

Development of Improved Broadband Services in Hawaii

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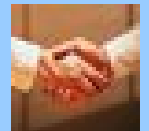
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Objective:

Identify governmental actions which will help stimulate increased investment in the development and availability of advanced broadband services.

Action Plan

- Regulatory relief for new entrants
- Public-private partnerships
- Tax incentives and other assistance



Less Regulation

Video Franchise License

Requirements

Annual governmental fees:

- 3% of gross revenue for Public, Educational, and Governmental (PEG) Access
- 1% of gross revenue for Hawaii Public Television
- 1% of gross revenue for Department of Commerce & Consumer Affairs

Additional governmental cost incurred as a condition to obtaining a video franchise:

- Institutional Network (INET) requirements

Other Regulatory Costs:

- FCC
- DCCA
- PUC

Recommendations:



Regulatory relief for new video entrants

- Encourage badly-needed competition--will result in faster speeds and advanced broadband services.
- Allow flexibility in structuring the payments and obligations required by the State as a condition to receiving a video franchise.



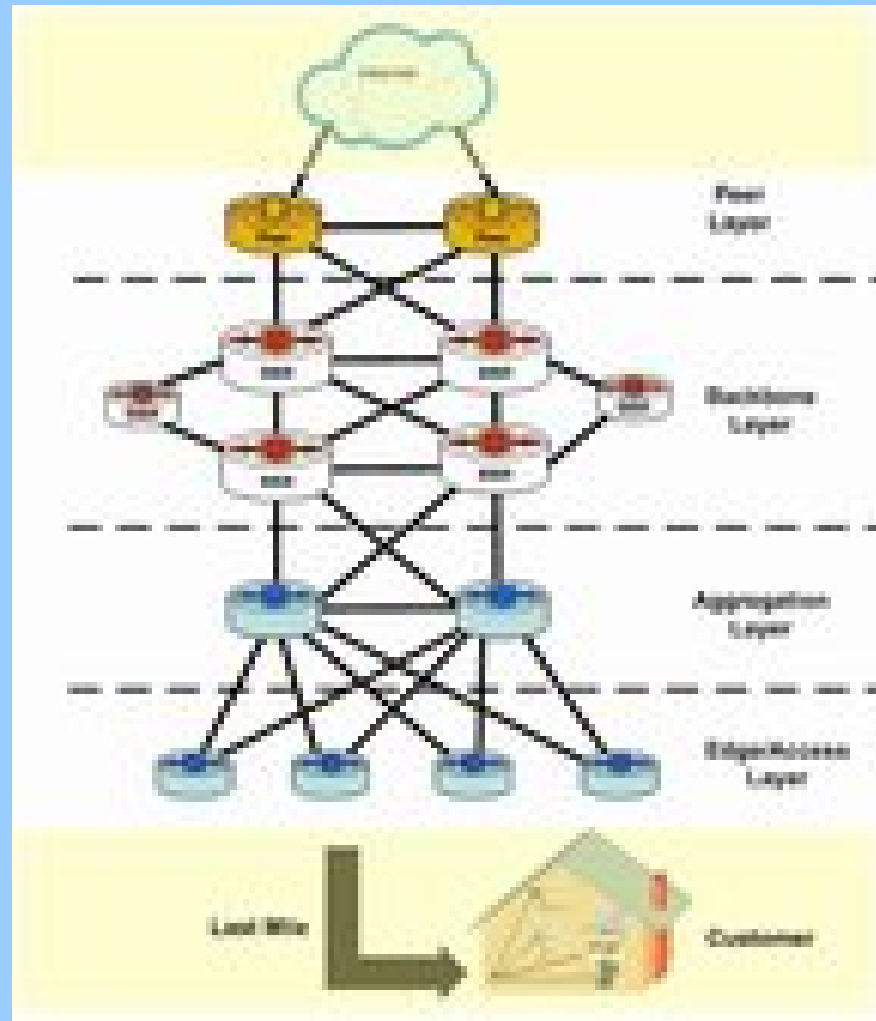
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Design and Construction Challenges

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Broadband Hierarchy



Last Mile

- The last mile from our central office to the customer is the most expensive component to providing broadband services
- Our choices
 - ◆ Place fiber
 - ◆ Shorten our copper loops with remote electronics
- The problem is exacerbated in rural areas where population densities are low and serving loops are long

Last Mile Issues:

- Rights-of-way
 - ◆ Permits
 - ◆ State Use & Occupancy Agreements
 - ◆ New city codes for UG
- Easements
 - ◆ State Easements - Time
 - ◆ City Easements - Cost

Public-Private Partnerships

Last Mile Issues



- Flexible design and construction requirements
- Streamline permit and rights-of-way process
- Streamline & improve city/state easement process
- Develop model to encourage collaboration
 - ◆ Joint use of infrastructure in ROW

Tax Incentives



Recommendations:

- 20% tax credit on capital expenditures for next-generation broadband investment*
- 10% tax credit on capital expenditures for current-generation broadband investment*

*2008 California Broadband Task Force recommendations



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