
A BILL FOR AN ACT

RELATING TO PUBLIC UTILITIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that competition in the
2 telecommunications market is robust. Consumers have many
3 choices when deciding how to communicate: traditional land-line
4 telephony, voice over internet-protocol, and wireless phone
5 service.

6 The legislature further finds that advances in voice over
7 internet-protocol and wireless phone services make these
8 technologies viable substitutes for traditional land-line, or
9 switched access, telephony. These services currently provide
10 9-1-1 capability, number portability, reliable service, and
11 extensive network coverage. Even though some federal and state
12 regulators feel these new technologies, especially wireless
13 phone service, can never replace the traditional land-line phone
14 for casual and emergency communication needs, many consumers do
15 not share this same view. According to the Federal
16 Communications Commission, the number of switched access lines
17 of Hawaii's incumbent local exchange carrier decreased from
18 735,459 in 2001 to only 541,030 in 2007. The number of wireless



1 subscribers in Hawaii, however, increased from 595,721 to
2 1,096,181 over the same period. While some consumers
3 subscribing to wireless phone service maintain their land-line
4 or wired phone service, other consumers are subscribing to
5 wireless service as a true alternative and thus are
6 disconnecting their land-line service. Hawaii is not unique;
7 this telecommunication market trend is similar across the United
8 States.

9 The legislature further finds that competitive local
10 exchange carriers, currently enjoying a non-competitive switched
11 access market, should adapt to the changing telecommunications
12 market. When the 1996 Communications Act opened up competition
13 in the telecommunications market, it forced incumbent local
14 exchange carriers to wholesale their services to competitive
15 local exchange carriers so that they (the competitive local
16 exchange carriers) in turn, could re-sell them to consumers.
17 The Act was designed to open up competition by allowing other
18 carriers into the market, in hopes that they would eventually
19 develop their own networks. After twelve years of competition,
20 competitive local exchange carriers are still heavily reliant
21 upon the incumbent local exchange carriers for wholesale
22 services. This regulatory scheme has impeded growth of the



1 incumbent carriers, as competition from other telecommunication
2 and information services eroded market share and revenue. Thus,
3 highly regulated switched access services will continue to
4 saddle incumbent local exchange carriers from competing with
5 other services, while competitive local exchange carriers
6 continue to rely on the re-sale of the incumbents network
7 services.

8 The legislature further finds that competition in Hawaii's
9 telecommunications market is not a level playing field; the
10 incumbent local exchange carrier is highly regulated, while
11 other telecommunications service providers do not share the same
12 level of regulation. Although the incumbent local exchange
13 carrier continues to maintain the majority of switched access
14 lines, this dominance of market share does not take into account
15 the meteoric rise of wireless subscribers and voice over
16 internet-protocol service. In order to determine competition in
17 a modern telecommunications market, all types of services need
18 to be evaluated for their effects in the marketplace. It will
19 also force competitive local exchange carriers to adapt their
20 strategies in a competitive environment.

21 The purpose of this Act is to require the public utilities
22 commission to consider other telecommunications services in



1 respect to switched access service when determining the
2 competition in the switched access market.

3 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
4 amended by adding a new section to be appropriately designated
5 and to read as follows:

6 "§269- Competition in switched access markets;
7 consideration of other telecommunications and information
8 services. When determining the competition in the switched
9 access market, the public utilities commission shall consider
10 other telecommunications and information services, such as voice
11 over internet-protocol and wireless services. In addition to
12 the classification of services factors, the commission shall
13 also make the determination based on consumer spending, consumer
14 demand, ratio of a particular telecommunications service to each
15 individual, market trends, and consumer value--the comparison of
16 the cost each service with the features provided by that
17 service."

18 SECTION 3. New statutory material is underscored.

19 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY:

David Yogi

Carol Fukunaga

Will Eyo



Chris Hill

Rosalyn H. Baker

Report Title:

Public Utilities; Switched Access Telephone Service; Competition

Description:

Requires the public utilities commission to consider other telecommunications services when determining competition in the switched access telephone service market.

