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LAWRENCE M. REIFURTH
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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

THURSDAY, JANUARY 29, 2009
2:00 P.M.

TESTIMONY OF CATHERINE P. AWAKUNI, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS TO THE HONORABLE REPRESENTATIVE HERKES, CHAIR, AND
MEMBERS OF THE COMMITTEE

HOUSE BILL NO. 0266 RELATING TO PUBLIC UTILITIES.

DESCRIPTION:

This measure directs the Public Utilities Commission ("Commission") to consider other telecommunications services when considering competition in the switched access telephone services market.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") offers comments for this Committee's consideration.

COMMENTS:

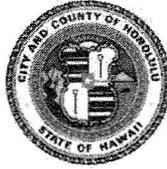
The Consumer Advocate defers to the Legislature on this matter, since the provision of such guidance to the Commission is within the purview of the Legislature. We request, however, that this Committee consider HB1077 as a means of providing the incumbent local exchange carrier with regulatory flexibility under a new communications commission once it emerges from bankruptcy protection.

Thank you for this opportunity to testify.

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MUFI HANNEMANN
MAYOR



GORDON J. BRUCE
DIRECTOR & CIO

January 28, 2009

The Honorable Robert N. Herkes, Chair
and Members of the Committee on
Consumer Protection & Commerce
State House of Representatives
State Capitol
Honolulu, Hawaii 96813

Dear Chair Herkes and Members:

**Subject: House Bill No. 266
Relating to Public Utilities**

As Director of the Department of Information Technology, I support the intent of the House Bill No. 266, but not the proposed solution. Instead, the legislature should clear the path of competition by releasing the incumbent from the PUC regulations and level the playing field by permitting the incumbent to compete on the same playing field as the other telecommunication providers.

To accomplish this, the legislators should require that all telecommunications share their respective fiber infrastructures. The mechanism to accomplish this is addressed in the Broadband Task Force's recommendations issued in 2008.

Thank you for the opportunity to testify.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gordon J. Bruce", is written over a horizontal line.

Gordon J. Bruce
Director and Chief Information Officer

HB 266

RELATING TO PUBLIC UTILITIES

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

HAWAIIAN TELCOM

January 29, 2009

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

I am John Komeiji, testifying on behalf of Hawaiian Telcom on HB 266, Relating to Public Utilities. Hawaiian Telcom recommends that this measure be deferred and instead recommends the passage with amendments of HB 254, Relating to Public Utilities.

The stated purpose of HB 266 is to require the Public Utilities Commission (PUC) to consider other telecommunications services when determining competition in the switched access telephone service market. While Hawaiian Telcom supports the intent behind this measure which is to help level the regulatory playing field, this bill falls short in providing immediate regulatory relief since it only requires the PUC to “consider” whether competition exists in the telecommunications marketplace.

Hawaiian Telcom prefers the approach contained in HB 254 as previously heard by your committee which will allow our company to provide consumers with what they demand: more innovation, competitive pricing, timely introduction, and a greater selection of new products and services.

Based on the aforementioned, Hawaiian Telcom respectfully requests this measure be deferred. Thank you for the opportunity to testify.



Anne M. Perkins

Manager
State Government Affairs
925 L Street, Suite 345
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(916) 893-7853

January 29, 2009

Honorable Robert N. Herkes
Chair, House Committee on Consumer Protection and Commerce
Hawaii State Capitol, Room 320
415 South Beretania Street
Honolulu, HI 96813

RE: Sprint Nextel Comments on HB 254 and HB 266

Dear Chairman Herkes and Members of the Committee on Consumer Protection & Commerce:

On behalf of Sprint Nextel, I am writing in opposition to Hawaii House Bill 254 and House Bill 266, which would deregulate switched access phone service. HB 254 and HB 266 will harm competition and the consumers of Hawaii. Sprint Nextel appreciates your interest in facilitating a competitive environment for telecommunications services in Hawaii; however, the bills do not take into account the means by which competing services are delivered to consumers.

Switched access is a monopoly. Competing carriers must use switched access to terminate non-local calls to landline customers. For example, when a Sprint customer in Hawaii calls a friend on their landline phone in Hawaii the call must be routed onto the landline to reach the Hawaii subscriber. Switched access is the fee charged by the landline provider to complete the call. Switched access is controlled by the incumbent local exchange carrier (ILEC). Currently, the Hawaii Public Utilities Commission sets the rates charged by ILEC to ensure that all carriers operate on equal footing. HB 254 and HB 266 would change this by enabling the ILEC to charge whatever fee it chooses to the carrier accessing the line. The only carrier that can provide call termination is the carrier in which the end user has subscribed.

The anti-competitive advantage created by HB 254 and HB 266 directly harms the consumer. Consumers benefit from competition for phone service from cable, wireless, and long distance service providers. Excessive access fees imposed solely when Hawaii consumers call within the state, prevent real competition. Artificially high switched access rates inflate the costs of competitive phone providers and in turn affect the rates of these competitive phone services offered to Hawaii consumers. High access rates also harm consumers and innovation by diverting capital that could be used to invest in network expansion, new products and services and new technology. It already costs more for a consumer to place a place within Hawaii than it does to another state. If switched access rates are deregulated in Hawaii, that rate disparity will get worse.

Sprint Nextel shares your interest in creating a competitive marketplace. The goal is to provide consumers with the full benefits of competition, including lower prices. HB 254 and HB 266, as currently written, do not achieve this end as unfettered access rates only inflate costs for the consumer. On behalf of Sprint Nextel, I implore you to maintain a competitive marketplace for telecommunications services before enacting regulatory provisions that will certainly have unintended consequences. For these reasons, I respectfully urge you to reconsider HB 254 and HB 266.

Sincerely,

Anne M. Perkins
State Government Affairs