

SB 603, SD1

RELATING TO PUBLIC UTILITIES

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HAWAIIAN TELCOM

March 18, 2009

Chair Herkes and members of the House Consumer Protection and Commerce Committee:

I am John Komeiji, testifying on behalf of Hawaiian Telcom on SB 603, SD1- Relating to Public Utilities. Hawaiian Telcom strongly supports the bill and would like to offer clarifying amendments for your consideration.

The stated purpose of this bill is to help level the regulatory playing field in voice services by requiring the Public Utilities Commission (PUC) to classify the State's local exchange intrastate telecommunications services as fully competitive.

As we have all witnessed, dramatic changes in technology and the telecommunications industry have resulted in significant competition for Hawaiian Telcom. For example, competition from wireless, internet phone (VoIP), and other wireline providers all provide competitive alternatives to the traditional landline. The Federal Communications Commission (FCC) has confirmed this competitive transformation in Hawaii's telecommunications marketplace. According to the FCC, the number of access lines for Hawaii's incumbent local exchange carrier (Hawaiian Telcom) decreased from 735,000 in 2001 to only 541,000 in 2007. The number of local wireless subscribers, however, soared to 1,100,000 over the same period. In addition, the number of VoIP customers jumped from zero to 65,000 over the same period.

Hawaiian Telcom is currently subject to many State laws and requirements that were enacted long ago, some as early as 1913 when the incumbent local exchange carrier was a monopoly with no other service providers. These laws and requirements have not been adapted to recognize that Hawaiian Telcom is no longer a monopoly and is now subject to significant competition in the services it provides. Today consumers have the freedom to choose between a wide array of wireless, internet phone, and competing wireline providers.

Immediate regulatory relief is needed now and will help to provide Hawaiian Telcom a degree of regulatory parity with our competitors by enabling us to offer consumers a more timely and greater selection of products, services, and bundled offerings at competitive prices in the same manner as other service providers such as

wireless and VoIP, which are either unregulated or do not face the same level of regulatory oversight that Hawaiian Telcom currently faces.

Based on the aforementioned, we would like to recommend that the current language related to price caps 269- (b) beginning on **page 5, line 6-9** be **deleted**. We offer the following amendment to 269- (a) (in bold) to clarify that a cap on basic residential rates shall be set at the filed tariff rate and only apply to the incumbent local exchange carrier (Hawaiian Telcom) for your consideration and approval:

"§269- Local exchange intrastate services; fully competitive. (a)

Notwithstanding section 269-16.9 or any other law to the contrary, the public utilities commission shall classify the State's local exchange intrastate telecommunications services as fully competitive under the commission's classifications of services related to costs, rates, and pricing. In addition, a telecommunications carrier shall not be required to obtain approval or provide any cost support or other information to establish or otherwise modify in any manner its rates, fares, and charges, or to bundle any service offerings into a single or combined price package; **provided that with respect to basic residential service the local incumbent exchange carrier shall not charge any rate for a service above the rate for the service included in the local incumbent exchange carrier's filed tariff.** All rates, fares, charges, and bundled service offerings shall be filed with the public utilities commission for information purposes only.

[c](b) This section shall apply to retail rates charged for service to end-user consumers only and shall not apply to wholesale rates charged for services provided by a telecommunications carrier to another telecommunications provider, a wireless communications provider, a voice over internet protocol communications provider, or other similar communications provider.

[d](c) Nothing herein shall modify any requirements of a telecommunications carrier to provide lifeline telephone service, comply with carrier of last resort obligations, or comply with applicable service quality standards."

Hawaiian Telcom supports this measure with the suggested amendments and respectfully requests your favorable consideration. Thank you for the opportunity to testify.

SB 603, SD1
Relating To Public Utilities

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Wednesday, March 18, 2009

Rep. Robert N. Herkes, Chair
Rep. Glenn Wakai, Vice Chair
House Committee On Consumer Protection & Commerce

Support With Amendments - SB 603, SD1 Relating to Public Utilities

My name is Robert T. Tanimura and I am testifying on behalf of Verizon on SB 603, SD1, "A Bill For An Act Relating To Public Utilities." Verizon offers the following comments on SB 603, SD1:

- Verizon agrees that the telecommunications world has changed radically in the past few years. Today, there is robust competition in Hawaii between different technological platforms. This competition obviates the need for retail rate regulation for telecommunications carriers. Indeed, it is essential for Hawaii to create an environment that is conducive to private investment in telecommunications and broadband and SB 603 would further this goal by allowing all carriers to compete for retail customers on an equal footing and without cumbersome rate regulations.
- Verizon does not believe that rate caps are necessary in this competitive environment. However, should the legislature decide that it needs rates caps, these caps should only be applied to the incumbent local exchange carrier since it is the only entity that currently has rate caps. Imposing new rates caps on fully competitive services offered by non-dominant carriers such as Verizon makes little sense and would actually tighten regulations. Verizon suggests the following amendment to paragraph (b) on page 5:

(b) Notwithstanding any law to the contrary, ~~no provider of telecommunications services~~ the incumbent local exchange carrier shall not charge a rate for any retail telecommunications service that exceeds the rate charged for the same service as of June 30, 2009.

Thank you for the opportunity to testify.



House Committee on Consumer Protection & Commerce
Wednesday, March 18, 2009
3:00 p.m.
Conference Room 325
State Capitol

RE: SB 603 SD1 relating to Public Utilities

Aloha Chair Herkes, Vice Chair Wakai and members of the committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber supports SB 603, SD1- Relating to Public Utilities. We believe that this measure will promote competition in the telecommunications marketplace which will benefit Hawaii's economy and our consumers.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

Over the past several years, we have all been able to observe first hand the explosion of new products and services in the communications marketplace. Consumers now have the freedom to choose between numerous wireline, wireless, or VoIP providers for their phone service needs. Competition has driven down the price of phone service, increased innovation, and improved customer service.

The Chamber believes that the time has come to update Hawaii's regulatory framework by removing unnecessary regulatory barriers in telecommunications and allowing true competition to take hold. In a true open and competitive environment, the marketplace will determine the winners and losers with the major winner being Hawaii's consumers.

For these reasons, the Chamber of Commerce of Hawaii respectfully requests that the Committee approves SB 603, SD1. Thank you for the opportunity to provide testimony.