

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

DECEMBER 20, 1994

TO: Chairman and Members, Hawaiian Homes Commission
FROM: Mike Crozier, Administrator *MC*
LAND DEVELOPMENT DIVISION
SUBJECT: Telecommunication Services

RECOMMENDED MOTION/ACTION

The Commission issue a license to Waimana Enterprises, Inc. to provide broadband telecommunication services to the Department.

DISCUSSION

At the July 26, 1994 meeting, the commission authorized the Chairperson to review and make a recommendation on Waimana's proposal to provide broadband telecommunications services to the Department. Land Development Division has completed its review of Waimana's proposal.

Land Development Division has verified and concurs with the major benefits the Department will obtain as outlined in Waimana's proposal and in the July 26, 1994 Commission submittal. (The July 26, 1994 Commission submittal is attached as "Exhibit A".)

RECOMMENDATION

Land Development Division respectfully recommends that the Commission grants its approval to the motion as stated.

ITEM C-2

7-3-77

FILE *Telecommunication*

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

JULY 26, 1994

TO: Chairman and Members, Hawaiian Homes Commission
FROM: Mike Crozier, Administrator *Mike Crozier*
LAND DEVELOPMENT DIVISION
SUBJECT: Telecommunication Services

RECOMMENDED MOTION/ACTION

The Commission acknowledges receipt of the Proposal from Waimana Enterprises Inc. and request that the Chairperson review and make recommendation on Waimana Enterprises Inc.'s proposal to provide broadband telecommunication services to the Department.

DISCUSSION

Waimana has submitted a proposal to provide the Department with broadband telecommunications services under an exclusive license. In its proposal, Waimana lists several benefits which would accrue to the Department and its beneficiaries.

Currently, the Department funds the initial infrastructure installation in all of its developments and issues licenses for the provisions of utility services. The level of service from the present licenses available to the Department's developments has been the same as that which is available to the general public. Due to competition and technology advances, it may now be possible for our beneficiaries to receive a higher level of telecommunication services at no cost to the Department.

Purpose

The purpose of the recommended motion is to have the Department commit the time and resources necessary to adequately review Waimana's proposal and make a recommendation for commission action in a timely manner. Due to the importance of telecommunications in our lives, the Department believes this issue deserves a thorough evaluation. If, as Waimana claims, the benefits outweigh any disadvantages to changing the way the Department currently receives its telecommunication services, then the commission should take appropriate action.

EXHIBIT "A"

ITEM C-2

Legal Authorization

Section 207 of the Hawaiian Homes Commission Act entitled Leases to Hawaiians, licenses, states in part that:

(c) (1) The department is authorized to grant licenses as easements for railroads, telephone lines, electric power and light lines, gas mains, and the like.

Feasibility

The changes the telecommunications industry is currently undergoing have and continue to be widely discussed in the media. Rapid technology advances and the recent and anticipated changes in the laws governing telecommunication companies have fostered an increasingly competitive industry. Where once the customer had to settle for the level of service being provided by its local telephone company, the customer now has the opportunity to choose its long distance companies. Legislation at both the federal and state levels has been introduced, allowing the customer a choice of local service providers. The impending changes have created an opportunity for the Department to obtain more from its telecommunications provider.

The Department has the authority to issue a license for the provision of telecommunications services. This authority and the rural nature of the Department's lands allow the use of low interest telephone loans from REA (Rural Electrification Administration) to pay for the infrastructure. The Department can either apply to borrow the funds itself or grant the license to a private company which would then be eligible for REA funds.

REA has stringent qualification requirements that must be met before a loan application is approved. The qualification requirements go beyond financial and include review and approval of the borrower's engineering and operating plans. The REA telephone program's record of never having a loan default in their 40-year history is due in large part to its comprehensive qualification requirements.

Waimana has already been working with REA officials and has represented that REA has given preliminary verbal assurances that its application is acceptable. REA officials have reviewed the Department's plans for Kawaihae and have taken a field trip to Kawaihae to inspect the area. In May 1994, staff spoke to Mr. Bob Peters, Under Secretary of Agriculture in charge of the REA telephone program. Mr. Peters expressed great interest in having Waimana apply for an REA telephone loan for Kawaihae.

EXHIBIT "A"

ITEM C-2

20-777

Advantages/Disadvantages

Land Development Division has already conducted some preliminary research into the advantages and disadvantages of this issue.

Advantages

1. Issuing an exclusive license for broadband telecommunications will allow the Department to obtain more services for its beneficiaries at no cost to the Department.

comment: Presently the Department must raise the initial infrastructure installation costs. While telecommunications are the smallest of the total infrastructure costs, it is still a cost the Department must find funds for.

2. The Department will be able to have state of the art infrastructure installed rather than soon-to-be-outdated infrastructure.

comment: Because the Department is required to raise the funds necessary for the initial infrastructure, the Department has chosen to install overhead, twisted metal pair wires to service our developments. This is not state of the art and does not have the same capabilities that fiber optic cable has. Additionally, overhead lines are more prone to damage and disruption of service than underground lines.

3. Installation of fiber optic lines will give our beneficiaries an advantage over other areas in the state.

comment: Fiber optic lines will be necessary for the future generations to communicate fully. Although computers are not common in each home today, the next generation is being taught the computer in elementary grades and those who are not computer literate in the future will be at a disadvantage in the job market.

4. Installation of fiber optic lines in our commercial and industrial developments will make them more attractive to potential leasees.

comment: Virtually all of the businesses today utilize computers and sophisticated phone and fax systems. Fiber optics lines will allow these businesses to transmit data faster and more reliably.

EXHIBIT "A"

ITEM C-2

5. The use of fiber optic lines will mean our beneficiaries are able to receive cable T.V. as well as telephone service through one line.

comment: This should reduce the total cost for phone and cable T.V. service to our beneficiaries.

Disadvantages

1. Issuing a license will mean no longer having the "comfort" of GTE operating the system.

comment: This is not necessarily true. The licensee may enter into a joint agreement with GTE of another large telecommunications company, many of whom are presently trying to begin local service, to operate the system. In any case, Federal law requires "seamless" connections between different phone systems. Ten years ago, we were "comfortable" with GTE as the only carrier for local as well as long distance. Today, we have a choice of long distance carriers.

2. Issuing a license may subject our beneficiaries to inferior service.

comment: To prevent this from occurring the license should be required to demonstrate its ability before the license is final. Also, if the licensee uses REA funds, REA conducts a comprehensive review of all aspects of the telephone operation. There are over a hundred rural telephone companies funded by REA which have been providing high quality service over 40 years. The chances of our beneficiaries receiving inferior service are remote.

3. Issuing a license may subject the Department and the Commission to phone calls from upset customers.

comment: Currently, the Department issues licenses for telecommunication services and does not receive any calls from upset customers. The proposal is for the Department to issue one license to an outside company. This is not the same as the Department providing water service in Anahola and Molokai. The bills for telecommunication services will come from our licensee and not the Department.

RECOMMENDATION

Land Development Division respectfully recommend that the commission grants its approval to the motion as stated.

5624B

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ITEM C-2

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ITEM C-2

12-27-94

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