

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: Thursday, May 22, 2008

Time: 1:30 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
Senator David Ige, The Senate
Joel Matsunaga, Hawaiian Telcom
Clyde Sonobe, Department of Commerce & Consumer Affairs
Representative Gene Ward, House of Representatives
Representative Kyle Yamashita, House of Representatives

Marion M. Higa, State Auditor
Jayna Oshiro, Special Projects Coordinator
Pat Mukai, Secretary, Office of the Auditor

Robert Doeringer, RHD Consulting, LLC
Marlon Wedemeyer, HENC
Kiman Wong, Oceanic Time Warner Cable

Excused/
Absent: Jennifer Goto Sabas, Office of Senator Daniel K. Inouye
Representative Marcus Oshiro, House of Representatives
Henk Rogers, BluePlanet Wireless
Nate Smith, Oceanic Time Warner
Vice Chair Nam Vu, ShakaNet, Inc.

Call to Order: Chair Lassner called the meeting to order at 1:36 p.m. at which time quorum was established.

Chair's Report: Announcements, introductions, correspondence, and additional distribution
Handouts were distributed to the task force members. 1) A Blueprint for Big Broadband; and 2) several handouts compiled by Member Sonobe (NCSL and Broadband Internet use in Rural Pennsylvania).

Member Sonobe distributed the NCSL handouts regarding recent legislation and what other states are doing regarding the five initiative areas (economic development, education, higher education and research, public safety, and E-health) that this task force

identified.

Minutes of previous meeting

Senator Fukunaga requested that an amendment be made to the January 8, 2008 minutes, page 3, first sentence under "Discussion," delete the word "for." Member Caulfield moved to approve the minutes of the January 8, 2008 meeting as amended and the minutes of the January 31, 2008 meeting. It was seconded by Senator Fukunaga and the motion was unanimously carried.

Task Force
Business:

Legislative Update

Chair Lassner stated that no money was appropriated to the task force during this past legislative session. He also commented that the task force is still able to address policy issues. However, Member Matsunaga stated that without money, data collection is impacted.

Task Force Membership

It was noted that Member Henk Rogers has not attended any task force meetings so far and has not responded to several email requests regarding his continued participation on the task force. The question posed is whether the task force should make a suggestion to the Senate President regarding the replacement of Mr. Rogers. It was also suggested that Mr. Rogers might be replaced by: 1) another member from the private sector or 2) a member from the Public Utilities Commission (PUC).

A formal letter should be sent to Mr. Rogers requesting a response on whether he would like to continue as a member of the task force. This will serve as official notice.

Member Nate Smith of Oceanic Time Warner previously informed the task force that he was no longer able to attend the meetings. He requested that Mr. Kiman Wong be his replacement. As of this date, no formal response from leadership has been received appointing Mr. Wong.

Working
Group
Updates:

Member Sonobe briefed the task force on his working group, "What Other States Are Doing." He referred to one of the NCSL handouts regarding state legislation relating to broadband. Kansas' SB 570 requires broadband providers to submit a report regarding service to geographic areas. He also mentioned the NCSL website has a lot of information useful to our task force.

Senator Fukunaga stated that their working group, "Why Broadband Matters" deferred looking at the different applications. She also stated that it might be useful to have informational briefings on e-health, education, public safety, etc. These initiatives would drive how high-speed broadband is important for Hawai'i.

Member Matsunaga reported that his working group, "Data Collection" has no updates.

Chair's
Presentation:

Chair Lassner briefed the task force on the handout, A Blueprint for Big Broadband, by John Windhausen, Jr., President of Telepoly Consulting. Mr. Windhausen was the chief counsel for the Senate Commerce Committee and also worked on the 1996 Telecom Act.

Chair Lassner stated that there has been discussion in Congress regarding this report. Mr. Windhausen's report proposes to create a new federal Universal Broadband Fund that, together with matching funds from the states, the private and/or public sector, should be used to build open, big broadband networks of at least 100 megabits to every home and business by 2012. It thus proposes a federal fund of \$8 billion per year for four years, to be distributed to the states once they provide their matching amount of funding. Each state would then combine the federal and state funding and award grants to individual entities (public or private) that provide the remaining one-third of the funding to build open,

big broadband capacity on a community-by-community basis.

Mr. Windhausen's PowerPoint presentation is available for download at the Auditor's website at: www.hawaii.gov/auditor. It is listed under the Hawaii Broadband Taskforce and is titled "A Blueprint for Big Broadband Presentation."

Chair Lassner then presented his own insights to the task force in order to begin to get the Task Force thinking about its recommendations to the Legislature. These were presented in a series of slides that are available in the "Documents" section at www.hbtf.org. Among the points made were:

- Broadband is essential infrastructure for the 21st century
- If we expect homes and businesses to fully benefit from the digital services on the horizon, more than today's broadband services will be required
- Hawaii's current broadband duopoly is "pretty good" for the U.S. but providing far less than is available in the leading nations
- Hawaii has lost our role as the fiber crossroads of the Pacific, both through engineering advances and the difficulty of doing business in Hawaii
- We are hampered by the lack of federal policy and progress
- There are no "silver bullets" from other states that we can just adopt
- The telecom companies are economic agents that behave in accord with the regulatory structures we create through public policy; if we don't like what they are doing, it's the public's job to get the policies changed
- The countries that have leapfrogged the U.S. have done so through explicit public policies that recognize that pure market forces alone won't result in advanced services at low costs
- We don't rely on the market alone to compete to provide critical infrastructure like roads, water, sewer or even electricity distribution systems
- Shared infrastructure is more cost effective and is part of the success of other countries, but is not supported by the current U.S. regulatory environment
- We need to stimulate demand as well as address supply issues

Chair Lassner's ideas on moving forward include:

- Aim for 100Mbps and beyond;
- It's not about wired vs. wireless, but wired (fiber) and wireless;
- Rural areas will always lag, but a rising tide raises all boats;
- Upstream bandwidth matters too, especially in rural areas;
- Research and education are demand drivers;
- Government must invest in demand (applications) and infrastructure;
- Maximizing access to next-gen submarine fiber is critical for Hawaii;
- Thoughtful building codes and standards for developers can drive shared infrastructure and competitive architectures;
- We need a consolidated expert regulator with a policy agenda;
- Ongoing data and mapping of supply and uptake will be critical;
- Interest in undergrounding of utilities may synergize with approaches to shared infrastructure investment for next gen networks; and
- There's a continuing role for a task force to bring together diverse views and advise expert regulator.

The Task Force had a wide-ranging conversation about these ideas. There may be some synergy to building the next telecom infrastructure – building it underground, as an underground network, or as a shared network, rather than saying, how are we going to make the cable company and telephone company and electrical company each do this and pay for it. If we are going to do this, perhaps it should be done once with all parties. Member Matsunaga commented running fiber to the home is much cheaper if it is aerial.

Member Matsunaga stated that state and national policy is important if the FCC is going to develop what will become a national policy. However, it has to be driven by the state administration and not just FCC. Referring to Hawaiian Telcom, Mr. Matsunaga stated that they have requirements they need to meet. If they want to deploy broadband it is going to take away from serving the basics.

Member Bruce stated the area of concern is when you start to look at developers developing an area, to have a standard set of criteria under which they were developing infrastructure, the rules are not clear. There is no synergy of how everything comes together, and this goes the same way with wireless towers as well. Developers do not think about it at the beginning of their development, they think about it afterwards. We need to have some kind of statewide policy that says, this is how we are going to deploy infrastructure from this point forward.

Member Sonobe stated that what Oceanic should be more concerned with is the fact that a huge majority of their subscribers are analog customers. There are a lot of factors to consider, a lot of issues that affect the consumers. The thought is, if you ask Oceanic, they would prefer their services be all digital. From a consumer's prospective, if they have an analog television and Oceanic switches to digital, the consumer would say, make my television work or purchase a new one for me. Member Sonobe's personal perspective and for the long-term good of the state and economy, digital is probably the direction we should go. From a consumer protection perspective, how do we protect the consumers that have devices that are usable but choose not to replace them? The federal government overcame some of the reluctance by providing a subsidy for devices that make the televisions workable when the conversion occurs. Another suggested initiative would be a credit given to consumers to purchase a new television.

Senator Fukunaga indicated if you look at "Why Does This Matter," it may be that research and education are the band drivers. But certainly, health care, economic development, and public safety are becoming areas of greater urgency particularly as we look at the case of rising fuel, the difficulties Hawai'i will be experiencing as we lose air capacity. We have to look for other ways of moving goods and services and/or ideas. We are so isolated and we haven't begun to see the real impact of what may happen.

Member Sonobe commented that when the Cable Television Division of DCCA granted franchises for Hana on Maui and Kohala on the Big Island, they did not have wire line cable service by Oceanic. They have microwave service. The division made it a requirement for Oceanic to provide Road Runner service via microwave.

Representative Yamashita stated that although he represents the rural area of Maui, part of the definition of rural stands in the way of having city-like services. There is a need for balance because when you move into rural areas where it is cheaper to buy land and purchase a house, you may be giving up some services.

Chair Lassner stated that at the next task force meeting he would like the task force to come up with a plan on the policy issues that the task force would like to address in the task force's report due in December.

Other: Chair Lassner announced scheduling a task force meeting in June.

Adjournment: With no further business to discuss, the Chair adjourned the meeting at 3:29 p.m.

Reviewed and approved by:

Sterling Yee
Assistant Auditor

June 2, 2008

Approved as circulated.

Approved with corrections; see minutes of _____ meeting.

Broadband05/22/08