

Broadband Task Force
(Established by Act 2, Session Laws of Hawai'i 2007)
State of Hawai'i
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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: Friday, November 14, 2008

Time: 1:00 p.m.

Place: State Capitol
415 South Beretania Street
Conference Room 308
Honolulu, Hawai'i

Present: Chair David Lassner, University of Hawai'i
Gordon Bruce, City & County of Honolulu
Gary Caulfield, First Hawaiian Bank
Senator Carol Fukunaga, The Senate
Jennifer Goto Sabas, Office of Senator Daniel K. Inouye
Ken Hiraki, Hawaiian Telcom
Senator David Ige, The Senate
Henk Rogers, Blue Planet Software
Clyde Sonobe, Department of Commerce & Consumer Affairs
Kiman Wong, Oceanic Time Warner
Representative Kyle Yamashita, House of Representatives

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

Robert Doeringer, RHD Consulting, LLC

Excused/
Absent: Senator Will Espero, 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 1:06 p.m. at which time quorum was established.

Chair's Report: Senator Fukunaga moved to approve the minutes of the October 24, 2008 meeting. It was seconded by Member Caulfield and the motion was unanimously carried.

Ms. Linda Smith of the Governor's Policy Office and Mr. Larry Reifurth of DCCA will be doing a presentation to the task force.

Draft Findings and Recommendations: Chair Lassner indicated that he is working with the consultant on a draft of the report. The task force will be asked to go through the draft that will be distributed before the next meeting. While the task force can still make changes at the next meeting, the task force needs to approve this report, in concept. Hopefully, the changes will primarily be

cosmetic. The task force does not plan to have another meeting after December 3rd. Final approval of the report at the December 3rd meeting will include any substantive changes to be made. Members need to entrust the chair, consultant, and the Office of the Auditor to finish and finalize the report. The Auditor's office will work on editing, production and distribution of the final report.

The task force officially sunsets June 30, 2009. The final report to the legislature will provide the basis of bills to be submitted for the next legislative session.

Discussion on the Importance of Broadband – Member Wong objected to the term fiber optic level capacity to all premises. Another approach would be to put this term into numbers, for example, 100 megabit symmetric by 2012 with the capability to expansion to gigabit soon thereafter. Senator Fukunaga said she likes this because, from a legislative standpoint, if you have specifics, the easier it is to relate these terms to people. Member Wong stated, as far as speed goes, getting to a certain speed at a certain time would be good but the difficult part is trying to figure out what technology is going to do and potentially, right now, fiber optic has the most ability. It's not only technology but it is the economics that go along with it. If we're too restrictive by saying it has to be fiber, there may be other technologies that are better in the future in terms of performance and economics and we could eliminate its consideration. The intent is to make this more concrete based on what kind of speed you want to get. Chair Lassner said he agrees with Member Wong that the focus on fiber is driving investment wherever possible. In speaking with two senior VP's from Hawaiian Telcom, he learned from the new senior VP for engineering that their strategy is an all IP solution and getting fiber as close as possible to the destination. It isn't that they need to get fiber to every home now but they have to reduce the distance on copper so that they can drive higher speed over copper and to get to wherever the fiber is. They would like to provide fiber to everything new that they build, however, it is too cost prohibitive to replace all copper lines at once. This is not different from what Oceanic Time Warner is experimenting with in some of their newer developments.

Chair Lassner indicated that we need to support our current providers to do better with the infrastructure but we also need new investment. In addition, we need strong public policy as we start putting public resources into new infrastructure. For example, it doesn't make sense to subsidize four different companies to pull separate strands of fiber down the same street. This is what would happen in the current environment. Referring to the bottom of page 1, instead of saying fiber optic level capacity, we would replace that with option 1) 100 megabits by 2012, increasing to a gigabit by 2017, and option 2) a mix of the two we are comfortable with, but it has to be aggressive. Member Wong said, where we want to be is usually a combination of what people want, what they are willing to pay for, and what technology is available. Member Caulfield stated that it's the minimum speed to enable applications that drive the economics because otherwise, no one is going to go there.

Member Rogers said the opportunity for Hawai'i is to be the most wired state in the country. If the industry starts moving to Hawai'i and we are compatible with Korea and Japan, the Japanese and Korean companies will look to Hawai'i very positively. This is how Hawai'i should be perceived.

Senator Fukunaga spoke in terms of where the vision is intended to take us. If we put forth something that would allow Hawai'i to be at the forefront, the question of how we get there and how we support the local providers with incentives and public investment is really how we move forward. If you think of the vision statement of where we want Hawai'i to be, then it would be government working with the private sector to place all the appropriate mechanisms to help achieve that. We're not saying it's the private sector's responsibility alone but it is the state's responsibility in conjunction with all players to do whatever it

takes to get there. Member Rogers said he didn't think South Korea and Japan accomplished their achievements through the private sector alone. The government must have helped. They set out to become number one in Internet speed and they did it. This is what we need to do here in Hawai'i. There has to be cooperation between government and the private sector. Member Bruce stated we need to be specific as we can. If not, we are just creating another piece of paper with no targets.

Chair Lassner stated, we need to be careful to not pre-judge where people would want to set up their businesses. The concern is limiting access to the urban core. On Maui and Molokai, people are struggling. We need to provide some way for people to get broadband from wherever they are. Member Rogers said Hawai'i has to be attractive. Japanese and Korean developers come to Hawai'i and they laugh at our infrastructure.

Member Caulfield asked for some clarification if there is enough detail where legislation could be drafted. Member Sonobe stated, if we are talking about Recommendation #2, at a very high level, what's being suggested is consolidation of the regulatory structure as a broad statement. With a broad statement, that is enough direction to start it.

Member Bruce referred to the statement on the bottom of page 4, continuing onto page 5 which states, while it is more cost-effective to deploy infrastructure in densely populated areas, the benefits of broadband may be greatest in the most remote and rural areas. He said he disagrees with the statement because you are going to get the greatest benefit from broadband where there is more population. There will be gains to those rural areas but the biggest gain will be in the highly populated areas. Chair Lassner explained people who are remote have the greatest need for services like distance-learning, telemedicine, etc. because they are the people who cannot get to a hospital or a school. Member Sonobe said he agrees with what was said because you need to approach it from an economic development and social perspective.

Referring to Recommendation #4—Member Sonobe stated he has seen articles referred to the demand side issue versus supply side issue. If you phrase it in terms of increasing the demand side, it's not only low-income, but how do you drive usage in general. Member Rogers stated an example, if you put a television set in someone else's house, something will happen. It will be watched, providers will provide service and everything will start happening. If you don't, then, there's not enough demand out there for people to watch TV. But if you put a TV in everyone's home and give them broadband, then all of a sudden, people's lifestyles will change. Member Sonobe said the point he was trying to make was identifying the specific factors in the creation of demand. If the issue is creating demand, placing computers and TV sets in the home is just one way to drive demand. Chair Lassner responded when we talked about the demand side programs, at the beginning of the task force, there was a lot of enthusiasm. But demand side programs cost money. There were some concerns that proposing programs that are going to cost money at this stage may not be feasible. The state has ways to go, we're making progress with the portal but we are not a model for e-government yet. We do not have a good model for e-learning or e-health. The state could be better than it is now which would create demand side activity. Senator Fukunaga suggested one of the ways to address these areas is to identify where we might match up, where we are in comparison with other states in e-government, e-health, etc. Senator Ige suggested doing a comprehensive study of demand. It is a statement that all government should be proactive in providing services and encourage the counties to do the same. Chair Lassner said we can acknowledge that in our report, we just don't have a plan that is ready to be enacted but we can say the task force recommends that Hawai'i become a leader in e-learning, e-health, and e-government. Senator Ige replied, it gets back to the vision statement. If you go through the state functional plan and you look at the Department of Health, one of the statements should be, we are a leading advocate to e-health and strongly promote the delivery of services. Chair Lassner said he can replace the current

text which is focused only on low-income with something that is not much longer that says government should lead by example and develop programs that use electronic services in all areas of public service. We can also put in the sentence something about particular attention on low-income.

With reference to corrections to the last page, Mr. Nate Smith has been replaced by Mr. Kiman Wong and Mr. Henk Rogers is from Blue Planet Software, Inc.

In referring to the maps (Oceanic/Hawaiian Telcom)—it has been suggested that we show both maps because it will be useful. Some people may want to see the detail. When you look at both maps, you can see the blank areas common to both companies which makes an important point. Both companies are investing where there are people who would pay.

Chair Lassner will continue to work with the consultant and Mr. Sterling Yee to get the draft completed. The hope is to have the draft approved at the December 3rd meeting.

Future
Meetings
and Events:

The next meeting is scheduled for Wednesday, December 3, 2008.

Adjournment: With no further business to discuss, the Chair adjourned the meeting at 2:30 p.m.

Reviewed and approved by:

Sterling Yee
Assistant Auditor

December 2, 2008

Approved as circulated.

Approved with corrections; see minutes of _____ meeting.

Broadband11/14/08