

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
Federal-State Joint Board on)
Universal Service:)
Promoting Deployment and)
Subscribership in Unserved)
And Underserved Areas, Including)
Tribal and Insular Areas)

CC Docket No. 96-45

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Comments of GCI

General Communication, Inc. (GCI) respectfully submits its comments in the above-referenced proceeding. GCI provides interexchange service to, from, and within Alaska, relying on advanced satellite earth station technology to provide service to many isolated rural communities. GCI also provides competitive local exchange service in Anchorage, Alaska; cable television service in 25 Alaskan communities; and Internet service to much of the state.

In the Further Notice of Proposed Rulemaking released September 3, 1999 (FNPRM), the Commission seeks comments on a variety of issues affecting universal service in unserved and underserved areas of the nation. In these comments GCI addresses those issues solely as they relate to the circumstances in Alaska, which is significantly different from other areas of the country. GCI brings a unique perspective to this proceeding as a competitive carrier that provides services to rural areas.

I. CURRENT LEVELS OF DEPLOYMENT AND SUBSCRIBERSHIP

The Commission has inquired about the current status of subscribership in unserved and underserved areas, as well as the costs of serving these areas through different technologies. In addition, the Commission appropriately recognizes that the geographic and demographic characteristics of an unserved or underserved area may distinguish it in some respects from other such areas. In these comments, GCI provides information responsive to these inquiries,

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particular to its experience providing service throughout Alaska.

A. Penetration Rates (FNPRM, ¶¶ 12-13)

GCI knows of no reliable data regarding the penetration rates for local service in rural Alaska. Anecdotal evidence indicates that penetration may be in the range of 70-80 percent in rural villages, but further investigation is required to confirm that estimate. In any event, it may be possible that the Telephone Subscribership Report of 94.6 percent penetration rate for Alaska does not accurately reflect the statewide rate.¹

Unserved areas in Alaska are minimal.² As explained in more detail below, service is available to nearly all residents, at a reasonable rate which is further subsidized for low income citizens. Thus, the lack of a phone in the home may simply reflect lifestyle choice and personal preference. This choice may be reinforced by the simple fact that communication within a small village often does not rely on the telephone system, and some residents may have little need or reason to communicate outside of the village. In many remote villages, residents interact in person every day, communications which are sometimes enhanced by the use of citizen band radios.

B. Availability and Cost of Telecommunications Services (FNPRM, ¶¶ 14-19)

As the Commission suggests in the FNPRM, GCI has found that satellite communications are a cost-effective means (compared to alternatives) for providing quality service to Alaska's remote areas. In recent years, GCI expanded its satellite earth station network by installing digital Demand Assigned Multiple Access ("DAMA") technology earth stations in 50 small villages in Alaska. DAMA earth stations offer significant improvements in quality by eliminating satellite "double hops", while also saving costs by making more

¹ Telephone Subscribership in the United States, Industry Analysis Division – Common Carrier Bureau (rel. Oct. 1999) Table 2 at 7.

² In a very few situations, small groups of customers have developed in recent years, on the road system, outside of major communities like Fairbanks. Additionally, some individuals and business locations (like fishing lodges

efficient use of satellite transponders. GCI is using the DAMA system to provide T-1 private line service to Rural Health Care Providers, and well as providing dial-up Internet service at speeds of 24.0 kbps. The capabilities of the system can be expanded in the future, largely through software upgrades.

Further expansion of this high quality DAMA network is thwarted by two factors. First, existing state and federal regulations prevent GCI from installing satellite earth stations to provide MTS in additional rural villages. Each of these restrictions should be repealed or preempted.³ Second, the level of intrastate access charges significantly undercuts the economic viability of additional stations.

C. Impediments to Increased Penetration (FNPRM ¶¶ 20-32)

1. Geographic and Demographic Factors

Alaska is both geographically and demographically unique. It is characterized by a small population spread over vast distances. In contrast to other states with rural populations, like Wyoming or South Dakota, “rural” areas in Alaska are typically small, isolated villages, which are not connected to any other city, town, or village by road. The village may be separated from the next population center by many miles. However, the village itself is typically densely populated, with all of the residents clustered closely together. A substantial portion of the population of these villages is Native Americans.

The challenges to serve these small communities in Alaska are very different from serving a sparse population that is spread across many miles of rural roads. The difficulty is not extending rural lines for many miles to individual subscribers. Once facilities reach a

and oil drilling platforms) are located totally outside of any community in the remote Alaskan wilderness. Service to such locations is available by VSAT and other private systems.

³ The state restriction was upheld by the Alaska Public Utilities Commission over GCI’s argument that it violates Section 253 of the Telecommunications Act; GCI then petitioned the FCC to preempt the state restriction, and that proceeding is pending. The APUC has subsequently been replaced by the Regulatory Commission of Alaska, which has proposed to repeal the restriction but has not formally acted to implement this proposal. Therefore, GCI’s preemption petition remains relevant.

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village, the distances to all subscribers within the village are generally short compared to rural areas in other states. However, connecting the village to the outside world is a significant challenge; the terrain and distances generally make it economically impossible to install lines and cables and even microwave facilities. Additionally, all supplies to and from the villages must be transported by air or barge, increasing costs.

2. Regulatory Factors – Alaska Policies

The State of Alaska has taken an active role in encouraging subscribership and cannot be cited as a factor that has negatively impacted deployment and subscribership in unserved and underserved areas (see NPRM at ¶ 30). Long ago, the State of Alaska made the decision to extend the public telephone network to all villages with 25 or more persons. This has been accomplished. Every such village has a local exchange carrier that, in most cases, provides adequate quality local exchange service. Each village is connected to the public network primarily by satellite earth stations and sometimes by microwave.⁴ Approximately 200 villages rely on satellite earth stations to call anywhere outside of the village. In addition, Alaska's policy favoring fully competitive intrastate interexchange competition, including facilities-based competition, is codified.

Alaska also participates fully in the matching program to maximize the benefit of the Lifeline program for eligible subscribers. Thus, eligible low income subscribers receive a discount of \$10.50 off the rate for local exchange service plus the subscriber line charge. This subsidy lowers the already generally reasonable rates for local exchange service.

III. SUPPORT FOR INTRASTATE TOLL CALLING (FNPRM, ¶¶ 30, 122-23)

Rates for local exchange service in Alaska are generally affordable and in line with national averages. In the vast majority of cases, the monthly rate for a residential access line is

⁴ Only the urban corridor, from Anchorage to Fairbanks, and the Transalaska Pipeline corridor, from Valdez through Fairbanks to Prudhoe Bay, and portions of the Kenai Peninsula are connected with fiber optic facilities. Three fiber optic facilities connect Alaska to the Lower 48, with connection to Juneau on two of those facilities.

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no more than \$16.42 and in many instances, is even less. For example, residents of the communities surrounding Barrow, in extreme northern Alaska, receive local phone service for less than \$10.00 per month. All but three companies, which serve a total of 1,082 access lines, have rates below \$20.00. Service between the rural villages in Alaska is classified as interexchange service, and facilities for that service are provided by Alascom, Inc., and GCI. Alascom, owned by AT&T, provides service at integrated nationwide rates, and intrastate toll rates are competitively priced. It is possible, though, that the combination of small local calling areas and the cost of interexchange service may suppress penetration. To the extent that this is the case, the solution should be carefully tailored in a way that does not harm competition or create new universal service problems that do not exist today.

Due to geographically small local calling areas, service from an Alaskan village to an outside point generally is classified as interexchange service and is usually carried by satellite. Existing local exchange carriers do not have any facilities to carry the traffic outside the village, so creating larger local calling areas would require a fundamental change in the entire Alaska market structure, reclassifying service and transferring facilities from the interexchange carriers to local carriers. Such reclassifications would also convert service between villages, or from the village to a nearby center, from competitive interexchange service to monopoly local exchange service.⁵ Furthermore, merely reclassifying the service as local would not resolve the problem of the underlying cost of providing the service. Indeed, rates would probably increase, because larger free calling areas will stimulate usage, requiring additional satellite transponders. The reclassification, combined with usage stimulation, would place significant upward pressure on rates for local service.

A much more effective and simple solution would be to provide universal service support for a basic amount of interexchange service for subscribers in small local calling areas. For

⁵ Local competition, although possible in theory, is much more difficult to implement in practice, particularly since all of the local carriers serving the villages in question benefit from the "rural exemption." 47 U.S.C. § 251(f).

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example, a direct subsidy of \$25 for interexchange calling would enable subscribers in small local calling areas to make necessary calls to government, doctors, hospitals, and other public service locations outside their communities. Direct support available to any eligible interexchange service provider will not impede existing interexchange competition and would not require the complication of underlying market structure changes. The subsidy could be made available either to all subscribers living in a small local calling area or, alternatively, only to Lifeline customers.

A variation of this approach to the problem of small local calling areas is to reduce the rates for interexchange calls. Existing intrastate rates under the most popular calling plan are 14 cents per minute. However, existing intrastate access charges average approximately 13.5 cents per minute; when combined with the interexchange carrier's own costs, intrastate rates are below cost. This problem can be remedied more effectively by reducing access charges than by subsidizing interexchange carriers.

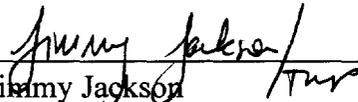
If the Commission determines that support for intrastate toll services is necessary and appropriate to address the problems which are the subject of this proceeding, GCI strongly encourages the Commission to structure those subsidies without restriction on the eligible carriers. Consumers should be allowed to choose their preferred carrier, preserving existing competition in the interexchange market.⁶

⁶ In order for all carriers to be eligible to receive subsidies, the Commission may need either to reinterpret the statutory provisions regarding eligible telecommunications providers or to forebear from enforcing those requirements.

IV. CONCLUSION

Based on the foregoing, GCI respectfully requests that the Commission support the availability of technology alternatives, particularly satellite, for service to remote areas that are otherwise prohibitively expensive to serve by traditional wireline methods. In addition, the Commission should consider expanding its definition of support universal services to include an amount of intrastate toll calling per month. Such support, if targeted to low income subscribers in rural areas, could increase subscribership to these typically underserved locations.

Respectfully submitted this 17th day of December, 1999.



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