Broadband Task Force
(Established by Act 2, Session Laws of Hawai`i 2007)
State of Hawai`i
www.state.hi.us/auditor

Minutes of Meeting

The agenda for this meeting was filed with the Office of the Lieutenant Governor, as required by Section 92-7(b), Hawai`i Revised Statutes.

Date:	Wednesday, August 20, 2008
Time:	3:00 p.m.
Place:	State Capitol 415 South Beretania Street Conference Room 309 Honolulu, Hawai`i
Present:	Chair David Lassner, University of Hawai`i Gordon Bruce, City & County of Honolulu Gary Caulfield, First Hawaiian Bank Senator Will Espero, The Senate Senator Carol Fukunaga, The Senate Ken Hiraki, Hawaiian Telcom Henk Rogers, BluePlanet Wireless Clyde Sonobe, Department of Commerce & Consumer Affairs Kiman Wong, Oceanic Time Warner Representative Kyle Yamashita, House of Representatives Sterling Yee, Assistant Auditor Pat Mukai, Secretary, Office of the Auditor Robert Doeringer, RHD Consulting, LLC
Excused/ Absent:	Jennifer Goto Sabas, Office of Senator Daniel K. Inouye Senator David Ige, The Senate Representative Marcus Oshiro, House of Representatives Representative Gene Ward, House of Representatives
Call to Order:	Chair Lassner called the meeting to order at 3:05 p.m. at which time quorum was established.
Presentation: Hawaiian Telcom	Mr. Steve Golden and Mr. Dan Masutomi of Hawaiian Telcom did a brief presentation on barriers to the Development of Improved Broadband Services in Hawai`i. This presentation can be found at the Auditor's website at: http://www.hawaii.gov/auditor The market continues to change and the company is committed to change along with the market. The biggest issue they are facing today is incorporation of video. Their recommendations include improving the regulatory framework to provide for regulatory relief, as well as public/private partnerships and tax incentives. They reported that their company is the carrier of last resort. What this means is they need to provide service to all people while attempting to meet continually higher service quality standards. As for the

conduits that are in the roadways, if other competitors want to use them, they are required to make their capabilities available to others. However, the reverse is not always true; competitors do not have to share their facilities with Hawaiian Telcom. Their recommendation for regulatory relief is to encourage competition in order to end up with faster speeds and more availability of broadband services by allowing greater flexibility in their obligations as a video franchise. The current conditions can be a real burden on a new upstart or an existing company attempting to provide a new product or service. Some flexibility within this will help new entrants into the market. For example as Hawaiian Telcom is attempting to enter the video market they are being held to the same fees and requirements as Oceanic Time Warner, who came in as a monopoly. However, if you are trying to get a new entrant into the market, you need to loosen the requirements for a certain time period.

Design and Construction Challenges

A general overview of broadband infrastructure was presented. The slide charts depict the broadband infrastructure in four layers. The last layer, the last mile, is the biggest challenge and most expensive part of the network. Today, the network reaches over 90% of customers with 1 to 3 Mbps of broadband service. There are a few choices to increase the base speed ï increase fiber to shorten copper runs or replace more electronics with newer, faster equipment. The last mile issue most related to government is the issue of rights-of-way. To begin construction, permits are required which take 60 - 90 days to obtain. With public/private partnerships, the city/state can help facilitate flexible design and construction requirements, look at new construction techniques, and streamline the permit and rights-of-way process. Time constraints are a burden and any way to shorten the time would really help. Last is the issue of easements. With the amount of land the city/state has, they can really help facilitate the electronics and fiber to the network increase broadband speeds and develop a model that allow collaboration among the different players in the market.

Discussion

Member Bruce asked the presenters to explain the process with new developments. When a new developer constructs a new residential subdivision, how are the conduits funded, constructed, and conveyed to the incumbent to use? Mr. Masutomi replied itôs the developerôs responsibility to provide the conduits. They usually design the system to the telephone, electric and cable companiesôspecifications. Today, because of competition between the companies, it is the developerôs choice. A company may entice the developer to use them for service and in return, provide them with materials for the companies. Member Bruce asked what if the developer goes to a third party. Mr. Masutomi answered the third party can get permission to use the conduit and if itôs denied, they may have to build their own facility. Member Bruce asked when would an opportunity arise for city/counties to legislate co-opetition in the conduit systems that go into the ground for new development and allow all carriers to use the systems at no cost. Mr. Masutomi believes the company would support that.

Member Bruce said, new development is different from going into existing infrastructure and require two approaches. For new developments, there are no costs to Hawaiian Telcom per se, except for the $1 conveyed to the company. Mr. Masutomi indicated thatôs correct. Member Bruce asked, in the cases that are conveyed to the company for $1, does the company charge back to someone else who wants to get into those conduits. Mr. Masutomi replied they charge an occupancy fee. Member Bruce continued, if the occupancy fee is eliminated, it would help to level the playing field. Mr. Masutomi said, it would help to level the playing field but someone else would have to maintain it and right now, the burden is on Hawaiian Telcom. If there are repairs or road requirements that need to be done to add conduits, the burden falls on Hawaiian Telcom. There was also concern about a County proposal to require that all conduits be 36 inches underground, which increases costs for everyone involved. This is an issue that should be re-examined.

Member Caulfield asked if there's a formula used by the company to build something a couple of years from now. Based on this formula, what is the extra cost, if it's 20%, 30%. Mr. Masutomi replied, in previous studies that were done, it's roughly about 25% based on time and additional effort. Member Caulfield asked if they looked at tax incentives, what other states are doing, and whether there's more competition because the Legislature or state government has intervened. Mr. Golden answered they will try and look into this matter. What needs to be realized is that in other countries, they put in a lot of reliance on economic incentives.

Chair Lassner stated with shared infrastructure, it seems the key to success is to try to deploy shared infrastructure and recover the cost of the infrastructure by selling competitive services on shared infrastructure instead of having multiple players each recovering the costs of duplicative infrastructure through the sale of services. In other countries there have been public policy frameworks put in place that have resulted in more shared infrastructure which enables more competition at the service layer If we could figure out collectively how to make it easy to at least deploy shared fiber or copper, that would be good for everyone. Mr. Golden responded that one model is guaranteed rate of return. This is the traditional electric utility and gas utility, methodology, where the utility invests and gets a return, and there is only one player in the market.

Member Bruce said we already have a funding mechanism in place. If there is a conduit break the other carriers pay the telephone company for the maintenance or repair. What if these funds were set aside to be used for the maintenance and repair of those facilities that are shared by everyone. It seems the only way to play is to pay. Chair Lassner responded, we have multiple entities pulling fiber, bundles of strands of fiber, largely engineered to the same specifications and we are paying for all these services. If we can drive the cost of services down through shared infrastructure, everyone benefits. New entrants will have new ideas that we haven't even thought of. If the barriers of entry goes down significantly, that will enable creation of providing new services in new ways without the heavy burden of creating new infrastructure for every new idea.

We need to identify our desired end state and see if we have a consensus. In discussions with our federal task group, it was noted that the hardest part of the problem may be getting from where we are to where we need to be to create greater competition in services. It doesn't mean there has to be competition in infrastructure but it's a matter of how far up the stack you consider it infrastructure. Is it conduits, poles, fiber? Looking at what's going on in other countries, there is somebody who manages infrastructure as a utility. The services are then the environment for wide-open competition that will stimulate innovation. There is a financial challenge of getting fiber to every home that is beyond the capability of current service model.

Presentation: Oceanic Time Warner Cable

Member Kiman Wong did a presentation on Barriers to Broadband. Mr. Wong's presentation can be found at the Auditor's website at:

http://www.hawaii.gov/auditor

Oceanic Time Warner Cable provides cable service to over 400,000 customers and is capable of serving over 590,000 customers. One of the goals is to have broadband available in more places with faster up and down speeds at lower prices. Road Runner officially launched in 1997. However, Oceanic provided cable modem service prior to Road Runner. Speed has increased over time; there is a demand for high speed and for wireless connection as well. Oceanic has a mapping system and it shows all the areas of coverage and what part of the island is being covered. The maps do not tell you what homes are being covered. This needs to be worked on more to become something more meaningful.

New Build Process – developers are responsible for getting the permits to build conduits; the same goes for condominiums and multi-dwelling units (MDUs). Conduits in buildings remain the property of the condo or MDU. They are still responsible for permits.

Retrofit Build Process – there are different rules for retrofits. Permits are required, all facilities need to be upgraded to certain standards, and permits must be paid by cash or check.

Some of the considerations are to keep things simple – cheaper/faster and to advocate not regulate. The government should be our advocate, to get necessary things done, to try and help get things approved.

Chair's Report: Minutes of previous meeting
Senator Fukunaga moved to approve the minutes of the June 26, 2008 meeting, seconded by Member Caulfield and the motion was unanimously carried.

Future Meetings and Events: Chair Lassner announced e-health briefing at 8:30 a.m. followed by task force meeting on Thursday, September 11, 2008 at 10:00 a.m.

Adjournment: With no further business to discuss, the Chair adjourned the meeting at 4:27 p.m.

Reviewed and approved by:

Sterling Yee
Assistant Auditor

August 27, 2008

[ ] Approved as circulated.

[ ] Approved with corrections; see minutes of _____ meeting.

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