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February 26, 2009

The Honorable Senator Rosalyn Baker
Chair, Committee on Commerce & Consumer Protection
Hawaii State Legislature

RE: AT&T Comments on Senate Bill 603

Dear Sen. Baker and Members of the Committee on Commerce & Consumer Protection:

Thank you for this opportunity to comment on Senate Bill 603. AT&T's primary concern with this legislation is the use of the term "switched access service," which is generally used to describe the services local exchange carriers provide to long distance carriers for the origination and/or termination of long distance telephone calls. An example of switched access service would be Hawaiian Telecom terminating long distance calls for AT&T to Hawaiian Telecom's local service customers in Hawaii.

We do not believe this legislation was intended to deregulate these services between companies and the rates charged for these services. If this were the case, AT&T would be opposed to Senate Bill 603.

Instead, it is our understanding that this legislation is intended to deregulate LEC intrastate retail telecommunications services purchased by residential and business customers. To clarify these intentions in the legislation, AT&T supports replacing the term "switched access service" with the term "local exchange intrastate services." Making this change will remove any confusion over the intent of this legislation. With this change and clarification, AT&T would be neutral on Senate Bill 603.

Again, AT&T appreciates the Committee's consideration of our comments. Please contact me if there are any questions concerning our position on these bills.

Respectfully Submitted,

Dan Youmans
Director, External Affairs
AT&T

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SB 603

RELATING TO PUBLIC UTILITIES

**JOHN KOMEIJI
SR. VICE PRESIDENT & GENERAL COUNSEL**

HAWAIIAN TELCOM

February 26, 2009

Chair Baker and members of the Senate Commerce and Consumer Protection Committee:

I am John Komeiji, testifying on behalf of Hawaiian Telcom on SB 603, Relating to Public Utilities. Hawaiian Telcom supports the overall intent of the bill but respectfully requests that this measure be amended to provide the incumbent local exchange carrier with meaningful and immediate regulatory parity with other telecommunication and information service providers such as wireless, competitive local exchange carriers, and voice over internet protocol (VoIP) providers as opposed to just the consideration of possible regulatory relief at some point in the future, as SB 603 currently provides.

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 consider other telecommunication services in determining whether competition exists in the switched access market. The PUC is directed to consider other telecommunication and information services when determining competition in the switched access market without specifying a time deadline. While the bill is well intended, it simply does not provide the kind of regulatory parity that is required in a competitive marketplace.

The bill only requires the PUC to consider other telecommunication services in deciding whether competition exists. The time for that has passed. Competition clearly exists. Given Hawaii's robust telecommunications market comprised of numerous landline, wireless, and internet voice service providers, Hawaiian Telcom believes that there no longer exists a debate of "whether" enough competition exists in the switched access market to support reduced telecommunication regulations. Our focus and priority must now move on to the question of "how" best to streamline and modernize our current regulations.

Dramatic changes in technology and the telecommunications industry have resulted in significant competition to Hawaiian Telcom. For example, competition from wireless, internet phone, 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 Telecom) decreased from 735,000 in 1999 to only 524,000 in 2008. 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 Telecom 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 Telecom 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 Telecom 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 Telecom currently faces.

Based on the aforementioned, we would like to recommend that the current language beginning on page 4, line 6 be deleted and offer the following amendment for your consideration and approval:

“269- Local exchange intrastate services; fully competitive. Notwithstanding section 269-16.9 and any law to the contrary, the public utilities commission shall classify the state’s local exchange intrastate services, under the commission’s classifications of services related to costs, rates, and pricing, as fully competitive. In addition, the 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 and/or to bundle any service offerings into a single or combined price package. Notwithstanding the above, all rates, fares, charges, and bundled service offerings shall be filed with the commission for informational purposes only. Nothing herein shall modify any requirements of a telecommunications carrier to (a) provide lifeline telephone service, (b) comply with carrier of last resort obligations, or (c) comply with applicable service quality standards.”

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

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Honorable Rosalyn H. Baker, Chair
Honorable David Y. Ige, Vice Chair
Senate Committee on Commerce & Consumer Protection

Thursday, February 26, 2009; 8:30 a.m.
Hawaii State Capitol, Room 229

Re: SB603 -- Relating to Public Utilities

Chair Baker, Vice Chair Ige and Committee members:

On behalf of Oceanic Time Warner Cable (Oceanic), which provides a diverse selection of entertainment, information, and communication services to nearly 350,000 households, schools and businesses and currently employs over 900 highly-trained individuals, we appreciate the opportunity to briefly comment on SB603 today. I am Nate Smith, president of Oceanic Time Warner Cable.

The intent of SB603 is to require the Public Utilities Commission ("PUC") to consider other telecommunications services with respect to switched access service when determining the competition in the switched access market. The bill indicates that the legislature finds that advances in other types of *voice* services -- specifically voice over internet-protocol and wireless phone services -- make these technologies viable substitutes for traditional land-line, or switched access, *telephony*.

In order to further clarify and implement the intent of the bill, Oceanic respectfully requests that the Committee consider amending the language of the bill on Page 4 lines 8-11 as follows: "When determining the competition in the switched access market, the public utilities commission shall consider other telecommunications, and information and other voice services, such as interconnected voice over internet-protocol and wireless services."

Thank you for the opportunity to comment on this measure.

Sincerely,
Nate Smith
President