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10 UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

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UNITED STATES OF AMERICA,)
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Plaintiff,)
)
v.)
)
PACIFIC TELESIS GROUP, and)
COMMUNICATIONS INDUSTRIES, INC.,)
)
Defendants.)

No. CV-86-1298-RMT
Filed: February 28, 1986
COMPLAINT -- ANTITRUST
(15 U.S.C. §1, 15 U.S.C. §18)

18 The United States of America, plaintiff, by its attorneys,
19 acting under the direction of the Attorney General of the
20 United States, brings this civil action to obtain equitable
21 relief against the above-named defendants, and complains and
22 alleges as follows:

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3 I. JURISDICTION AND VENUE

4 1. This complaint is filed and this action is instituted
5 against the defendants under Section 4 of the Sherman Act, 15
6 U.S.C. §4, and Section 12 of the Clayton Act, as amended, 15
7 U.S.C. §22, in order to prevent and restrain the violation by
8 the defendants, as hereinafter alleged, of Section 1 of the
9 Sherman Act, 15 U.S.C. §1, and of Section 7 of the Clayton Act,
as amended, 15 U.S.C. §18.

10 2. Pacific Telesis Group maintains offices, transacts
11 business, and is found within the Central District of
12 California.

13 3. Communications Industries, Inc. maintains offices,
14 transacts business, and is found within the Central District of
15 California.

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17 II. DEFINITIONS

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19 4. As used herein:

20 a. "Cellular system" means a high capacity land
21 mobile system (i.e., involving portable and car
22 radiotelephones) authorized by the Federal Communications
23 Commission, pursuant to Sections 22.900-22.921 of its rules (47
24 C.F.R. §§22.900-22.921), for use primarily to provide two-way
25 mobile telephone service. A cellular system provides two-way
26 mobile telephone service over its assigned radio spectrum.

1 which is divided into discrete channels and assigned in groups
2 to geographic cells, each covering a defined service area. The
3 discrete channels can be reused in different cells within the
4 service area;

5 b. "CGSA" means the Cellular Geographic Service Area
6 of a cellular system, which defines the geographic area intended
7 to be served by that cellular system pursuant to Section 22.903
8 of the Federal Communications Commission's rules, 47 C.F.R.
9 §22.903. CGSA boundaries generally conform to the
10 corresponding Metropolitan Statistical Area delineation;

11 c. "Cellular license" means an authorization issued
12 by the Federal Communications Commission granting permission to
13 operate a cellular radio system in accordance with the Federal
14 Communications Commission's rules;

15 d. "Non-wireline cellular carrier" means a common
16 carrier that is licensed to operate a cellular system on the
17 local area frequencies assigned by the Federal Communications
18 Commission for companies other than an affiliate of an exchange
19 telephone company that provides local telephone service to that
20 area; and

21 e. "Wireline cellular carrier" means a common
22 carrier that is licensed to operate a cellular system on the
23 local area frequencies assigned by the Federal Communications
24 Commission for affiliates of companies that provide local
25 exchange telephone service in that area.

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3 III. DEFENDANTS

4 5. Pacific Telesis Group ("Telesis") is made a defendant
5 herein. Telesis is a corporation organized and existing under
6 the laws of the State of Nevada, and maintains its principal
7 place of business in San Francisco, California. Telesis,
8 through various subsidiaries, provides a variety of
9 telecommunications services. Telesis is the parent company of
10 Pacific Bell and Nevada Bell, which provide local exchange
11 telephone service and exchange access in the States of
12 California and Nevada, respectively. In addition, Telesis is
13 the parent company of Pactel Mobile Access ("PTMA"), which
14 holds controlling interests in the wireline cellular systems
15 for the Los Angeles, San Diego, Sacramento and Oxnard-Simi
16 Valley-Ventura, California, CGSAs. In addition, PTMA holds a
17 23.5 percent interest in the San Francisco non-wireline
18 cellular carrier. Telesis's 1984 revenues were approximately
19 \$7.8 billion. Telesis is engaged in interstate commerce and in
20 activities substantially affecting interstate commerce.

21 6. Communications Industries, Inc. ("CI") is made a
22 defendant herein. CI is a corporation organized and existing
23 under the laws of the State of Texas, and maintains its
24 principal place of business in Dallas, Texas. CI, through
25 various subsidiaries, provides a variety of telecommunications
26 services. CI, through subsidiaries, holds substantial
interests in the non-wireline cellular systems in San Diego and

1 San Francisco, California; Atlanta, Georgia; and Tampa-St.
2 Petersburg, Florida. CI, through a subsidiary, also owns
3 approximately a 16 percent interest in the non-wireline
4 cellular system licensed to Metroplex Telephone Company
5 ('Metroplex') in the Dallas-Ft. Worth CGSA. CI's revenues for
6 1984 were approximately \$98.2 million. CI is engaged in
7 interstate commerce and in activities substantially affecting
8 interstate commerce.

10 IV. TRADE AND COMMERCE

12 A. Description of Cellular Radio Service

13 7. Cellular radio is a new technology designed to provide
14 two-way mobile communications services that are more efficient
15 and reliable than those provided by conventional mobile
16 telephone systems. In contrast to conventional mobile
17 telephone systems, which use the same frequencies throughout
18 their coverage areas, a cellular system is divided into several
19 cells, each of which is assigned a subset of the 333 channels
20 that the Federal Communications Commission has made available
21 to each cellular system. The same frequency subset can be
22 reused in non-adjacent cells, thereby increasing the system's
23 capacity. The individual cells are linked together by
24 transmission facilities, including telephone, microwave or
25 fiber optic lines. A central switch coordinates the operation
26 of the system and transfers calls to different channels as a

1 subscriber moves from one cell to another.

2 8. Cellular systems are connected to the public switched,
3 or "landline", telephone network, and cellular subscribers are
4 able to make local and interexchange calls from mobile units
5 (hand-carried or vehicle-installed) in essentially the same
6 manner as ordinary telephone users. Cellular systems are
7 designed to provide subscribers with transmission quality and
8 call completion ratios comparable to those of traditional
9 landline telephone service.

10 9. The rules of the Federal Communications Commission
11 permit no more than two cellular systems in each CGSA. 47
12 C.F.R. §22.902. One of the cellular licenses in each CGSA was
13 reserved initially for companies that provide local exchange
14 telephone service in that CGSA, while the other cellular
15 license was made available to all other entities. The FCC has
16 to date authorized the construction of cellular systems in the
17 ninety largest CGSAs.

18
19 B. Cellular Service in Dallas-Ft. Worth, Texas and
20 Los Angeles, California

21 10. Metroplex, a Texas general partnership, is the
22 non-wireline cellular carrier in the Dallas-Ft. Worth, Texas
23 CGSA. LIN Broadcasting Corporation ("LIN") owns approximately
24 a 60 percent interest in Metroplex and manages the Dallas-Ft.
25 Worth non-wireline cellular system. CI's subsidiary, Gensub,
26 Inc., owns approximately a 48 percent interest in D/FW Signal,

1 a Texas general partnership, which in turn owns a 34 percent
2 interest in Metroplex. Thus, CI owns approximately a 16
3 percent interest in Metroplex. The partnership agreement
4 governing the Dallas non-wireline cellular system affords each
5 partner access to all information concerning the operation of
6 the Dallas-Ft. Worth non-wireline cellular system.

7 11. Dallas SMSA Limited Partnership, which is controlled
8 by Southwestern Bell, is the authorized wireline cellular
9 carrier in the Dallas-Ft. Worth, Texas CGSA.

10 12. PacTel Mobile Access holds an 84 percent interest in
11 the Los Angeles SMSA Limited Partnership, which is the
12 authorized wireline cellular carrier in the Los Angeles,
13 California CGSA.

14 13. Los Angeles Cellular Telephone Company ("LACTC") is
15 the non-wireline cellular carrier in the Los Angeles,
16 California CGSA. LIN has a 35 percent equity interest and a 50
17 percent voting interest in LACTC.

18 14. LIN also holds controlling interests in the
19 Philadelphia and New York non-wireline cellular systems, as
20 well as a substantial interest in the Houston non-wireline
21 cellular partnership. LIN intends to operate its cellular
22 systems in a centralized manner, coordinating closely the
23 operations of all of its cellular systems. LIN plans to use
24 substantially similar operational and promotional strategies in
25 each of these markets. It also intends to develop technical
26 improvements that it will employ in all of its cellular

1 systems. It is important to the success of LIN's operations
2 that its plans not be disclosed to its competitors in advance
3 of implementation.

4 15. The provision of cellular service constitutes a
5 relevant line of commerce, and the Los Angeles and Dallas-Ft.
6 Worth CGSAs are the relevant geographic areas of the country in
7 which these services are sold, within the meaning of Section 7
8 of the Clayton Act.

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10 V. VIOLATIONS ALLEGED

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12 16. On May 21, 1985, Telesis and CI entered into an
13 Agreement and Plan of Reorganization by which Telesis would
14 acquire CI. The acquisition is now scheduled to be consummated
15 on or shortly after February 28, 1986.

16 17. The effect of the acquisition of CI by Telesis may be
17 substantially to lessen competition or tend to create a
18 monopoly in the aforesaid trade and commerce, in violation of
19 Section 7 of the Clayton Act. The acquisition will create a
20 partnership relationship between LIN and Telesis in Dallas that
21 would make Telesis privy to many of LIN's competitive plans for
22 Los Angeles, thereby hampering LIN's ability to compete
23 effectively in the Los Angeles cellular market and increasing
24 the risk that LIN and Telesis would jointly exercise market
25 power in that market. As a result, the acquisition will
26 increase the already significant risk of collusion between LIN

1 and Telesis as to the price, quality and terms of cellular
2 service in the Los Angeles market.

3 18. The acquisition of CI by Telesis also constitutes an
4 unlawful contract in unreasonable restraint of trade and
5 commerce, in violation of Section 1 of the Sherman Act, 15
6 U.S.C. §1, for the reasons set forth in paragraph 17 above.

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8 VI. PRAYER

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10 WHEREFORE, plaintiff prays:

11 1. That pending final adjudication of the merits of this
12 complaint, a temporary restraining order and a preliminary
13 injunction be issued against the defendants, Telesis and CI,
14 preventing and restraining each of them and all persons acting
15 on their behalf from taking any action, either directly or
16 indirectly, in furtherance of Telesis's proposed acquisition of
17 CI;

18 2. That the proposed acquisition be adjudged to be in
19 violation of Section 1 of the Sherman Act and Section 7 of the
20 Clayton Act;

21 3. That defendants CI and Telesis be permanently enjoined
22 from consummating the aforesaid acquisition, unless and until
23 CI divests its entire interest in the Dallas non-wireline
24 cellular system, or other appropriate relief is obtained, and
25 from entering into any similar plan or agreement the effect of
26 which would be to allow Telesis to acquire CI's interest in the

1 Dallas non-wireline cellular system;

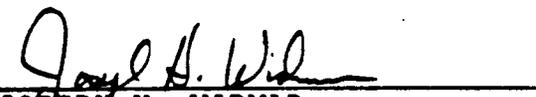
2 4. That the plaintiff have such other and further relief
3 as the Court may deem just and proper; and

4 5. That the plaintiff recover the costs of this action.
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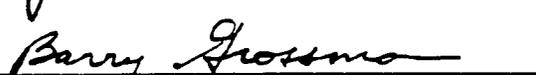
6 DATED: February 27, 1986

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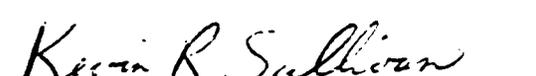
8 W. STEPHEN CANNON
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10 General

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12 JOSEPH H. WIDMAR

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14 BARRY GROSSMAN

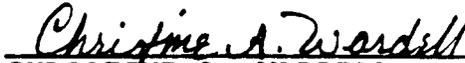
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