
**Written Testimony of Shawn F. O'Donnell,
President and Chief Executive Officer
Of Virgin Islands Telephone Corporation d/b/a Innovative Telephone
Before the 31th Legislature's Committee on Government Services, Consumer and Veterans'
Affairs Hearing on Bill No. 31-0298: An Act amending Title 30 of the Virgin Islands Code,
chapter 1, section 7 pertaining to Public Utilities.
January 22, 2015**

Good Afternoon Honorable Senator Justin Harrigan, Sr., Chairman of the Committee on Government Services, Consumer and Veterans' Affairs, Members of the Committee, staff and listening and viewing audiences.

My name is Shawn O'Donnell, President and Chief Executive Officer of the Virgin Islands Telephone Corporation d/b/a Innovative Telephone. I would like to thank you for inviting us to testify today on Bill No. 31-0298: An Act amending Title 30 of the Virgin Islands Code, chapter 1, section 7 pertaining to Public Utilities.

Customer Payment Options

Innovative publicly announced on October 26, 2015 that the cashier operations at the Business Offices in the Territory would end after the expanded payment options that were previously introduced and fully implemented. These expanded payment options have been in use by our customers for the past 18 months or more as a transition period. The reason for this business decision is that it is not financially or practically feasible for us to continue to collect cash on the premises. We stopped on-site cash collections three weeks later on November 14, 2015. However, eight (8) of the following nine (9) payment options remain available for the customer's convenience, and the ninth will be added shortly:

- **Pay-by-Phone** - call 774-2PAY (2729) 24 hours a day from anywhere at any time.
- **Pay Online** - use your computer to go to www.innovative.vi and set up an on-line account and you can pay at any time.
- **Pay at a Bank** - Banco Popular, First Bank, Scotia Bank or Bank of St. Croix branches.
- **Pay by Mail** - Mail the payment to the address indicated on the statement stub.
- **Pay by Drop Box** - Drop your check or money order in the night deposit box along the outside wall of our Business Offices.
- **Auto Pay** - Set up to have your monthly bills automatically charged to your credit card.
- **Phone Call to CSR** - Pay with a Customer Service Representative by calling 779-9999.
- **Direct Debit Recurring Payments** - Set up recurring monthly payments to automatically debit checking or savings account. This payment option was soft launched earlier this month and will roll out on-line by the end of the month.
- **E-check**- The option to make a one-time electronic payment from your checking account will be launched in the next few months.

Three of these nine payment options: paying by mail, paying using our drop boxes and paying via the local banks, have been available to our customers for more than 30 years.

During the 18 months prior to the announcement on October 26, 2015, we utilized a number of public relations and community outreach initiatives to ensure our customers were educated on the various other payment options that were introduced and available to them. We aggressively executed our media campaigns three weeks prior to the change on November 14, 2015. For instance:

- Press releases, TV news stories, radio news and print ads were featured in the St. Croix Avis, VI Daily News and the VI Source in both English and Spanish touting the various ways to pay your Innovative bill.
- Information about the various ways to pay is on the Company's website: www.innovative.vi.
- At each of the Business Offices, we posted signs advising customers of the various non-cash payment options and encouraging them to see a Customer Service Representative if they had any questions.
- A bill message was printed on November and December monthly bills, specifically listing the various payment options.

The Business Case for Remaining Cashless:

- We acknowledge that some customers simply prefer to pay cash for their own personal reasons, however, the number of customers that prefer this option continues to decline every month. There are just not enough of these types of customers to justify continuing the high cost of providing this service. Our customers' cash payments have dwindled to only 12% of all payments received for our services. Whereas, the remaining 88% of our payments are being made through the local banks or by cashless customers who pay with credit cards, debit cards or checks.
- We understand that there may be some people who believe that our business decision to cease on-site cash payment collections is an inconvenience to our customers who prefer to visit our Business Offices to pay cash. In making our decision to go cashless, we did consider those types of customers. Our public notices and advertisements are reminders that the cash payment option is still available to our customers at any one of four local banks that have branches throughout the territory. We believe that the "pay at the bank" option is a reasonable option for our cash customers.
- We have found that most of our customers have been very receptive to the expanded payment options, including options they have requested for years, such as Pay-By-Phone and On-line payments. For example, within the first two months of the launch of Pay-By-Phone over 2,500 customers used the service and provided positive reviews because they were able to process their payments at their convenience 24 hours a day, 7 days a week. The Pay by Phone and on-line payment options include additional benefits such as automatic reconnection for nonpayment when the entire past due balance is paid in full. Customers no longer have to wait for the office to open to request the reconnection of their service.

- Our business decision to go cashless was not an easy one. Our Innovative team, customers and community are aware that the territory is suffering a huge economic downturn. We have had to adapt to a “new normal” in doing business; since the territory’s economy is not what it was 20, 10 or even 5 years ago. Consequently, our customer base is not what it used to be either. As a result, our Company cannot continue to operate as it did in years past.
- Bringing back on site cash payments will mean increased total annual expenses of over \$700,000 for the company, to include:
 - (1) Employees (including salaries and benefits)
 - (2) Security (such as security personnel and armored car service)
 - (3) Facilities (such as office space, cleaning, bulletproof glass, safe)
 - (4) Equipment (such as security cameras, copiers/printers, credit card machines)
 - (5) Supplies (such as counterfeit pens, paper)

Using this annual expense amount, our cost per cash customer is approximately \$11.00 each payment. Some of our competitors pass along these expenses to their customers when they pay with cash in their premises.

Innovative Telephone is regulated by the Virgin Islands Public Services Commission:

Title 30 section 23, states

If upon such investigation, it shall be found that any regulation, time schedule, act, or service, complained of is unjust, unreasonable, unsafe, inadequate, preferential, unjustly discriminatory, or otherwise in violation of any of the provisions of this chapter, or if it be found that reasonable service is not supplied, the Commission shall have power to determine and substitute therefor such other regulations, time schedule, service, or acts and to make such orders respecting any such changes in such regulations, time schedules, service, or acts as shall be just and reasonable. *The Commission shall have power to fix, determine and require such extensions, expansions, or increases in facilities or service as the Commission finds are in the furtherance of the public convenience and necessity, and the terms and conditions upon which the same shall be made*

Innovative Telephone is subject to regulation by the Public Services Commission (or the “PSC”) as a “public utility.” If this bill makes it out of Committee and is ultimately enacted into law, it might be the first time that the Virgin Islands Legislature infringes upon the Public Services Commission’s statutory right to determine what constitutes reasonable service by public utilities.

This bill amounts to a usurpation of the PSC’s statutory power as delegated by this legislative body. In the history of this company, the PSC has never found that any aspect of our Business Office operations is “unjust, unreasonable, unsafe, inadequate, preferential, unjustly discriminatory or otherwise in violation” of the provisions of Title 30. The Legislature cannot delegate authority to the PSC, yet maintain what would in effect be veto power over that authority. *See INS v. Chadha*, 462 U.S. 919 (1983). The Legislature “must abide by its delegation of authority until that delegation is legislatively altered or revoked.” *Id.* at 955. We submit to you, however, that there is no need to also contemplate alteration or revocation of the scope of the PSC’s statutory authority just to address our business decision to go cashless at our office locations. Let the regulatory authority remain “as is” with the PSC and it will continue to exercise that authority under existing law.

Conclusion

Bill No. 31-0298 is very concerning to us as a member of the territory’s business community. We believe it sends the message that this body is willing to legislate any business decision that is not well received by some consumers even at the cost of over one half million dollars per year. During the recent Senate hearing in which all 15 senators debated on whether to ratify Arclight’s operating agreement with the Government of the Virgin Islands, the resounding message by those voting to approve was: “We are open for business.” If this is the case, then businesses must be allowed to make reasonable and lawful business decisions.

We thank the Committee once again for giving us the opportunity to provide our comments on this important issue and we are prepared for any questions you may have.