

HB 629

RELATING TO PUBLIC UTILITIES

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HAWAIIAN TELCOM

January 31, 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 629, Relating to Public Utilities.

The purpose of this measure is to increase the obligations of a telephone service provider to prevent the proliferation of what is commonly known in the industry as "cramming". Hawaiian Telcom opposes this measure.

Cramming is a term used to describe a situation where a third-party vendor adds a charge to a phone bill for additional phone features that a consumer may never have agreed to buy. For example, in addition to subscribing to basic phone service from a telecommunications provider, a consumer also has the option to purchase additional features from independent third-party vendors for various services such as voicemail, paging, and long distance.

Problems related to cramming first arose in the 1990s when unscrupulous third-party vendors billed unwary consumers for undisclosed charges involving calls to 800 and 900 telephone numbers. Because of numerous consumer complaints involving cramming in the past, the industry cracked down on these dubious companies and safeguards were established to help largely eliminate this practice. It is our understanding that in Hawaii there are only a few consumer complaints received each year involving cramming. Until there is a more data documenting the number and description of consumer complaints received we believe this effort may be a case of a solution in search of a problem.

Hawaiian Telcom has never endorsed or directly participated in cramming. Regardless of this fact, our company is innocently caught in the middle of any dispute because Hawaiian Telcom as the primary billing provider is required under federal law to include these third-party vendor charges to our regular phone bill. In other words, our company is in a Catch-22 because we are limited by law from restricting the inclusion of

these charges provided to us by unrelated third-party vendors yet this bill seeks to impose liability on our company for charges that we did not initiate or approve.

Our company also objects to the fact that this bill is primarily directed at Hawaiian Telcom as the incumbent local exchange carrier. Section 269-B on page 2 specifically exempts wireless and digital phone providers from HB 629. By exempting wireless and digital providers the perceived benefit of this measure will not apply to a large segment of Hawaii's consumers who utilize wireless and digital phones.

If it is the intent of this committee to move this issue forward, Hawaiian Telcom recommends that this body first study the issue via a HR or HCR to determine if cramming is a problem in Hawaii, and recommend comprehensive strategies to address this issue before imposing more governmental regulations that may ultimately lead to unintended consequences.

Based on the aforementioned, Hawaiian Telcom opposes this measure and respectfully requests that this measure be held. Thank you for the opportunity to testify.