

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6179

Joint Petition of Interoute Telecommunications, Inc.)
and American International Telephone, Inc.)
for Approval of a Transfer of Control)

Order entered: 6/22/99

I. INTRODUCTION

This case involves a petition filed on November 17, 1998, by Interoute Telecommunications, Inc. ("Interoute"), and American International Telephone, Inc. ("AIT") (collectively the "Petitioners"), seeking Vermont Public Service Board ("Board") approval, under 30 V.S.A. § 107, of a transaction whereby Interoute intends to acquire all of the outstanding shares and controlling interest in AIT, a certificated carrier of telecommunications in Vermont. As a result of the transaction, AIT will become a wholly-owned subsidiary of Interoute.

On May 27, 1999, the Vermont Department of Public Service ("Department") submitted a letter to the Board indicating that the Department had no objection to the transfer of control of AIT to Interoute. The Department noted that the transaction does not appear to change the management structure or the rates for services received by customers of AIT. The Department also noted that ILD has provided information regarding its marketing and billing practices to the Department which meet with its satisfaction. Further, the Department also had no objection to the issuance of an order without hearing or further investigation, as provided under 30 V.S.A. § 107.

II. FINDINGS OF FACT

Based upon the petition and accompanying documents, the Board makes the following findings of fact.

1. Interoute is a Delaware corporation headquartered at 230 Park Avenue, Suite 1000, NY, NY 10169. Petition at 2.
2. AIT is a Delaware corporation with principal offices at 287 Bowman Avenue, Purchase, NY 10577. AIT has been a certified telecommunications reseller in Vermont since July 29, 1997 (CPG No. 265). Petition at 2.
3. Petitioners have determined that they will realize significant economic and marketing efficiencies by establishing AIT as a wholly-owned subsidiary of Interoute. Accordingly, AIT and Interoute entered into a Letter Agreement ("Agreement"), on September 10, 1998, whereby

Interoute agreed to acquire control of AIT. Pursuant to the Agreement, Interoute will acquire all issued and outstanding shares of the common stock of AIT. Petition at 3-4.

4. Following completion of the transaction, AIT will become a wholly-owned subsidiary of Interoute. CFL will continue to operate in all respects as it currently operates, pursuant to its present operating authority and tariff rate structure, and will continue to provide service to its current customers in Vermont as a wholly-owned subsidiary of Interoute. Accordingly, neither the name of, nor the terms and conditions of service offered by AIT, will have been affected by the transaction. The proposed transaction simply changes the ultimate corporate parent of AIT. As such, the transaction should not cause inconvenience or confusion to AIT's customers and in fact should be virtually transparent to such customers in terms of the services that they receive. Accordingly, the transaction should not inconvenience customers within the State of Vermont. Petition at 4- 5.

5. Interoute's acquisition of AIT will allow it to pursue its marketing and business plans more effectively. Petition at 5.

6. Completion of the proposed transaction will serve the public interest in that it will promote competition among long distance carriers by providing Interoute and AIT with the opportunity to strengthen their competitive position and to pursue their marketing and business plans more effectively. Petition at 5.

III. CONCLUSIONS OF LAW AND DISCUSSION

The proposed transaction requires Board approval under 30 V.S.A. § 107, which applies to a direct or indirect acquisition of a controlling interest in a Vermont utility.¹ Section 107 requires a finding that the transfer of control will promote the public good. This standard is met in this case. The proposed transaction will promote the public good, because AIT will have access to a larger pool of managerial, technical and financial resources due to the relatively larger resources of its new owner, Interoute. In the competitive arena of telecommunications, the overall effect of this merger may promote more customer choice in terms of services, with stronger competitors in the Vermont telecommunications market. It should also be noted that the transfer of control will not result in any rate increase to existing customers of AIT.

1. Approval under 30 V.S.A. §§ 231 and 311 is not required because the current holder of the Certificate of Public Good, AIT, will continue to be the entity providing telecommunications service in Vermont.

For all of the above reasons, the proposed transfer of control of AIT to Interoute, through their proposed Agreement, should be approved.

ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

- 1. The acquisition of control of American International Telephone, Inc. by Interoute Telecommunications, Inc., is approved.

DATED at Montpelier, Vermont, this 22nd day of June, 1999.

s/ Michael H. Dworkin)	
)	PUBLIC SERVICE
)	
s/ Suzanne D. Rude)	BOARD
)	
)	OF VERMONT
s/ David C. Coen)	

OFFICE OF THE CLERK

Filed: June 22, 1999

Attest: s/ Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board of any technical errors, in order that any necessary corrections may be made.

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.