



PUBLIC NOTICE

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DA 04-2541
Released: August 17, 2004

STREAMLINED DOMESTIC SECTION 214 APPLICATION GRANTED

WC Docket No. 04-234

On July 15, 2004, the Wireline Competition Bureau issued a public notice seeking comment on the transfer of Verizon Hawaii, Inc. (VZ-HI) to the Carlyle Group.¹ This application has been granted pursuant to the Commission's streamlined procedures for domestic section 214 transfer of control applications.² The Wireline Competition Bureau has determined that grant of this application serves the public interest.³

The Commission received one comment in opposition to the proposed transfer of control from Pacific LightNet, Inc. (PLNI).⁴ PLNI requests that the Commission reject or remove the application for transfer of control from streamlined treatment or impose stringent conditions on the terms of the transfer.⁵ PLNI states that the application raises public interest concerns because the proposed transaction threatens to (1) diminish the efficiency of Hawaii's only incumbent network's operations support system and (2) increase the rates businesses, consumers, and competitors pay for the new entity's service.⁶ PLNI also states that the application raises national security concerns because of the Carlyle Group's "looming strategic interest in

¹ Domestic Section 214 Application Filed For Transfer of Control of Verizon Hawaii, Inc. to the Carlyle Group, WC Docket No. 04-234, DA 04-2148 (rel. July 15, 2004).

² 47 C.F.R. § 63.03.

³ *Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, CC Docket No. 01-150, Report and Order, 17 FCC Rcd 5517, 5529, para. 22 (2002).

⁴ See PLNI Comments at 1. The Commission received one other comment in support of the proposed transfer of control. See Sandwich Isles Communications, Inc. Comments at 3.

⁵ PLNI Comments at 2.

⁶ PLNI Comments at 2.

developing a Trans-Pacific network to serve areas where the United States military has a significant presence.”⁷

The Applicants respond that, pursuant to a Transition Services Agreement to be entered into by the parties to the transaction, the transferee, Paradise MergerSub, Inc. (PMSI), intends to utilize the back-office systems currently in place for Verizon Hawaii for up to nine months from the date of closing of the transaction, as it transitions to its own back-office systems.⁸ The Applicants explain further that PMSI will not raise rates as it transitions the Hawaii telecommunications operations to new ownership and new back-office systems.⁹ The Applicants also argue that PLNI fails to demonstrate how potential future acquisitions by the transferee in other telecommunications markets would raise national security concerns for the transaction currently before the Commission.¹⁰

After careful consideration of the record in this proceeding, we conclude that the concerns raised by PLNI are not sufficient to persuade us to remove the application from streamlined treatment. Nor do we find it necessary to impose any conditions on the terms of the transfer. We rely on the Applicants’ representation that they have a reasonable plan for developing and transitioning to independent back-office systems without “reduction, impairment, or discontinuance of service to any customer”¹¹ and without “rais[ing] rates as it transitions . . . to new ownership and new back-office systems.”¹² With regard to national security, the Commission can evaluate the effect of any future transactions as they are brought before it. We are satisfied, based on the record, that the proposed transaction is in the public interest and should be granted accordingly.¹³

For purposes of computation of time for filing a petition for reconsideration or application for review, or for judicial review of the Commission’s decision, the date of “public notice” shall be the release date of this notice.¹⁴

⁷ PLNI Comments at 7.

⁸ PMSI Reply Comments at 2.

⁹ PMSI Reply Comments at 3-4.

¹⁰ PMSI Reply Comments at 4.

¹¹ PMSI Reply Comments at 2.

¹² PMSI Reply Comments at 3-4.

¹³ The applicants have also filed an application with the Hawaii Public Utilities Commission. Our approval of this transaction is not intended to prejudice the Hawaii PUC’s own, independent review of issues properly before it.

¹⁴ *Id.*; see 47 C.F.R. § 1.4 (computation of time).

Effective Date of Grant: 8/15/04

For further information, please contact Kimberly Jackson, Competition Policy Division, Wireline Competition Bureau, at (202) 418-7393.