissed.

THEREFORE, IT IS ORDERED that:

1. Los Angeles Cellular Telephone Company shall offer its VIP Program twice a year, every six months.
2. All terms of the VIP Program as described in Los Angeles Cellular Telephone Company's Advice Letter Nos. 47 and 47A, filed July 12, 1990 and September 12, 1990 respectively, is made effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 25, 1990. The following Commissioners approved it:

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

  
NEAL J. SHULMAN  
Executive Director

Commissioner John B. Ohanian, being necessarily absent, did not participate.