

1 could be undertaken by the Commission by filing a petition with the FCC to refer to the
2 Federal-State Board Alaska specific issues including federal universal support for interexchange
3 access services. The forward-looking mechanism for rural Alaskan carriers needs to address the
4 unique circumstances and costs faced by rural carriers in providing access to long distance
5 carriers providing interstate services. FCC Chairman, William E. Kennard, offered the
6 following testimony during his visit to Alaska.

7 "It would be a gross understatement for me to say that universal support for high
8 cost areas is important for the State of Alaska. Unique for its vastness and
9 awesome beauty, Alaska also presents unique challenges to universal service.
10 The communities I have visited have striking characteristics. They are remote,
11 surrounded by mountains and water, sometimes accessible only by plane. They
12 are subject to extreme weather. And many of the people who inhabit these
13 places have limited means. All of these factors make the provision of
14 telecommunications services a supreme challenge, and make universal service
15 support an absolute necessity." (Chairman Kennard's Testimony Before the
16 Subcommittee on Communications Committee on Commerce, Science, and
17 Transportation United States Senate, Field Hearing on Universal Service,
18 Anchorage, Alaska, July 1, 1998).

- 14 2. The Act does not require "explicit" support for long distance services. The Act
15 does require that rates in rural and high cost areas be reasonably comparable thus
16 preserving the long established regulatory tradition of "geographically"
17 averaged long distance rates.
- 18 3. Does AT&T Alascom's and GCI's proposal assume a subsidy based upon a
19 single, or duplicative facilities? It clearly makes no sense to create a subsidy
20 mechanism to support duplicative facilities when it is uneconomic for even a
21 single facility. If the subsidy is determined using a single facility then the entire
22 subsidy should be used to support that facility. For example, if a driver only had
23 enough funds to purchase gasoline to get from point A to point B, a driver
24 wouldn't place the gasoline in two different vehicles so he or she could chose
25 which vehicle to drive. You wouldn't get to your destination. Nor will you have
26 an effective subsidy system if funds are diverted to more than one facility when
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1 it is clear that only one facility is needed.²¹

- 2 4. What is the standard for determining which locations are to receive the support?
3 For example, if it costs more to route a call from Anchorage to Prudhoe Bay than
4 from Anchorage to Palmer, should the facilities in Prudhoe Bay be funded via a
5 surcharge?
- 6 5. If a subsidy should be approved, would long distance rates be reduced?
- 7 6. What is the impact on low income households? Will they face higher charges
8 than they are paying today when the surcharges are added to their bill? Should
9 low income households be exempt from paying the surcharge?
- 10 7. A surcharge would encourage arbitrage via the routing of state calls over
11 interstate networks to avoid the payment of the surcharge.
- 12 8. Universal service funding obligations should be assessed by the Commission
13 directly to all telecommunications providers and not to consumers (the Act,
14 Section 254 (f)).
- 15 9. All telecommunications providers including Internet Service Providers (ISPs)
16 should be required to contribute to the funding of universal service including
17 support for long distance services.

18 **VI. HOW TO PROCEED**

19 Unicom recommends that the Commission proceed as follows.

- 20 1. Notify the FCC of the latest developments in this proceeding, i.e. that GCI's
21 duplication of bush facilities in 56 villages--GCI's Bush Demonstration Project--
22 has resulted in AT&T Alascom and GCI seeking external subsidies contrary to
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²¹ Unicom opposes the auctioning of COLR responsibilities. The uncertainties associated
26 with auctions and the difficulties that they would present in the Alaskan market make it more
27 advantageous for the Commission to have a COLR process that requires the participation of all
28 significant facility-based carriers.

- 1 GCI's expressed objective of not having to rely on external subsidies to serve the
2 bush. The FCC should be asked to withhold any action on GCI's preemption
3 petition until the Commission has had ample opportunity to address this new
4 development and the other market structure issues raised in this proceeding.
5 Also, the FCC should be placed on notice that the in-state market issues impact
6 interstate services and that it is likely that the Commission will need
7 assistance/participation of the FCC in resolving the unique challenges that
8 confront the delivery of both instate and interstate services in Alaska.
- 9 2. Direct staff to evaluate GCI's Bush Demonstration Project and to proceed to
10 prepare an evaluation/analysis of the project for public comment.
- 11 3. Hold hearings as soon as possible to address:²²
- 12 a. Resale
- 13 b. Unbundling of network elements
- 14 c. Dispute resolution process
- 15 4. Direct AT&T Alascom, GCI, and others desiring to participate, collectively or
16 individually, to submit for Commission consideration COLR plans following the
17 guidelines proposed herein.
- 18 5. Petition the FCC to address in the FCC's ongoing universal service proceeding
19 the need for federal support for interstate interexchange access in rural Alaska.
20 The circumstances facing Alaska are much more complex and daunting than
21 those posed anywhere else. Alaska needs to be addressed separately in the
22 forward looking cost models the FCC is now working on. The Commission
23 needs to be directly involved in this process.

26 ²² Unicom has proposed regulations that address resale, unbundled network elements, and
27 dispute resolution. These regulations are a good place to start.

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VII. SUMMARY

In summary, Unicom has prepared workable regulations that will open the long distance market in Alaska to competition by resellers and carriers who would, for the first time, be able to combine the use of their own facilities with unbundled network elements from AT&T Alascom and GCI to serve customers. Unicom has recommended that the Commission not adopt GCI's proposals which would undermine geographically average rates. Additionally, we have offered a viable process for resolving the COLR dilemma and the other issues that have been raised. Unicom looks forward to its ongoing participation in this proceeding and an early resolution of the market structure issues.

Respectfully submitted,


Steve Hamlen
President