

FEB 18 2009

SENATE CONCURRENT RESOLUTION

REQUESTING THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION AND THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE TO CONVENE JOINT INFORMATIONAL BRIEFINGS TO DETERMINE WHETHER THE SALE OF THE INCUMBENT LOCAL EXCHANGE CARRIER BY VERIZON HAWAII, INC. WAS IN THE PUBLIC INTEREST AND THE FEASIBILITY OF THE PUBLIC UTILITIES COMMISSION ACQUIRING THE INCUMBENT LOCAL EXCHANGE CARRIER AND OPERATING IT AS A COOPERATIVE VENTURE.

1 WHEREAS, Verizon Hawaii, Inc., formerly GTE Hawaiian
2 Telephone Company Inc., was the largest telecommunications
3 service provider in the State, providing telephone, cellular
4 phone, broadband internet, facsimile, and digital as well as
5 broadband-related services to Hawaii's owners and businesses on
6 a daily basis; and

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8 WHEREAS, Verizon Hawaii, Inc. was also one of the largest
9 employers in the State, employing over two thousand employees
10 and generating millions of dollars in revenue annually; and

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12 WHEREAS, in 2005, Verizon Hawaii, Inc. sold the incumbent
13 local exchange carrier to the private-equity Carlyle Group for
14 \$1,650,000,000, in turn naming the new company Hawaiian Telcom,
15 Inc.; and

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17 WHEREAS, as a regulated industry, the sale of the incumbent
18 local exchange carrier required oversight and approval from the
19 Hawaii Public Utilities Commission and the Division of Consumer
20 Advocacy of the Department of Commerce and Consumer Affairs,
21 agencies mandated to protect the public's interests; and

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23 WHEREAS, in 2005, the Public Utilities Commission issued a
24 decision and order approving the sale, however, even though
25 mitigation provisions were structured into the approval of the
26 sale, there were concerns such as:

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- 1 (1) The transaction was highly leveraged to the detriment
2 of Hawaiian Telcom, Inc. with a debt to equity ratio
3 of 82.5% to 17.5%;
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- 5 (2) The high debt load leveraged on the new company would
6 limit its ability to secure additional loans and
7 funding; and
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- 9 (3) The possibility of transition glitches or system
10 errors from switching Verizon's back-office systems
11 over to Hawaiian Telcom's new back-office systems; and
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13 WHEREAS, in 2006, Hawaiian Telcom, Inc.'s back-office
14 conversion suffered problems after transitioning from Verizon's
15 systems, causing customer service issues, billing errors, and
16 provisioning backlogs for both retail and wholesale services
17 resulting in customers disconnecting service; and

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19 WHEREAS, in 2008, already saddled with high debt, Hawaiian
20 Telcom, Inc. was denied approval from the Public Utilities
21 Commission to increase its line of credit to fund company
22 operations and upgrades; and

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24 WHEREAS, as a result of the back-office problems, customers
25 disconnecting service, and the inability to increase its debt,
26 Hawaiian Telcom, Inc. filed for Chapter Eleven bankruptcy on
27 December 1, 2008; now, therefore,

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29 BE IT RESOLVED by the Senate of the Twenty-fifth
30 Legislature of the State of Hawaii, Regular Session of 2009, the
31 House of Representatives concurring, that the Senate Committee
32 on Commerce and Consumer Protection and the House Committee on
33 Consumer Protection and Commerce are requested to convene joint
34 informational briefings within fifteen days after the adoption
35 of this Concurrent Resolution to determine whether the 2005 sale
36 of Hawaii's incumbent local exchange carrier was in the public
37 interest and to discuss the feasibility of the Public Utilities
38 Commission acquiring Hawaiian Telcom, Inc. and operating it as a
39 cooperative venture in a manner similar to Kauai Electric; and

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41 BE IT FURTHER RESOLVED that both Senate and House
42 committees are strongly encouraged to invite representatives
43 from Hawaiian Telcom, Inc., other members of Hawaii's
44 telecommunications industry, representatives from the Public



1 Utilities Commission and Division of Consumer Advocacy, as well
2 as members of the public; and
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4 BE IT FURTHER RESOLVED that both Senate and House
5 Committees are requested to report any findings or
6 recommendations to the Legislature no later than twenty days
7 before the convening of the 2010 Regular Session concerning
8 whether the sale was in the public interest and the feasibility
9 of the Public Utilities Commission acquiring and operating the
10 incumbent local exchange carrier; and
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12 BE IT FURTHER RESOLVED that the Legislative Reference
13 Bureau is requested to provide all necessary assistance to these
14 Committees in coordinating and conducting these informational
15 briefings and in formulating the findings and recommendations of
16 the Senate and House Committees; and
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18 BE IT FURTHER RESOLVED that certified copies of this
19 Concurrent Resolution be transmitted to the members of Hawaii's
20 congressional delegation, the President of the Senate, the
21 Speaker of the House of Representatives, the Chairperson of the
22 Senate Committee on Commerce and Consumer Protection, the
23 Chairperson of the House Committee on Consumer Protection and
24 Commerce, the Chief Executive Officer of Hawaiian Telcom, Inc.,
25 the Chairperson of the Public Utilities Commission, the Director
26 of the Legislative Reference Bureau, and the Chairs of each
27 County Council.
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