

LATE TESTIMONY

HB 1271

RELATING TO PUBLIC SERVICE COMPANY TAX

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FEBRUARY 2, 2011

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

I am Ken Hiraki, testifying on behalf of Hawaiian Telcom on HB 1271, Relating to Public Utilities.

The purpose of this measure is to require 50 percent of the Public Service Company (PSC) taxes collected by the State to be deposited into the general fund with a sunset date of 7/1/2016. Hawaiian Telcom is opposed to a provision in this bill.

Hawaiian Telcom takes no position on the proposed amendment affecting HRS 239-10 regarding the Disposition of Revenues but does note that this change will result in a reduction of the State's current allocation of PSC revenues. Our company is opposed to the deletion of language that allows telecommunication providers to use access line count for each county when calculating each county's share of PSC (Page 3, lines 10-12). We question the need to make such a change since the current method has been operational and widely endorsed by the counties for many years. As the saying goes, "if it ain't broke, why fix it?"

If the access line count language is deleted, the question then becomes what alternative method of calculation will be used in its place? Creating this vacuum will invite litigation as each county jockeys to propose an alternative form of calculation that may increase PSC revenues for their particular county but may not be equitable for all counties. For example, the City and County of Honolulu may propose that our company use customer billing addresses because it knows that many companies with satellite offices on the neighbor islands will often use their Oahu billing addresses when consolidating all statewide charges to one bill. In this example, Oahu will gain and neighbor island counties will lose PSC revenues because PSC revenues will be based on the total charges appearing on the customer billing address on Oahu even if a portion of the charges was for access line service for its neighbor island offices. We believe whatever alternative method of calculation our company offers will be challenged and litigated.

The access line count formula avoids these types of artificial distortions in apportioning PSC taxes as discussed in our example above because it is based on the actual number of access lines used in each county so each county is guaranteed its fair share of PSC funds. Without a compelling reason, we should endorse rather than dismiss a practice that is equitable, uniform, and widely accepted by the counties. Again we ask the question why the need to change the present law?

Based on the aforementioned, Hawaiian Telcom respectfully requests that the proposed deletion of language on Page 3, lines 10-12 be reinstated, and should the Committee decide to move the measure forward, it be amended as an HD1.

Thank you for the opportunity to testify.