Department of Justice

FOR IMMEDIATE RELEASE
FRIDAY, FEBRUARY 28, 1986

AT
202-633-2016

The Department of Justice today filed an antitrust suit which challenged Pacific Telesis Group's proposed acquisition of Communications Industries. The Department filed at the same time a consent decree settling the suit.

Both were filed in U.S. District Court in Los Angeles, California.

The suit alleged that the Telesis acquisition of CI would violate Section 7 of the Clayton Act and Section 1 of the Sherman Act in the market for the provision of cellular radio service in Los Angeles. Cellular radio service is a high-capacity, two-way mobile telephone service.

"The proposed consent decree largely eliminates the competitive concerns raised by the Department, Acting Assistant Attorney General W. Stephen Cannon said, "and permits Telesis's acquisition of CI to go forward without delay."

Telesis, a San Francisco based corporation, provides, through various subsidiaries, a variety of telecommunications services. It is the parent of Pacific Bell and Nevada Bell, which provide local exchange telephone service and exchange

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access in California and Nevada. Telesis also operates cellular telephone systems in several cities in California, including Los Angeles.

CI, headquartered in Dallas, Texas, also provides telecommunications services. Through subsidiaries, CI holds substantial interests in cellular systems in San Diego and San Francisco, California; Atlanta, Georgia; and Tampa-St. Petersburg, Florida. The corporation, through a subsidiary, also owns an approximately 16 percent interest in the cellular system licensed to Metroplex Telephone Company in Dallas-Ft. Worth, Texas.

Federal Communications Commission rules allow only two cellular systems in each local market -- a wireline and a non-wireline system. A wireline system is the franchise initially reserved for the local telephone company, and the non-wireline system is the other available franchise.

The complaint alleged that the effect of the acquisition of CI by Telesis may be substantially to lessen competition in violation of Section 7 of the Clayton Act.

The acquisition will create a partnership relationship between Telesis and LIN Cellular Communications Corporation, of New York City, which has operating control of the non-wireline cellular system in Los Angeles that is the sole competitor of Telesis Cellular in Los Angeles. The partnership relationship arises through Telesis's acquisition of CI's 16 percent interest in the Dallas-Fort Worth system. LIN, with about a 60 percent ownership, manages the Dallas-Fort Worth system.

The partnership relationship between LIN and Telesis in Dallas-Fort Worth would make Telesis privy to many of LIN's competitive plans for Los Angeles, thereby hampering LIN's ability to compete effectively in the Los Angeles cellular market and increasing the risk that LIN and Telesis would jointly exercise market power in that market.

As a result, the acquisition would increase the already significant risk of collusion between LIN and Telesis as to the price, quality and terms of cellular service in the Los Angeles market, the complaint said. The complaint also alleged a violation of Section 1 of the Sherman Act.

Under the consent decree, Telesis's participation in the Dallas-Ft. Worth partnership is limited to an essentially passive investment interest. The decree prohibits Telesis from playing an active role in the Metroplex cellular system and from obtaining information about that system to which it would otherwise be entitled.

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