

ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS
HOUSE BILL NO. 2267

January 26, 2012

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST
CLEARCOM, INC., IN THE DEVELOPMENT OF BROADBAND INFRASTRUCTURE IN
HAWAII

House Bill No. 2267 authorizes the issuance of up to \$100,000,000 in special purpose revenue bonds to assist Clearcom, Inc., or a partnership headed by Clearcom, Inc., with the planning, permitting, designing, constructing, equipping and operating of broadband infrastructure at locations through the State pursuant to Part V, Chapter 39A, Hawaii Revised Statutes.

The Department has a technical comment on this bill. Under Section 144 of the Internal Revenue Code of 1986, as amended, tax exempt financing for industrial projects are limited to \$10 million. In order to better examine the viability of tax-exempt financing as an alternative, we recommend that the project party consult with a bond counsel firm to determine if the project may qualify, under certain exemptions, for the full amount of tax-exempt financing.

ClearCom, Inc.

A WAIMANA COMPANY

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**Testimony of Albert S.N. Hee to
The House of Representatives
Committee on Economic Revitalization and Business on
January 26, 2012**

**HB 2267 Relating to the Issuance of Special Purpose Revenue Bonds to assist
ClearCom, Inc., in the Development of Broadband Infrastructure in Hawaii**

Chair McKelvey; Vice Chair Choy and members, thank you for the opportunity to appear before you today.

My name is Al Hee. I am President of ClearCom, Inc. We are in strong support of HB2267, which would provide Special Purpose Revenue Bond funds to develop critical broadband infrastructure in Hawaii.

Established in 1997, ClearCom is a Competitive Local Exchange Carrier licensed to provide telecommunication and broadband services throughout the state of Hawaii. As a local, native Hawaiian company, ClearCom has access to its sister company, Sandwich Isles Communications', 348 miles of undersea and 138 miles of terrestrial fiber optic cable that connects and serves the islands of Kauai, Oahu, Molokai, Maui, and Hawaii. Installed in 2009, the pure silica fiber offers virtually unlimited capacity to meet all bandwidth requirements now and into the future. ClearCom has operated in the islands for more than a decade, gaining valuable

experience in utility operations and infrastructure installations. As the general contractor, ClearCom completed the largest undersea fiber optic project in the State, managing complex environmental and cultural challenges. ClearCom led a team of local, national and international companies to successfully complete the historic project under budget and ahead of schedule.

Furthermore, ClearCom has exclusive access to all abandoned water mains on Oahu. Development of buried fiber optic facilities utilizing ClearCom's abandoned water mains would help achieve the State's broadband goals quickly and economically. Compared to aerial cables, underground cables are protected from weather related risks, accidental damage, and are aesthetically pleasing, eliminating unsightly overhead wires. The use of abandoned water mains is a proven way to facilitate cost-efficient and rapid deployment of buried fiber optic infrastructure, while minimizing the unavoidable traffic impacts that plague traditional underground construction methods, especially in the urban core. Moreover, pursuant to Act 151, effective January 1, 2012, actions relating to the installation, improvement, construction, or development of infrastructure relating to broadband service or broadband technology, including the interconnection of telecommunications cables, shall be exempt from county permitting requirements, state permitting and approval requirements.

ClearCom embarked on this ambitious project by working collaboratively with Hawaii's other telecommunications carriers, namely, Hawaiian Telcom (HT), Oceanic Time Warner Cable, and TW Telecom. The idea was to come together as a consortium and build shared infrastructure that would bring much needed capacity into Honolulu's urban core. The project would have been an underground fiber optic loop from Pearl Harbor to Waikiki and back. Building this network as a

consortium would have meant cost savings for each carrier, resulting in cost savings for consumers. All parties agreed it was a worthwhile project to pursue, however, due to corporate restrictions the other carriers, were unable to commit at this time. Meanwhile, HT remains interested in redirecting some funds for an aerial fiber optic segment between Volcano and Pahala on the Big Island of Hawaii. ClearCom decided to move forward and remains open to working with the other carriers, at any time. To ensure the network would be financially viable, after the other carriers bowed out, ClearCom changed the scope of the project to ensure Honolulu's business district; military installations; medical facilities; federal, state, and county government offices; and schools could benefit from the broadband network. Our revised route takes state-of-the-art fiber optic infrastructure past Pearl Harbor, Schofield Barracks, Fort Shafter, Camp Smith, Wheeler, National Guard and state civil defense facilities, as well as more than 60 schools, and right through the heart of downtown Honolulu.

The approval of this legislation will allow ClearCom adequate time to fulfill all the requirements necessary prior to issuance of the bond and secure sufficient commitments to make this broadband infrastructure a reality. I believe that this broadband project will enable access to affordable ultra high-speed Internet which is essential to build a vibrant and sustainable economy and workforce in Hawaii and improve the quality of life for residents. I urge your support of this bill.

At this time, I would be happy to answer any questions the Committee may have.



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January 26, 2012

The Honorable Rep. Angus McKelvey
Chair, Committee on Economic Revitalization & Business
Hawaii House of Representatives

*Re: Testimony on House Bill 2267
Hearing before the House Committee on Economic Revitalization & Business
8:30 a.m., Conference Room 312*

Representative McKelvey and Members of the Committee:

Thank you for this opportunity to express AT&T's position on House Bill 2267. While AT&T supports the availability of broadband services to all Americans, we are concerned that this legislation may give an unfair advantage to one private company over others in the deployment of these services in the State of Hawaii.

House Bill 2267 would allow the issuance of up to \$100 million in special revenue bonds to provide funding to Clearcom, Inc., a private company, for the construction and operation of broadband services throughout Hawaii. This gives Clearcom, Inc. a tremendous advantage over other private companies offering broadband services in the state.

If funding were limited to providing broadband services to unserved areas of Hawaii, AT&T would be less concerned. We recognize that there are some areas where it makes sense for government to assist in providing broadband services.

Unfortunately, House Bill 2267 would provide an advantage to Clearcom, Inc. to unfairly compete with other private companies throughout the state.

AT&T continues to invest in Hawaii to offer wireless broadband services. Consumers have benefited from these investments, along with the technology innovations that are the result of a highly competitive wireless industry.

We urge legislators to pursue public policies that foster investment and competition among all companies providing broadband services to Hawaii. Unfortunately, we do not think this is the case with House Bill 2267.

Respectfully Submitted,

Dan Youmans, AT&T