



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
RICHARD C. LIM
Director

Department of Business, Economic Development, and Tourism
HOUSE COMMITTEE ON FINANCE

Wednesday, March 28, 2012

10:00 AM

State Capitol, Conference Room 308

In consideration of

SB 2236, HD1

RELATING TO INFORMATION TECHNOLOGY

Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance:

The Department of Business, Economic Development, and Tourism ("DBEDT") **supports** SB 2236, HD1 authorizing the issuance of Special Purpose Revenue Bonds (SPRB) to Clearcom, Inc., or a partnership headed by Clearcom, Inc., to support broadband infrastructure development.

In leading the Hawaii Broadband Initiative ("HBI"), DBEDT is highly supportive of private initiatives that increase the availability of broadband across the State. Furthermore, DBEDT recognizes that Clearcom, Inc., has obtained, through an auction in 2002, an exclusive license with Honolulu's Board of Water Supply to lease all of its abandoned water mains for the purpose of deploying broadband infrastructure. They also support, through their sister company Sandwich Isle Communications, fiber lines out to rural areas on Oahu as well as the neighbor islands. Clearcom's stated broadband expansion efforts are well aligned with HBI's goals to provide affordable high-speed communications throughout the State by 2018.

DBEDT respectfully submits a draft (attached) for a proposed SB 2236, HD2, that amends HRS 39A, Part VI to permit SPRB financing for telecommunications projects, which include broadband.

Thank you for this opportunity to submit testimony **in support** of SB 2236, HD1, along with DBEDT's suggested amendments.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2236, H.D. 1

March 28, 2012

RELATING TO INFORMATION TECHNOLOGY

Senate Bill No. 2236, H.D. 1, authorizes the issuance of up to \$100,000,000 in special purpose revenue bonds (SPRBs) 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 (Assisting Industrial Enterprises), Chapter 39A, Hawaii Revised Statutes (HRS).

The Department opposes this bill. According to the State's bond counsel, broadband infrastructure projects are not eligible for federal tax- exempt financing unless such projects are governmentally-owned. However, we understand that the Department of Business Economic Development and Tourism and the Department of the Attorney General are working with the House Finance Committee to develop a House Draft 2 to Senate Bill No. 2236 to make the necessary revisions to Chapter 39A, HRS, to allow SPRBs to be issued for broadband use, such as envisioned in Senate Bill No. 2236. The Department anticipates that the revisions will sufficiently address the issues that currently limit the SPRB's option for Clearcom, Inc.

Thank you for the opportunity to testify on this measure.

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
HOUSE COMMITTEE ON FINANCE
Wednesday, March 28, 2012
10:00 AM
State Capitol, Conference Room 308
In consideration of
SB 2236 HD1 RELATING TO INFORMATION TECHNOLOGY.

Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance:

The High Technology Development Corporation (HTDC) **supports SB 2236 HD1** authorizing the issuance of Special Purpose Revenue Bonds (SPRB) to Clearcom, Inc. for the purpose of broadband infrastructure development. HTDC is supportive of private initiatives that assist in increasing the availability of broadband across the state.

We respectfully request correction of the defective effective date and assure clear passage of this bill. Thank you for the opportunity to submit testimony on this bill.

SB2236 HD1**RELATING TO INFORMATION TECHNOLOGY
AGENDA #1****KEN HIRAKI
VICE PRESIDENT-GOVERNMENT AFFAIRS****HAWAIIAN TELCOM****MARCH 28, 2012**

Chair Oshiro and members of the Committee:

I am Ken Hiraki, providing comments on behalf of Hawaiian Telcom on SB2236 HD1, Relating to Information Technology.

While we support the overall objective of improving Hawaii's broadband infrastructure, we are unable to provide detailed comments because the bill does not list where and what type of broadband projects are being funded.

If it is the intent of this bill to fund duplicative broadband improvements in areas that are already being adequately served by multiple providers we question the public purpose and the need for government support for such a project. Conversely, if the intent of this bill is to provide improved broadband services to areas currently underserved (especially on the neighbor islands) then we would argue the greater the public purpose and the greater the need for government support. As presently drafted the bill is devoid of project details so we will limit our testimony at this time.

Thank you for the opportunity to provide some comments.

ClearCom, Inc.

A WAIMANA COMPANY

1003 Bishop Street, Suite 2750
Honolulu, HI 96813
Ph: 808-599-4441 Fax: 808-599-4653

**Testimony of Albert S.N. Hee to
The House
Committee on Finance on
March 28, 2012**

SB 2236, HD 1 Relating to Information Technology

Chair Oshiro, Vice Chair Lee, 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 SB 2236, HD 1, 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 and Oceanic 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, Kaneohe Marine Corps Air Station, 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.



CONTROLPOINT
Surveying, Inc.

March 27, 2012

House of Representatives
The Twenty-Sixth Legislature
Regular Session of 2012
COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Subject: Testimony in Support of SB 2236, HD1 (HSCR1127-12)
RELATING TO INFORMATION TECHNOLOGY.
Authorizes the issuance of special purpose revenue bonds to assist Clearcom, Inc., or a partnership headed by Clearcom, Inc., with planning, permitting, designing, constructing, equipping, and operating broadband infrastructure throughout the State. Effective July 1, 2112.

Hearing: DATE: Wednesday, March 28, 2012
TIME: 10:00 A.M.
PLACE: Conference Room 308
State Capitol
415 South Beretania Street

Dear Representatives:

I am Ed Yeh, owner of ControlPoint Surveying, Inc. I wish to testify in support for S.B. 2236, HD1, Relating to Information Technology, Authorizes the issuance of special purpose revenue bonds to assist Clearcom, Inc., or a partnership headed by Clearcom, Inc., with planning, permitting, designing, constructing, equipping, and operating broadband infrastructure throughout the State. The Issuance of Special Purpose Revenue Bonds to Assist Clearcom, Inc. in the Development of Broadband Infrastructure in Hawaii.

Clearcom is an affiliate of Sandwich Isles Communications. ControlPoint Surveying, Inc. provides land surveying services for Sandwich Isles Communications ("SIC") and we know first-hand that SIC's state-of-the-art all-fiber optic infrastructure is the best in the state. SIC is equipped and staffed to successfully build out telecomm infrastructure to provide modern and reliable services. If the SB 2236, HD1, is passed, a project like this would have a big job impact on ControlPoint Surveying, Inc. and the industry.

We respectfully request that you consider and approve SB 2236, HD1. Thank you for letting me submit my testimony in favor of SB 2236, HD1.

Thank you for your time.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Yue-Hong Yeh', with a stylized flourish at the end.

Yue-Hong "Ed" Yeh
PRESIDENT
Tel: 808.591.2022, Ext 110

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Statement of
Nelson Kanemoto
President and CEO
Referentia Systems Incorporated
before the
HOUSE COMMITTEE ON FINANCE
Wednesday, March 28, 2012
10:00 a.m.
State Capitol, Conference Room 308
In consideration of
SB 2236 HD1
RELATING TO INFORMATION TECHNOLOGY.

Chair Oshiro, Vice Chair Lee, and members of the House Committee on Finance. Thank you for this opportunity to submit testimony on SB 2236 HD1.

My name is Nelson Kanemoto, President and CEO of Referentia Systems Inc. Referentia strongly supports SB 2236 HD1. As a Hawaii-based, SBA certified small disadvantaged business, Referentia Systems is a nationally recognized provider of cybersecurity solutions for the federal government, the Department of Defense (DoD), and other critical infrastructure. Referentia has a strong record of successful advanced solutions to address critical cybersecurity concerns threatening IT modernization.

As a developer of cybersecurity and advanced network solutions for critical infrastructure, Referentia understands the central role that broadband plays in local, national and global economic development and modernization including the development of the smart grid, healthcare information exchange, transportation security, etc. Expanding broadband access will help drive innovation of goods, services and technologies from increased information flow and communications, and in turn, create jobs. Improved broadband availability will enable new business models to develop, stimulating new services and industry and rural development.

For Hawaii to compete as an economic stronghold in the global marketplace, the growth and development of our broadband infrastructure are key to driving innovation, modernization, the economy and job creation. Thank you again for this opportunity to submit testimony in strong support of SB 2236 HD1.

Sincerely,



Nelson Kanemoto
President and CEO

Aloha,

My name is Ed Pukini and I am the Regional Vice President of Mid-State Consultants, Inc. I am writing to express my support of HB 2236.

For the past 13 years, Mid-State Consultants, Inc. has been actively involved with innovative infrastructure projects for Sandwich Isles Communications, Inc., in which they have designed, engineered and built more than 100 miles of broadband infrastructure using USDA/RUS loans. Mid-State Consultants, Inc. is proud to serve Hawaii through Sandwich Isles Communications, Inc.'s successful implementation of their broadband network.

Sandwich Isles Communications, Inc. has consistently conducted business with professionalism and integrity. A pioneer in the communications industry, Sandwich Isles Communications, Inc. was first in the state of Hawaii to provide fiber to the home. An experienced leader in the communications industry, SIC was the first in the State of Hawaii to provide a fiber to the home network, currently serving 1,000+ lessee's on the Department of Hawaiian Home Lands property. Mid-State Consultants, Inc. finds Sandwich Isles Communications, Inc. an ideal client who always pays close attention to detail, pays their bills in a timely manner and understands the needs of the community and how to fulfill those needs.

In addition, Mid-State Consultants, Inc. has seen the results of Sandwich Isles Communications, Inc.'s continued dedication to excellence. They were able to decrease their construction schedule by 30%, reduced the impact on the environment through the reduction of excavated areas by utilizing the existing abandoned Board of Water Supply water mains and reduced cost by an impressive 40%.

Mid-State Consultants, Inc. firmly believes that HB 2267 will help increase the amount of local employees that we would hire for a project of such magnitude. Furthermore, more jobs would be created in the industry as a whole, allowing for more robust broadband network that will provide services including high speed data, cell phone service, IPTV service, cellular backhaul, all of which will undoubtedly increase efficiency for the consumer.

For these reasons, Mid-State Consultants, Inc. supports HB 2267. Thank you very much for your time, and please feel to contact me at 808-585-6188 or via e-mail at epukini@mscon.com.

Mahalo,
Ed Pukini
Regional Vice President
Mid-State Consultants, Inc.

FINTestimony

From: mailinglist@capitol.hawaii.gov
sent: Tuesday, March 27, 2012 10:47 AM
To: FINTestimony
Cc: soor001@hawaii.rr.com
Subject: Testimony for SB2236 on 3/28/2012 10:00:00 AM

Testimony for FIN 3/28/2012 10:00:00 AM SB2236

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Richard Soo
Organization: Individual
E-mail: soor001@hawaii.rr.com
Submitted on: 3/27/2012

Comments: