Docket No. 04-0140
Hawaii Public Utilities Commission
Statement of
Joel Matsunaga, Vice President-External Affairs, Verizon Hawaii

Kauai Public Hearing
October 7, 2004

Chairman Caliboso, Commissioner Kawelo, Commissioner Kimura, members of the public, good evening. I'm Joel Matsunaga, Vice President-External Affairs of Verizon Hawaii. Thank you for allowing me this time to talk about Verizon Hawaii, our long history in Hawaii, and why I believe the sale of the Company to The Carlyle Group will be beneficial to our state, to our customers, and to our employees.

Verizon Hawaii has a rich 121-year history of providing service to Hawaii and being active in the communities in which we live. The origin of our company dates back to 1883 when we were granted a charter by King David Kalakaua to provide telephone service throughout the Kingdom of Hawaii. We were known as Mutual Telephone Company. Under Mutual's ownership, telephone service flourished throughout the kingdom and later, the territory of Hawaii.

Not long after Mutual Telephone was established, the company went through a major change when, in 1894, Mutual bought and merged its operations with Hawaiian Bell Telephone. The dedication to providing Hawaii with a state of the art telecommunications network continued with the merged company. It was during this time, that the first direct link from Hawaii to the U.S. mainland was established via an undersea telegraph cable in 1902. At that time, sending a cablegram cost $1 a word.

In 1954, Mutual changed its name to Hawaiian Telephone Company, to better describe the area it served. Under Hawaiian Tel, the first Hawaii – U.S. mainland undersea cable was laid and the phone system became "100% dial," which allowed for direct dialing rather than going through an operator.

In 1967, Hawaiian Telephone Company merged with GTE Corporation and became known as GTE Hawaiian Tel. The company continued its commitment to the islands with further development of the network and services provided in Hawaii. For example, a major highlight under GTE's ownership was the placement of the first inter-island fiber cable in 1994, which provided greater calling capacity between the islands and better protection from storms and hurricanes. It was also during this period that GTE's investment in the network infrastructure made Hawaii one of the very first states to convert to a 100% digital network in 1998. An all-digital network provided for further expansion of services and calling features, such as voice mail, call waiting and caller ID.

In 2000, GTE merged with Bell Atlantic to form Verizon Communications and GTE Hawaiian Tel became known as Verizon Hawaii. Since the merger, Verizon has continued to invest tens of millions of dollars a year to upgrade its network in Hawaii. This has increased reliability and expanded the availability of advanced services, such as DSL, throughout the state.

Through all of these past ownership changes, one thing has remained constant. And that is our company's dedication to Hawaii, to our customers, and to our employees. As demonstrated by the highlights I just mentioned, you can see that no matter who owned the local phone company, we've continued to invest in Hawaii, to improve our network reliability and services in the state, and to be responsive to the needs of our customers.

Our company and our employees have seen progress and improvements with each ownership change. In regards to our employees, in the year 2002, collaboration between Verizon Hawaii and the IBEW 1357 resulted in an unprecedented five-year collective bargaining agreement that was negotiated well before the expiration of the prior agreement.

I'd like to add that in the sale negotiations, Verizon required that the buyer of the Hawaii operations adopt the union's current collective bargaining agreement. The Carlyle

Group not only adopted the agreement but embraced the position of continuing compensation and benefits at levels comparable to what employees receive today.

Thanks to the solid foundation laid by Verizon and its predecessor companies, today, the economic development agency Enterprise Honolulu, contends that Hawaii is "one of the most connected places in the world."

As in the past, we now have another opportunity to further develop the Company. The opportunity is with The Carlyle Group and its plans for Verizon Hawaii as a locally focused company, which The Carlyle Group will be speaking about shortly.

Behind the scenes, The Carlyle Group has been working closely with us to obtain as much information and insight as they can about our operations to ensure a smooth transition for all, if the sale is approved. In the process, they have asked for and received input and suggestions from our staff.

We can see from these examples that The Carlyle Group is committed to our employees and is working hard to ensure they're comfortable and know they are valued. Similarly they've demonstrated their commitment to our customers and to our state. Knowing this, I am confident that under The Carlyle Group, we will continue our legacy of providing Hawaii residents with reliable, state of the art telecommunications.

Earlier this week, during meetings that are being held with our employees statewide, The Carlyle Group introduced the name and logo for the new company. The name, Hawaiian Telcom, was warmly received by our employees and has created an enthusiasm for going forward with it and the new distinctive logo. Our enthusiasm is very similar to that which Kauai was able to experience recently. When Citizens Utilities decided to sell its Kauai Electric Division, the island of Kauai embraced the opportunity to sever its ties with the national company and to become a locally managed and operated company again. A similar opportunity now presents itself with Verizon Hawaii. Our employees hope to follow the lead of the residents of Kauai in recreating ourselves into a locally managed and operated company.

We know as with past changes, there will be some anxiety and a period of adjustment as we transition and continue to move forward. As a Verizon Hawaii employee and a Hawaii resident, I am comforted by the commitment The Carlyle Group has demonstrated in making this sale another success for all of us in Hawaii.

We appreciate the opportunity to address the commission and the public at this hearing. Thank you very much for your time this evening.