Application of Hawaiian Telcom Service Company, Inc.
For a Video Franchise

Department of Commerce and Consumer Affairs

Statement of Hawaiian Telcom Services Company
By Lester Chu, Executive Director – Interactive and New Business Development

Public Hearing
April 13 2011 and April 14, 2011

Director Lopez, Deputy Director Kaneshige, acting Cable TV Administrator Glenn Chock, members of the public, good evening. I'm Lester Chu, Executive Director of Interactive and New Business Development for Hawaiian Telcom. Thank you for allowing me this opportunity to talk about Hawaiian Telcom's plans to offer video services and how they will benefit the residents of Oahu.

I would like to take a moment to thank the Department of Commerce and Consumer Affairs, the DCCA, for arranging this forum for the public to present comments on Hawaiian Telcom's plans for video service. In developing its plans, the Company has had many meetings and discussions with various people and organizations in the community. The input that we have received from others has been very useful and has helped to shape our plans to better meet the video service requirements of the residents of Oahu. In preparation for the launch of a quality offer, the Company has installed our video service in a number of homes on Oahu on a trial basis, and the Company has received a tremendous amount of encouraging comments from residents who are looking forward to having a choice in video service providers. We are hopeful that we will hear similar support during this hearing. We also recognize, however, that some in the public may have concerns or comments regarding video services in general, or with Hawaiian Telcom's specific plans. As with all of the input received from the public to date, Hawaiian Telcom will carefully consider all comments presented during this forum in the roll out of our video services. We value the public's input and look forward to hearing the comments that will be presented.

Before we begin, I should point out that while telephone companies such as Hawaiian Telcom are increasingly providing video services, the legal and regulatory landscape for video service is in a state of flux. At the state level, some telephone companies have adopted the position that video services using IPTV technology are not subject to state franchising requirements. That position is based on the fact that the network platform used to deliver digital IPTV video is different than the older technology underlying standard cable which most states' cable franchise requirements were designed to regulate. While Hawaiian Telcom believes there is merit to the position that IPTV technology is not subject to a cable franchise, we also believe it's important for Hawaii's consumers to have a choice in video providers as soon as possible. That is why, regardless of positions being taken by telephone companies elsewhere, the Company has elected to proceed at this time with its application and to work with the DCCA for a cable franchise. We have requested an early approval with reasonable conditions which won't form a barrier to entry and deny consumers the benefits from competition.

Although Hawaiian Telcom is not a cable company, and we will be employing a technology different from the traditional cable technology on which existing rules are based, we have filed a video franchise application which is consistent with the state's requirements for cable providers. This approach differs significantly from the way competition was developed within the telecommunications market. Today, as you know, there is effective competition in the telecommunications market and all of us, as consumers can choose whether we want a wireline or a wireless phone. We can choose from among several providers of service. And we can also choose who provides us with broadband access to the Internet. When competition was introduced in the telecommunications market, new entrants requested, and significantly, were given specific competitive advantages by federal and state regulators to allow them to establish a foothold and to grow in size to become effective competitors to the incumbent providers.

Unlike competitors entering the telecommunications market, Hawaiian Telcom is not seeking special treatment that would create market advantages as we enter the video services market. In fact, the Company has in its application agreed to the same fees, public access, and other requirements which we believe meet the State's requirements for cable providers, while at the same time recognizing that Hawaiian Telcom will be a new entrant in an established market and will be using a different technology than cable. As a new entrant in a market with an entrenched incumbent, Hawaiian Telcom will face considerable challenges.

But while those challenges may be significant, the Company is willing to commit its resources and capital so that Hawaii's consumers will have choices and, as a result, the ability to shape the services and value that they receive from video providers. Hawaiian Telcom has proposed several innovative approaches to make it possible for us to be able to offer this state of the art technology as the only viable competitor in one of the most highly penetrated cable markets in the nation.

To make the best use of our time today, I plan on covering two main areas during the remainder of my presentation. The first area will be to provide an overview of Hawaiian Telcom's plans to offer video service on Oahu. The second area will be to focus on the significant benefits that residents of Oahu will realize with Hawaiian Telcom's new 100 percent digital video and audio service.

The programming line-up on Hawaiian Telcom's new video service will be very competitive to what's currently provided by cable and direct broadcast satellite or DBS providers. Hawaiian Telcom's programming will include local channels. It will also include the channels commonly viewed on existing cable such as CNN, Bravo, the Discovery Network and premium channels such as HBO, Showtime and Starz, to name a few. Hawaiian Telcom also recognizes the important role in our community of public access channels, otherwise referred to as public education and government, or PEG channels. The Company's video service offerings will provide consumers with the same line-up of Oahu-based PEG channels.

But it won't stop there. As a local company, Hawaiian Telcom has the ability to focus specifically and exclusively on what products and offers best serve the needs of consumers in Hawaii. That means that in addition to what's already available from others, Hawaiian Telcom is looking to provide new programming content that will appeal to the unique blend of cultures and interests of our island community. Some of the new content will be available as new channels while others may be accessible using video on demand or VOD that allows a viewer to see what they want, when they want.

Using our state-of-the-art infrastructure and the Company's investment in a next generation network, Hawaiian Telcom will be able to deliver high-quality, 100 percent digital video and audio programming to the residents of the island of Oahu over their existing telephone line.

So over the same facilities that the Company is already providing quality voice communications and high-speed data, Hawaiian Telcom will now offer robust all-digital video services.

More details on the technology that will be used to provide video service are included in the Company's Application for a Cable Franchise which was filed on November 5, 2010, with the DCCA and is available for review by the public. AT&T already provides all digital video to over 3 million households across the U.S. mainland using a similar next generation network approach. Other Telcos are doing the same in their serving areas across North America including CenturyLink, SureWest, Bell Canada, and Telus to name a few.

This brings me to my second point which is how residents of Oahu will benefit from the DCCA approving Hawaiian Telcom's application for a cable franchise. If Hawaiian Telcom is allowed to provide video services to consumers on Oahu, it will represent a fundamental shift in the balance of power in the video service market – away from the incumbent cable company towards the consumer. This is because the residents of Oahu would now for the first time have a real choice of video service providers. Because of the State's topology of mountains and valleys, it's difficult for most consumers to receive TV broadcasts over the airwaves. This is evidenced in a recent TV ratings report from Nielsen Media Research which indicates that 93 percent of the households on the island of Oahu with a TV, subscribe to cable TV service.

For those who live on the mainland, they have direct broadcast satellite or DBS providers such as Dish or DirecTV, and Telcos such as AT&T and CenturyLink as viable alternatives to their cable company. According to a November 2009 Nielsen report, cable consumer household penetration was 60.7 percent nationwide, while DBS and Telco IPTV are in 30.5 percent of households. On Oahu, the only alternative delivery system to cable available to consumers is DBS, and their penetration of households is substantially lower in the single digits. That's because the DBS footprint is targeted to serve North America, and is too low on the horizon to be a suitable alternative for many Hawaii consumers.

Hawaiian Telcom's application for a cable franchise will enable consumers in Hawaii to finally experience what others on the mainland have enjoyed for many years – namely, effective competition. With effective competition, consumers will have the ability to choose and change providers. In other words, consumers will drive the market. Competing providers will need to meet the demands of consumers across all areas including content programming, service quality, and overall value to be successful. While Hawaiian Telcom recognizes that Oahu already has a well-entrenched incumbent cable provider, we believe that consumers long for a choice and will be open to a viable alternative. To that end, Hawaiian Telcom will be bringing high quality, all-digital video and audio programming with the same channel line-up and the same great features to every TV in the household. As in any competitive market, our success will be based on our ability to offer a combination of content programming, features, service, and pricing that provide the value that's responsive to the demands of Hawaii's consumers.

In closing, Hawaiian Telcom is pleased to provide consumers with a real choice of video service providers in Hawaii. The increased competition will result in a fundamental shift in the video service market which will benefit Hawaii's consumers. Entering a market with a well-entrenched incumbent is a significant challenge. But it's a challenge that Hawaiian Telcom is prepared to commit resources and manpower, so that Hawaii's consumers can have the same benefits of competition that consumers in other states already enjoy. While we're committed to being a video service provider in Hawaii, we're also committed to listening to the community on what its needs are, and how those needs can be balanced with the start up of a new entrant. We believe our proposed plans for video service are consistent with the needs that have been communicated to the Company, and we look forward to obtaining approval of our application for a cable franchise.

Thank you to the DCCA and everyone else for allowing us the opportunity to present our testimony today. We look forward to hearing the comments from the rest of tonight's speakers.

"Susan SJ. Park"
<spark@olelo.org>
04/21/2011 11:53 AM

To "cabletv@dcca.hawaii.gov" <cabletv@dcca.hawaii.gov>
cc Roy Amemiya <ramemiya@olelo.org>
bcc
Subject Olelo's Testimony on HTSC's Application for a Cable Franchise

Good afternoon,

Please see attached, ʻŌlelo's testimony on HTSC's application for a new cable franchise.

A hard copy of the attached will also be sent to CATV via US mail.

Please feel free to contact us with any questions you may have on the attached.

Thank you,
Susan

ʻōlelo
COMMUNITY MEDIA

Susan S.J. Park
`Olelo Community Media
1122 Mapunapuna St.
Honolulu, HI 96819
spark@olelo.org
808-834-0007 ext. 101
808-836-2546 (fax)

When our voice thrives, so does our community.

It is our mission to strengthen our island voices and advance community engagement through innovative media.

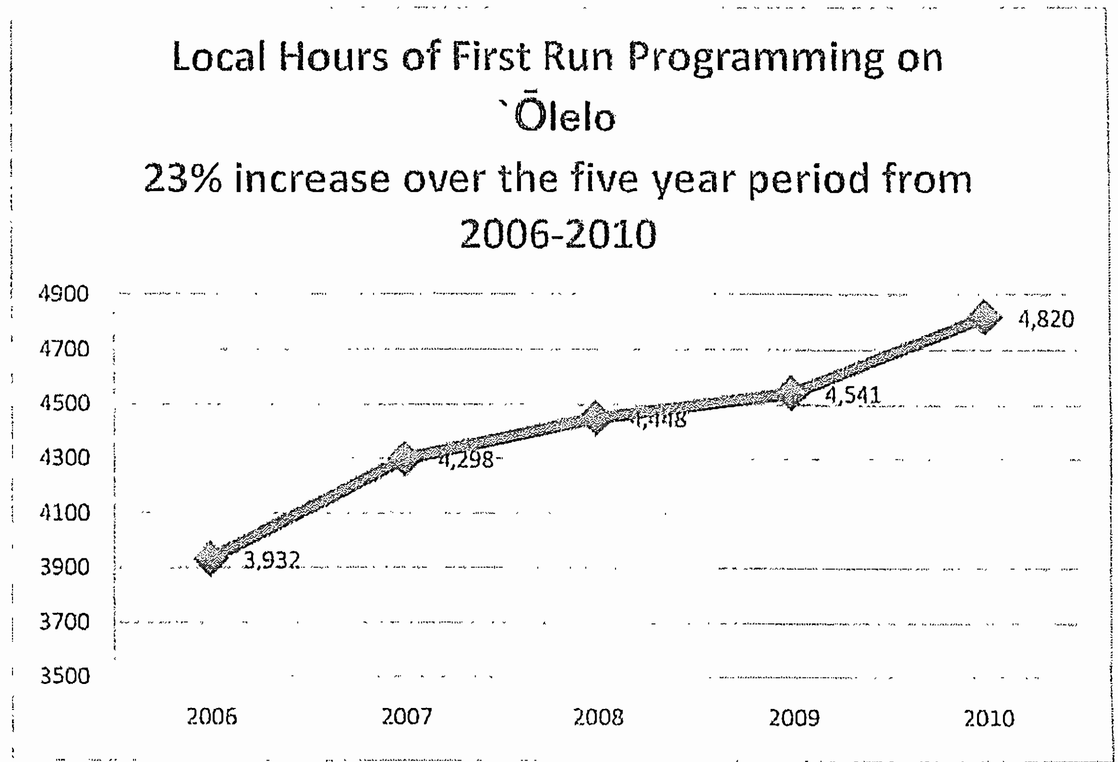
image001.png Olelo's Testimony on HTSC application for new cable franchise21APR2011.pdf

'Ōlelo Community Media's Testimony to the State of Hawaii Department of Commerce and Consumer Affairs Re: Hawaiian Telcom Services Company, Inc. Application for New Cable Television Franchise

April 21, 2011

'Ōlelo Community Media is pleased to submit the following comments on Hawaiian Telcom Services Company, Inc.'s (HTSC) application for a new cable television franchise. 'Ōlelo's goal is to ensure that subscribers to that system, and those who produce community programming, receive services that are at least of equal quality to those received from Oceanic Time Warner Cable (Oceanic). It is our understanding from reviewing the application, as well as discussions with HTSC management, that this is their intent.

As O'ahu's only current PEG Access provider, 'Ōlelo serves cable subscribers by providing them the production training and resources to create and share video programs ranging from community events to issues of concern. These programs, which are distributed via community access cable channels, provide the audience with a view of what is occurring in their community, insight into their state and local governments along with broadcasts of educational programming. Through citizen documentation and cablecasting of our local cultures, viewpoints and discussions, we hope to build a better, more informed and engaged community. 'Ōlelo helps people tell their stories and share their views, without the constraints that exist for commercial television stations. Because 'Ōlelo's funding has never been dependant on advertising dollars, 'Ōlelo is able to encourage members of the public, education and government to participate in creating content that better reflects and informs our citizenry. Community participation in the creation of local programming has continued to increase. The chart below demonstrates this increase and the community's growing use of this vital public, education and government resource on O'ahu.



Based on the demonstrated relevance of PEG resources to O'ahu's community, it is critical that funding for community access not be diminished as a result of HTSC's entry into the cable market on O'ahu.

The DCCA sanctioned considerable community assets and benefits during last year's franchise renewal contract with Oceanic, and 'Ōlelo requests that the DCCA consider similar requirements for HTSC should the franchise be awarded. These community assets and benefits are described below.

I. Operational and Capital Funding

'Ōlelo receives much of its funding through cable franchise fees required of Oceanic and passed through to cable subscribers. A percentage of Oceanic's gross cable revenues are earmarked to cover PEG Access operating expenses, while additional funding is provided to purchase capital assets. In order to ensure parity and maintain the current level of support 'Ōlelo receives, we request that HSTC be required to provide funding proportional to its IPTV subscriber base.

Additionally, there will be upfront hard and soft costs associated with the splitting of 'Ōlelo's feeds to multiple users. We ask that DCCA consider requiring HSTC to reimburse 'Ōlelo for these upfront start-up costs.

II. Channels

The current franchise agreement between the State and Oceanic requires six analog Access Channels, one digital PEG Access Channel and seven new franchise required channels for a total of fourteen channels. For each of these new franchise required channels, Oceanic is ordered to provide a direct connection to its headend from a designated site to be determined by the entity to which the channel is allocated and Oceanic is solely responsible for all costs and maintenance of each connection. We ask that similar requirements plus the flexibility to add future requirements be included in an HSTC contract. This flexibility could support unanticipated PEG programming needs in this fast changing technological world. Although HSTC's application is for an O'ahu only franchise as Oceanic's 2010 franchise is, 'Ōlelo asks that similar Statewide access channels be kept in mind for any potential future application by HSTC.

In the public interest, HTSC should be required, as Oceanic is, to provide their subscribers and those who communicate on O'ahu's PEG channels with the same quality and viewer access as the local network affiliates. With that in mind, 'Ōlelo requests that the quality of the signal delivered on each of the PEG channels be transported and accessed in the same manner as local network affiliates on HTSC's system.

With respect to quality, we ask that the DCCA recognize the scalability of the IPTV system that HTSC has described in their franchise request. Individual program streams or "channels" may be assigned different data rates and, therefore, different levels of signal quality. 'Ōlelo believes it is important to ensure that PEG access programming receive equal treatment with respect to quality as well as reasonable placement in the channel line up so that HTSC subscribers can readily access them. It should be noted that 'Ōlelo is in the process of replacing equipment and moving to the next generation of cameras and edit systems that capture video in high definition. When this transition is complete, we ask that the community's high-definition content be transmitted accordingly.

Of course, technology continues to advance rapidly and with this in mind we ask that the HTSC franchise agreement provide sufficient flexibility so that community access benefits are maintained and not diminished over time.

In that context, we believe that the DCCA should structure the HSTC community benefits package so that it provides both parity in the short term and flexibility for the future. Short-term parity includes:

- Assigning 'Ōlelo's programming as part of HTSC's basic lower tier of service. This will ensure that community programming is available to the greatest number of subscribers.
- Grouping PEG Access channels consecutively in that lower tier, adjacent to other local channels. This will benefit subscribers by creating a continuum of local programming that is easy to find. It will also benefit community producers and presenters by an increased likelihood of viewership.

- Provide connections and necessary hardware to enable ʻŌlelo to monitor all PEG channels simultaneously for quality assurance and troubleshooting at ʻŌlelo's Playback facility at no cost to ʻŌlelo.
- Providing connections and necessary hardware to HTSC's system at each of ʻŌlelo's community media centers in order for ʻŌlelo to monitor PEG channels on their system and maintaining, replacing and upgrading these systems as required, at no cost to ʻŌlelo.
- Providing connections and hardware to additional sites where live programming can originate. ʻŌlelo's producers have often asked to originate live programming from various locations around Oʻahu. Oceanic helped facilitate these productions by providing sixteen fiber optic origination points at various locations around the island, however community needs have increased beyond those initial 16 sites. For example, there is no origination point in Kapolei, Oʻahu's second city. Programming cannot originate from Honolulu's Federal building as it can from the seats of City and State government. Nor can programs originate live from the Hawaii Convention Center, the site of major conferences and cultural events. Critical government and community meetings in Waiʻanae, Wahiawā and Kahuku go without live coverage because the origination infrastructure is absent. HTSC can help address this demonstrated community need by providing additional origination points, at locations to be determined in consultation with ʻŌlelo and our partners. We would also request that HTSC consider designing these connections so they can be integrated into a system that would allow remote participation, by communities and individuals, outside of Honolulu, in governmental proceedings on both the City and State levels of government.

- We also ask that a process be put in place that would allow ʻŌlelo to add points as necessary to serve the community's changing needs. HTSC need not make all of these origination points available immediately, but rather should be permitted to create a roll-out plan that spans a reasonable period of time.
- To provide flexibility in meeting changing community needs and ensure parity between HTSC and Oceanic Cable, we suggest that a mechanism be created to add Origination sites to both systems if needed in the future.
- Since technology changes at a rapid pace, in order to ensure that community needs are being met, we would request that HTSC submit a technical plan addressing community needs, every four years, to the DCCA for comment and approval.

III. Technical Requirements

HTSC's IPTV services rely on technologies that are very different from those employed in traditional cable television systems. To ensure that ʻŌlelo can continue to adequately serve the community through the HTSC system, these new and different technologies must not present barriers to entry to their system. Because of that, we believe that if the retooling of ʻŌlelo's facilities is needed to ensure compatibility with the HTSC system, that HTSC should provide, at no expense to ʻŌlelo, the necessary hardware, software, and connections to allow ʻŌlelo entry into and complete functionality within their system, including the integration of future features and services. Included in those connections would be dedicated fiber and hardware that allows delivery of community programming from ʻŌlelo's playback facility to HTSC's head end system.

IV. Support in Transition

As people subscribe to HTSC cable service—whether they are new customers or those moving from Oceanic—customers should be aware of 'Ōlelo's presence on the system. New subscribers will not be familiar with a new channel line-up, and that transition could diminish the community benefit. Subscribers would benefit from HTSC's promotion of 'Ōlelo programming on their channels. This would include:

- cross-channel promotion
- items in printed and electronic subscriber newsletters
- listing on HTSC's web site
- on-screen PEG channel listing to be provided at no charge to 'Ōlelo
- periodic inclusion of 'Ōlelo information in billing statements
- 1,000 spots annually on HTSC's non-PEG channels to advertise PEG-related channels and programming at no cost to 'Ōlelo.

The community should be able to easily locate community access programming in a manner similar to access to O'ahu's other local stations. Reaching a broad and diverse audience is central to 'Ōlelo's service to the community. We would like HTSC's assistance in gathering and accessing timely and accurate viewership data. Particularly with a new video service, our ability to serve the community is improved if we can better understand viewer interests and trends. Examples of useful viewer data would include focus groups, surveys, and viewer tracking.

V. Additional Requirements

The Oceanic franchise agreement requires that Oceanic connect two of 'Ōlelo's community media centers (CMC) to the main facility in Māpunapuna for the purpose of supporting live video applications and video program transport. 'Ōlelo asks DCCA to consider requiring HTSC to provide similar connections to other CMCs.

DCCA is requiring Oceanic to upgrade the entire PEGNET, a network connecting State Civil Defense, the Department of Education, the City and County, the State Capitol, and several University of Hawaii locations. To further improve this important network, 'Ōlelo recommends that HTSC participate in the expansion of this network.

'Ōlelo recognizes that the nature of IPTV makes it a very flexible system, especially when delivering services that interact with the viewer. This flexibility will allow for a range of future features and services that have yet to be developed. In order for the community to benefit from this, we would suggest that this flexibility be codified in a process that sets parameters for requests for future services provided by HTSC that would benefit the PEG community. Among others, these future services could include video-on-demand services to deliver PEG community access content, interactive services that would be useful to PEG community producers or presenters, or additional channels for interactive 'Ōlelo content. In some cases, we would ask that HTSC also be required to provide additional hardware, connections, and storage to make these enhanced services possible. This could be addressed in a periodic review of new services and features that HTSC is offering which could be beneficial to the PEG operations. The touchstone, once again, is what services will best address the needs of a diverse and growing community, and how 'Ōlelo and Hawaiian Telcom can work together to develop and support a PEG access system that maximizes the impact of future developments in IPTV.

VI. Summary

'Ōlelo believes that HTSC can provide local PEG access producers, presenters and viewers similar community benefits as those offered by the existing cable provider. We request that the DCCA require both operating and capital funding in amounts that are proportional to the subscriber base and representative of 3% of gross revenue. Funding requirements should also recognize that 'Ōlelo will incur start up costs that we feel should be reimbursable.

There are also channel, technical, transition and other considerations that we hope the DCCA will consider and build into the franchise agreement. Finally, Oceanic has other requirements, such as CMC connectivity and PEGNET enhancements. Participation by HTSC to further improve these would derive further community benefits.

'Ōlelo clearly understands that expansion into cable television is a startup operation for HTSC and that this needs to be weighed by the DCCA when creating the franchise requirements. While 'Ōlelo believes that there should be parity in service provided to the community and proportional funding responsibility, we also fully recognize the challenges of starting up a new operation and sincerely desire to have HTSC succeed.

Should HTSC's application be approved, we look forward to working with them to serve our community.

Respectfully submitted,

Roy K. Amemiya, Jr.
Interim President and CEO
'Ōlelo Community Media

200 Akamainui Street
Mililani, Hawaii 96789-3999
Tel 808-625-2100
Fax 808-625-5888

CABLE DIVISION
COMMERCE AND
CONSUMER AFFAIRS

2011 APR 21 P 4: 16

A__ E__ P__ S__

FILE______

OCEANIC
TIME WARNER
CABLE

April 21, 2011

VIA HAND DELIVERY

Mr. Glen Chock
Acting Administrator
Cable Television Division
Department of Commerce & Consumer Affairs
King Kalakaua Building
335 Merchant Street, Room 101
Honolulu, Hawaii 96813

Re: Hawaiian Telcom Services Company, Inc.'s Amended and Restated Application for Cable Television Franchise for Oahu Dated November 5, 2010

Dear Mr. Chock:

Pursuant to Hawaii Revised Statutes § 440G-7 and the Notice of Public Hearing issued March 21, 2011, Oceanic Time Warner Cable ("Oceanic") appreciates this opportunity to provide written comments to the Cable Television Division of the Department of Commerce and Consumer Affairs with respect to Hawaiian Telcom Services Company, Inc.'s Amended and Restated Application for Cable Television Franchise for Oahu dated November 5, 2010, which the DCCA accepted for filing on March 16, 2011.

Oceanic welcomes fair competition and believes that consumers ultimately benefit from the ability to make informed choices. Securing these benefits to consumers in a regulated environment, however, requires a level playing field for all participants. Accordingly, Oceanic believes that the DCCA, in considering and evaluating Hawaiian Telcom's application, should ensure simple fairness in the marketplace by applying comparable franchise requirements and standards to Hawaiian Telcom as it has applied to Oceanic.

Among other requirements, Oceanic's Oahu franchise currently requires:

- Cable television service to all areas of Oahu subject to Oceanic's twenty-five homes per mile line extension policy and feasibility provisions set forth in the franchise;

- Access Operating Fee of three percent of gross revenues for PEG access purposes; one percent of gross revenues for support of public broadcasting; and one percent of income received from Subscribers for Cable Services for the DCCA Annual Fee;

- PEG capital contributions of $823,000 in 2010 and 2011, subject to further negotiation thereafter (Oceanic has provided a total of over $17.4 million in PEG capital contributions to the Oahu PEG provider from 1989 through 2011);

- Cable drop, standard cable service and internet service without charge to all Department of Education schools, institutions of higher learning and libraries on Oahu;

- Twenty Institutional Network ("INET") interconnections at no cost or charge to the State or Subscribers during the first five years of the franchise term, and additional interconnections to government sites at actual cost;

- Fourteen channels for use by the Director or the Director's designee, including the existing six PEG Access Channels, a state-wide PEG Access Channel, a state-wide and VOD educational channel; a state-wide legislative channel; a state-wide City and County of Honolulu channel and state-wide channels for other counties;

- Various reporting and customer service requirements, including technology upgrade plans, customer service requirements and reports; financial statements; and the unserved communities report.

To ensure consumers receive the benefits of fair and effective competition through a level playing field, Oceanic believes that the DCCA should fully consider and vet the following issues that are raised by Hawaiian Telcom's application:

- **Coverage area and build out:** Hawaiian Telcom proposes to utilize VDSL2 high-speed Internet access service to provide digital video services, and is in the process of upgrading its existing network infrastructure. The DCCA should carefully evaluate Hawaiian Telcom's plans and time table regarding the build out of the necessary upgrades. The DCCA should further evaluate how the loop limits inherent in the underlying DSL technology will affect the service area. Oceanic believes that Hawaiian Telcom should be required to provide its video service in all areas of its existing telephone service footprint where the 25 homes per mile line extension standard of Oceanic's franchise is met pursuant to a reasonable build out schedule.

- **Support of PEG Access Channels and Facilities:** After the DCCA twice requested further clarification, Hawaiian Telcom informed the DCCA that its annual operating fee payments for PEG access purposes be determined on the same basis that Oceanic's annual access operating fee payments are determined pursuant to Decision and Order No. 346, applying the same definition of Gross Revenues to Hawaiian Telcom's "video service revenues". Hawaiian Telcom also proposed that its annual capital fund payments for PEG access purposes be a "pro rata share" of the capital fund payments that Oceanic negotiates with the Oahu PEG provider every five years pursuant to D&O 346 "based on comparative video service Gross Revenues for the applicable preceding calendar year."

  Oceanic believes that it is fair and reasonable, and in the public interest, to require that Hawaiian Telcom be subject to the same calculation for the access operating fee payments as specified in D&O 346 (using the same definition and application of "Gross Revenues"), and that Hawaiian Telcom – at a minimum -- also be subject to the same capital fund payments to the Oahu PEG provider as calculated on a per-subscriber basis. Hawaiian Telcom should also be required to support Hawaii Public Broadcasting in the same amount as required of Oceanic.

  Oceanic notes that over twenty years ago, in 1989, Oceanic Cablevision, Inc. was initially required by D&O 135 to contribute $1.9 million in capital costs to the Oahu PEG provider as part of its obligations associated with the renewal of the franchise. The franchise did not condition the amount of the payment based upon the "burden" on Oceanic or its relative market share at the time, and the DCCA should similarly reject Hawaiian Telcom's request to consider such factors in conjunction with payments to support PEG operating and capital expenses. Hawaiian Telcom has applied for a franchise, will receive benefits under the franchise, and the public interest requires that Hawaiian Telcom equitably and fairly contribute to support PEG access.

- **PEG Access Channels:** Hawaiian Telcom notes that it proposes to provide the same number of PEG channels as currently being provided by Oceanic. Where Hawaiian Telcom will not be providing state-wide Access Channels due to the geographical scope of its service area, Oceanic believes that Hawaiian Telcom should be required to provide expanded Access Channel services, particularly given that it will not be required to provide analog service.

  As the DCCA is aware, at the same time that Oceanic is required to expand the number of digital access and government channels, it is also currently required to maintain analog PEG Access Channels pursuant to the schedule set forth in D&O 346. Due to the bandwidth required for the provision of these analog PEG channels (i.e. one analog channel is equivalent to approximately 12 digital channels), Hawaiian Telcom will have greater capacity to provide expanded PEG Access Channels and services. Given the foregoing, Oceanic believes it is fair and reasonable, and in the public interest, to require Hawaiian Telcom to provide equivalent bandwidth for PEG purposes as currently provided by Oceanic.

In addition, Hawaiian Telcom should be required to interconnect and provide its Access Channels under the same technical and channel placement requirements as currently exists in D&O 346, including, but not limited to, technical quality standards, reasonably contiguous channel placement, access in the same manner as other commercial Channels, prohibition on the use of channel menus, and a direct connection to Hawaiian Telcom's headend.

- **INET Proposal:** Hawaiian Telcom's application provides no details regarding its proposal for the INET and states that Hawaiian Telcom should not be required to duplicate the INET infrastructure provided by Oceanic. Oceanic, to date, has constructed and interconnected the INET at an estimated capital cost of over $7.2 million, and this infrastructure has permitted the State to utilize the INET for services, which, if purchased commercially, would cost the state over $2 million in monthly recurring charges.

  While Hawaiian Telcom should not initially be required to duplicate existing INET infrastructure, Oceanic believes that it is clearly in the public interest for Hawaiian Telcom to provide comparable INET interconnections going forward for the benefit of the State. The DCCA should expressly reject Hawaiian Telcom's request that interconnections should be considered only in light of such factors as the "burden" and "opportunity cost" to Hawaiian Telcom and the relative "burden" to Hawaiian Telcom vs. having Oceanic provide a particular interconnection. Hawaiian Telcom seeks to provide cable service and should be required to serve the public interest through a fair and reasonable investment in the INET infrastructure.

  As the DCCA is aware, when the Oceanic Cablevision, Inc. franchise was transferred to Time Warner Entertainment Company, L.P. nearly twenty years ago, D&O 153 required Oceanic to invest significant sums to install and maintain INET interconnections at no charge to the State between the downtown Civic Center, Oceanic's headend, the University of Hawaii at Manoa, Kapiolani Community College and Kapolei, as well as other sites by request and at cost.

  This INET requirement was <u>not</u> dependent upon the number of Oceanic subscribers (which did not include any subscribers in Hawaii Kai at the time) nor considerations of the "burden" or "opportunity cost" to Oceanic.

Rather, Oceanic was required to invest in the INET infrastructure based on the associated obligations with the granting of the franchise. Similarly here, the public interest mandates that the DCCA require Hawaiian Telcom to invest in the INET infrastructure on a fair and equitable basis, and the DCCA should expressly reject Hawaiian Telcom's suggestion to consider the number of anticipated subscribers, as well as the "burdens" and "opportunity cost" in making this determination.

- **Cable drop and basic cable service to schools:** Hawaiian Telcom proposes to provide one DSL service connection and one set top box to each school and institution of higher education that requests service (i.e. essentially only one television per school would have Hawaiian Telcom service). DCCA should require that Hawaiian Telcom provide a reasonable number of gateways and set top boxes for schools that request such services.

- **Customer Service Evaluation and Monitoring:** Hawaiian Telcom has indicated that it will be utilizing its current customer support infrastructure to support its video service, but does not propose how and when customer service will be monitored and evaluated by the DCCA. Oceanic currently works with the DCCA to jointly design and employ a customer service survey once per year. Oceanic believes that the DCCA should require similar customer service monitoring and evaluation of Hawaiian Telcom in addition to any other customer service standards imposed through the franchise and other regulatory requirements, as long as the DCCA continues to require this of Oceanic.

Hawaiian Telcom's oft-repeated argument in its application and responses to information requests that a new entrant into the cable television business should be afforded "competitive advantages" and less "burdensome" requirements compared to Oceanic is unpersuasive for several reasons. First, the obligations imposed in Oceanic's franchise are not conditioned on its size, and it is not the role of the DCCA to handicap competition by seeking to compensate for circumstances that provide a perceived competitive advantage or disadvantage to one competitor or another through discriminatory regulatory treatment. Any such attempt to do so will distort rather than encourage fair competition to the substantial long-term detriment of consumers. While Hawaiian Telcom advocates the "competitive market," it paradoxically seeks to change the playing field so that the "burdensome" requirements imposed by the DCCA to assist consumers, government and the community are reduced for Hawaiian Telcom but maintained for Oceanic.

Second, while Hawaiian Telcom seeks to portray itself as a small and novice entrant into the video market, its application and responses to information requests clearly illustrate the competitive advantages that it has as an entrenched communications services and products provider on Oahu and across the state:

- Hawaiian Telcom will be using existing copper facilities already in place owned by Hawaiian Telcom, Inc. to provide the video service over upgraded VDSL2 facilities;

- Hawaiian Telcom's use of IPTV packet technology does not require coaxial cable build-outs (e.g., planting new poles, building new underground vaults and manholes, digging/trenching streets, etc.) in order to provide service;

- Hawaiian Telcom plans to leverage its relationship with sister company Hawaiian Telcom, Inc. to support is video service business, and many of the skills, processes and procedures involved in its video business are extensions of the existing expertise of the Hawaiian Telcom organization, which has over 100 years of experience with construction of its network; and

- Hawaiian Telcom has the largest outside plant construction crew in the State of Hawaii that is equipped to build fiber and copper networks on a large scale.

Thus, lost in Hawaiian Telcom's repeated hyperbole regarding a "monopoly" market and "entrenched" cable incumbent is the practical reality that Hawaiian Telcom is not a traditional new entrant into the market, and seeks to use its position as the "largest full-service provider of communications services, products and solutions in Hawaii" with the "state's most extensive local telecommunications network" to leverage significant advantages for its planned video services.

The true benefits of competition to consumers and the community arise from a level playing field, and Hawaiian Telcom's application and proposals should be evaluated objectively and in the public interest. Simply stated, Oceanic is not requesting that the DCCA impose any more burdensome requirements upon Hawaiian Telcom than imposed upon Oceanic or even to require precisely identical requirements. Oceanic believes, however, that substantially comparable, competitively non-discriminatory requirements upon Hawaiian Telcom will ensure effective, long-term and robust competition for the benefit of all of Oahu's consumers and the community.

Thank you again for this opportunity to provide comments to the DCCA.

Very truly yours,

Bob Barlow
President
Oceanic Time Warner Cable

335 MENCHANT

CABLE DIVISION
COMMERCE AND
CONSUMER AFFAIRS

TESTIMONY BEFORE THE DCCA regarding application of HTSC FOR NEW OAHU CABLE SERVICE on April 14, 2011

2011 APR 19 A 11:09

On Sept. 23, 2010, I sent a complaint to DCCA concerning Oceanic Time Warner cable (hereafter referred to as Oceanic) and their lengthy response time to technical issues. I later received a reply from Mr. Glen Chock dated Oct. 5 that he was forwarding the matter to Mr. Norman Santos of Oceanic and that I could expect a reply from them. After several weeks and two reminders to Mr. C hock of no response I finally received a call from someone (not Santos) of Oceanic on Dec 2. I was told that for service calls prior to 8pm there exists an option for someone to be called back if the responder is busy but after 8 pm there is no such service. Noting that there must be many calls after 8pm, I asked how many calls are abandoned, but the person said they couldn't release that information. I was also told that Oceanic was in process of hiring additional staff for this purpose.

On Jan .9,2011, I called at 7:45 pm questioning the inaccuracy of the onscreen program guide. I waited for 30 minutes without response. The next morning, I called again, and was told that callback is only available if expected response time is over one hour. Also, that there was no control locally over accuracy of the program guide. (see movie theater analogy in next letter, incorporated by reference into this testimony)

On Jan. 15 I sent above referenced letter to DCCA director with copies hand delivered to my legislators. On Feb.22 I received a reply from Mr. Everette Kaneshige implying I would receive a reply within two weeks.

On March 16 I received a letter from Mr. Chock that Mr. Santos would be calling me soon. About two weeks ago he did call and we had a lengthy conversation. Some of the things he said were: 40 new hires to be added.(same thing I heard in December) their standards are 80% of phone calls answered within 30 seconds (I would later wonder if that applied mainly to revenue-producing calls), that 8 to 16 weeks of training needed for the new employees and that these jobs were advertised locally in the Sunday paper. (I searched but did not find any such ad). Also he offered to send a technician to help me or call first but that has not happened yet.

April 5 I experienced loss of signal at 7:40 pm, called Oceanic at 7:50, and waited 30 minutes with no response, all the time enduring sales messages and assurances that all was working properly. The signal came back later.

On April 13 I called to test the response to calls made to the sales option on their menu. I received a callback option for 31 to 48 minutes, and was called back wherein I was solicited to buy various cost option, including telephone service.

Bottom Line: I feel that Oceanic is a company that: a. discontinues some channels but can provide them for a price; b. is insufficiently staffed and organized to take trouble calls in a reasonable time; c. can't or won't provide an accurate program guide onscreen.; d.sells telephone service but is not regulated by the PUC; e.increases customer cost yearly regardless of normal inflation trends; and f, receives NO serious oversight from the cable TV office of DCCA One way to address all these problems is to have some competition in the marketplace. Therefore I am advocating for the approval of the application, and the transfer of oversight to the PUC, and abolishment of the cable TV office.

George F. Keys April 14, 2011

Additional comments added April 19: In the testimony, I failed to "connect the dots". The events above covered about six months and all that time there was no improvement . Oceanic has promised much but delivered nothing. The Cable TV office has been ineffective in this matter. Finally, I called the "customer care" number last night at 7:20 PM just to see if anything was better and I was placed on hold until someone answered at 8:31 PM.

Mike or Pauline Arellano <orangemagician17@hotmail.com>

03/29/2011 01:44 PM

To <cabletv@dcca.hawaii.gov>

cc

bcc

Subject Hawaiian Telcom Cable TV

CABLE DIVISION
COMMERCE AND
CONSUMER AFFAIRS

2011 MAR 29 P 2: 33

A__ E__ P__ S__

FILE__

3-29-2011
Department of Commerce and Consumer Affairs
Cable Television Division
P O Box 541
Honolulu, Hawaii 96809
RE: Application of Hawaiian Telcom Services Company Inc. for a new cable franchise for the Island of Oahu.

Dear Sirs,

I am writing in favor of granting a cable franchise to Hawaiian Telcom. The television viewing public on Oahu deserve to have a choice for their viewing options. Hawaiian Telcom is a locally based and trustworthy company capable of serving the public.

I totally appreciate their communication services especially when the electricity goes out during times of disaster. Their telephone and computer services are second to none.

I believe that a healthy competition serves the public well. The DCCA has allowed Oceanic into the phone business it is only fair trade that you allow Hawaiian Telcom into the T.V. business.

Mahalo Nui Loa

Michael M. Arellano
94-435 Keaoopua St #105
Mililani, Hawaii 96789
808-6255784

-Facsimile Cover Sheet -

HENC

Hawaii Educational Networking Consortium
East-West Center / Hawaii Association of Independent Schools
Hawaii State Department of Education / University of Hawaii

Date: 4/21/11 **Page 1 of** 3

To: Glen Chock **Fax#:** 586-2625
DCCA - Cable TV Division
P.O. Box 541
Honolulu, HI 96809

From: Marlon Wedemeyer **Phone#:** 956-2776
Hawaii Educational Consortium

Notes/Memo:

I will mail the original.
Thanks!
M.

Direct inquiries to:

Marlon J. Wedemeyer
Hawaii Educational Networking Consortium
2532 Correa Road, Building 37
Honolulu, Hawaii 96822

Facsimile: (808) 956-9966 / Phone: (808) 956-2776
Email: marlon@hawaii.edu

CABLE DIVISION
COMMERCE AND
CONSUMER AFFAIRS

2011 APR 25 A 7:

A___E___P___S___

FILE___

Hawaii Educational Networking Consortium

East-West Center / Hawaii Association of Independent Schools
Hawaii State Department of Education / University of Hawaii

April 21, 2011

Glen Chock
Acting Cable Television Administrator
Department of Commerce and Consumer Affairs
P.O. Box 541
Honolulu, Hawaii 96809

Dear Mr. Chock,

The Hawaii Educational Networking Consortium (HENC) submits the following comments relating to the Hawaiian Telcom Services Company, Inc.'s (HTSC) cable television franchise application for Oahu.

HENC is a collaborative relationship established in December 1993 among the University of Hawaii, State Department of Education, the East-West Center and the Hawaii Association of Independent Schools. These member entities currently provide more than 16,000 hours of Educational Access (EA) cable programming each year which is now distributed on Oahu via Oceanic Channel 55 and 56.

The funding support that we continue to receive from Oceanic/Time Warner, as well as the channels, has allowed us to develop a valuable resource for the residents of the city and county of Honolulu. HENC believes that any new franchisee will draw benefit from these educational access resources.

Therefore HENC's position relating to the new 15 year franchise is that HTSC should be required to provide funding, channels and data connectivity equivalent to that in which the incumbent cable operator is required to provide--without regard to the "high barrier to entry" as stated in HTSC response. Our fear would be without sufficient mirroring of services, a subscriber who signs up for service, or changes cable providers, may in fact unknowingly loose access to educational services.

2532 Correa Road, Building 37 • Honolulu, Hawaii 96822
Email: marlon@hawaii.edu • Fax: (808) 956-9966 • Phone: (808) 956-2776

Collectively HENC has assembled the following list of five important Educational Access Cable franchise needs for your consideration:

1. Direct assignment of three Cable Channels to Educational Access via HENC. These channels should have consecutive numbering consistent with the incumbent provider. In addition, HTSC should also provide a minimum of one Video on Demand (VOD) channel dedicated to education with sufficient video storage to service all of accredited education on Oahu. Such an offering would mirror the channel resources of DCCA's Decision and Order No. 346.

2. Franchise applicant should be required to pay 25% of access fees consistent with the current TWE franchise (as defined on page 25, Section I of Decision and Order No. 346) directly to accredited education as directed by HENC.

3. For each franchise required access channel HTSC should provide and maintain at no cost, a direct connection, as well as the necessary equipment to facilitate head end connectivity from a site HENC designates for the transmission of that channel's programming.

4. No cost cable drops as well as the necessary equipment to provide connectivity shall be provided to all accredited schools, institutions of higher learning and state libraries within the service area.

5. In addition to the VOD cable channel and cable drops, HTSC should provide to all accredited schools, institutions of higher learning and state libraries within the service area, a secure IP-based data connection, equipment and video content storage, capable of uploading and distributing educational video content via desktop connectivity.

Thank you for allowing us to provide this input. If you have questions or require additional information, feel free to contact me.

Sincerely,

Marlon J. Wedemeyer
Education Program Manager
Hawaii Educational Networking Consortium