

ALJ/JPO/rmn

Decision 98-03-010

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application for Authority to Transfer Control of LDM
Systems, Inc. (U-5448-C) to RSL COM U.S.A., Inc.

Application 97-12-040
(Filed December 23, 1997)

O P I N I O N

Summary

By joint application pursuant to Public Utilities (PU) Code § 854 filed December 23, 1997, RSL COM U.S.A., Inc. (RSL) and LDM Systems, Inc. (U-5448-C) (LDM), request authority for RSL to acquire control of LDM.

Notice of the filing was published in the Commission's Daily Calendar on January 5, 1998. No protests have been filed and no hearing is necessary.

By this decision, the proposed acquisition is approved.

The Parties

RSL is a Delaware corporation which does not currently directly provide telecommunications services within California. Because RSL does not plan to directly conduct business in California, it has not applied for a certificate of qualification to transact business in California. RSL does, however, operate as a telecommunications carrier in approximately 30 other states. RSL is also authorized by the Federal Communications Commission (FCC) to provide domestic interstate and international telecommunications services as a nondominant carrier.

The parent company of RSL is RSL Communications, Ltd. (RSL Ltd.). RSL Ltd. is a multinational telecommunications company with operations in the United States, the United Kingdom, France, Germany, Sweden, Finland, Australia, and Japan.

LDM, a New York corporation, currently provides interLocal Access and Transport Area (LATA) and intraLATA telecommunications services within California as authorized by Decision (D.) 95-02-092. LDM is also authorized to provide

telecommunications services in several other states and is authorized by the FCC to provide domestic interstate and international services as a nondominant carrier.

The Transaction

Pursuant to a stock purchase agreement (the agreement) dated December 2, 1997, between RSL and LDM's shareholders, RSL will purchase 100% of LDM. LDM will become a wholly owned subsidiary of RSL. LDM will continue to operate as a separate business unit under its existing operating authority and tariffs.

Financial Information

As part of the application, balance sheets and income statements were submitted for RSL Ltd. and LDM (unaudited). In addition, RSL Ltd. certified that it will fully and unconditionally provide RSL with the necessary resources to continue to support RSL's financial requirements and any other business opportunities that may arise, and that it will provide all necessary funding to enable RSL to pay its debts and finance its operations.

Examination of the financial information submitted with this application indicates that LDM's financial position will not be downgraded by the proposed acquisition.

Technical Expertise

Both RSL and LDM are experienced in telecommunications. This is demonstrated by the fact that both have authorized operations in a number of states and have authorization by the FCC to provide domestic interstate and international services. As a result, LDM's operations will not suffer as a result of the proposed acquisition.

Public Interest

The Commission has determined that the public interest requires competition in the provision of interLATA and intraLATA telecommunications services. RSL and LDM represent that the proposed acquisition will provide LDM with improved access to capital through RSL. RSL and LDM also represent that the proposed acquisition will provide opportunities to improve operating and administrative efficiency due to consolidation of functions. The acquisition would provide the means for LDM to be

more competitive. This should enhance competition. Therefore, the acquisition is in the public interest.

Since the application is noncontroversial, and no protests have been filed, it is proper for the Executive Director to issue an order approving the transfer. See D.86-08-057, 21 CPUC2d 549 (1986).

Findings of Fact

1. RSL is a Delaware corporation authorized to provide intrastate, interstate, and international telecommunications services by various state public utility commissions, not including California, and the FCC.

2. LDM is a New York corporation authorized to provide intrastate, interstate, and international telecommunications services by various state public utilities commissions, including California, and the FCC.

3. On December 23, 1997, RSL and LDM filed a joint application for approval of RSL's acquisition of LDM.

4. Notice of the filing of this application appeared on the Commission's Daily Calendar on January 5, 1998.

5. Financial information filed by the parties indicates that LDM's financial position is unlikely to be downgraded by the proposed acquisition.

6. LDM will continue to operate as a separate business unit under its current authorities and tariffs.

7. The proposed acquisition will improve LDM's access to capital and provide opportunities to increase operational and administrative efficiency, thus enhancing its competitive potential.

8. No protests to this application have been received.

9. No hearing is necessary.

Conclusions of Law

1. Approval of the joint application would be in the public interest.

2. The application should be approved.

O R D E R

IT IS ORDERED that:

1. The joint application of the parties is approved.
2. RSL COM U.S.A., Inc. (RSL) is authorized to acquire control of LDM Systems, Inc. (LDM) (U-5148-C).
3. Within 10 days of the purchase of LDM, RSL shall notify the Commission of the date of such acquisition of control, and shall provide the Commission with the name and business address of RSL's designated agent for service of process.
4. Subsequent to the acquisition of control of LDM, RSL shall in all respects comply with the terms of LDM's certificate of public convenience and necessity.
5. The application is closed.

This order is effective today.

Dated MAR 05 1998, at San Francisco, California.


WESLEY M. FRANKLIN
Executive Director