PAT BUSTAMANTE'S PUBLIC HEARING STATEMENT

ON BEHALF OF PACIFIC LIGHTNET

TO THE HAWAII PUBLIC UTILITIES COMMISION

OCTOBER 12, 2004

Honorable Commissioners,

Thank you for the opportunity to present briefly Pacific LightNet's concerns about Carlyle's bid for Verizon.

My name is Patrick Bustamante and I am President of Pacific LightNet, a local company that provides local telephone service to Hawaii's six major islands in competition with Verizon Hawaii. In fact, the key management team at Pacific LightNet was part of the team that introduced competitive telecommunications to Hawaii in 1994. They also established GST Hawaii—the first company to receive state-wide approval to compete for local service with the then GTE Hawaiian Tel in 1996.

We at Pacific LightNet have a record of serving ALL of Hawaii. It is our state-of-the art network that connects ALL of the islands. It is Pacific LightNet that stepped up to the plate to give the University of Hawaii the ability to participate in Internet Two, the research network—because we recognized how important this is to the community and to the university's standing worldwide. These multi-million dollar investments spring from our

company culture. A culture that says that affordable, advanced telecommunications further strengthens the ties that bind the social and economic fabric of our lives. It promotes opportunities and business growth. And it helps all of us compete more effectively. We are ever mindful of the inter-dependence and essential nature of our activ ities and the need to keep the market environment healthy and competitive. We are mindful of the need to preserve the element of choice and keep rates from rising needlessly. And we feel keenly that we must do all we can to ensure that Hawaii continues to enjoy what it needs by way of a robust telecommunications environment to keep this state ***Open for Business.***

So, it is not surprising that Pacific LightNet has repeatedly raised questions about the proposed sale of Verizon Hawaii —our state's only incumbent local telephone network—to the Carlyle Group. We have always appreciated the graciousness and cooperation of Verizon Hawaii's local employees. But we have too often found ourselves at odds with those Verizon business policies that originate on the mainlan d but seem quite misplaced here in Hawaii.

What's our problem with Carlyle?

The Carlyle Group is an international investment fund with a staggeringly diverse portfolio of world-wide investments but NO PRIOR EXPERIENCE in operating a local telephone company.

There are simply too many fundamental questions raised by Carlyle's lack of hard data about the proposed transaction. Reasonable people need to ask reasonable questions while we are still in this stage of evaluation and enquiry.

Here are some of the questions that we believe need to be answered:

- Is the financial model Carlyle has disclosed to the Commission and to the public the same one Carlyle will use to raise capital for debt or equity? If not, why not?
- If Carlyle says it will improve the incumbent's network, where does the model show the costs of these improvements?
- If Verizon Hawaii is minimally profitable to its mainland parents, how can Carlyle increase the debt, move all operations to Hawaii, and upgrade the network without raising rates?
- If Carlyle discovers that its financial model is wrong, how will it make the necessary adjustments without raising the rates it charges consumers and companies like Pacific LightNet?

We are hopeful, of course, that Carlyle, in the weeks ahead, will begin to provide meaningful answers to some of these questions. We look forward to any opportunity where we might amicably resolve with Carlyle our deep concerns about the future of Hawaii's only incumbent network.

Whatever transpires in the weeks ahead, Pacifi c LightNet urges the Commission, in its role as guardian of the public interest, to impose conditions of sale and determine an appropriate level of regulatory oversight to ensure that the promises made in connection with the proposed transaction are promises that can and will be kept.

Again, I thank the Commission for the opportunity to present Pacific LightNet's views and questions on the future of an essential service on which the people of Hawaii depend.