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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

JULY 2 2000

In the Matter of the Petition of)
)
AT&T CORP. and ALASCOM, INC.) CC Docket No. 00-46
)
For Elimination of Conditions Imposed)
by the FCC on the AT&T-Alascom)
Relationship)

To: The Commission

**REPLY TO OPPOSITION OF
GENERAL COMMUNICATION, INC.**

United Utilities, Inc. ("United"), by its counsel, hereby replies to the Opposition of General Communication, Inc. ("GCI") filed in the above-captioned proceeding. GCI observes that the Alaska market structure conditions were formulated only after careful consideration by the Joint Board in CC Docket No. 83-1376, and were adopted by the Commission based on the Joint Board's recommendations. Accordingly GCI urges that AT&T's request for relief from the Alaska market structure conditions be referred to a joint board.

In its Opposition filed April 17, United urged that AT&T's Petition represented an effort to disassemble piecemeal the market structure so painstakingly created by the Joint Board and the Commission. United urged that any result other than referral to a joint board would be a disservice to the citizens of Alaska -- in particular ratepayers in the Alaska Bush -- for whom AT&T's Petition represents a threat to the universal service principles which have so long guided national telecommunications

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policy toward rural Alaska. Thus, to this degree, United concurs with GCI's position that joint board referral is warranted.

Unfortunately, while GCI recognizes the propriety of referring the market structure issue to a Joint Board, it argues that the Commission should eliminate the Bush earth station policy without any such referral -- or seemingly without even further consideration. In so doing, GCI fails to acknowledge the close connection between continuation of the Bush earth station policy and universal service.

The Alaska Joint Board identified five overarching principles as integral to any market structure which might be identified for Alaska. Those principles are "preservation of universal service; continuation of rate integration; maintenance of revenue requirement neutrality; allowance of market-based competitive entry; and the encouragement of increased efficiency." Recommended Decision in CC Docket No. 83-1376, 9 FCC Rcd. 2197 (Jt. Bd. 1993).

The Joint Board recognized the Bush earth station policy as furthering those goals. The Commission endorsed the Joint Board's analysis and, in this respect, continued a policy which has now been in effect for 25 years. See Memorandum Opinion and Order in CC Docket No. 83-1376, FCC 94-116, 9 FCC Rcd 3023, 3029 (1994); RCA Global Communications, Inc., 56 FCC 2d 666 (1975). The basis for this policy has long been a recognition that it is simply uneconomic and inefficient to saddle ratepayers with two or more toll interconnect earth stations in remote Alaskan Villages when the traffic in question justified, at most, one such facility.

No party -- not GCI and not AT&T -- has challenged this basic fact of life in Bush Villages. On the contrary, GCI -- which earlier, when it was seeking the FCC

waiver to install its own earth stations, made brave claims to the effect that it would bear the risk -- now argues that its duplicative facilities should be supported by an additional subsidy imposed on ratepayers, including ratepayers in the Bush, so many of whom have incomes well below the poverty line. See GCI Comments in RCA Docket R-81-1 at page 14 (the provision of interexchange service to Bush Villages should be supported by a subsidy based on “a payment of cents per minute for each minute that originates or terminates in a rural location”).

Furthermore, AT&T links elimination of the Bush earth station policy to its exit from the Bush (by elimination of COLR) and to creation of a new subsidy funded solely by Alaskan ratepayers instead of the conversation minute mile (“CMM”) factor. These, again, are interrelated issues which should be addressed by a joint board -- indeed, in the case of the CMM, must be referred to a joint board due to the effect on jurisdictional separations. See Section 410(c) of the Communications Act; see also Memorandum Opinion and Order, supra, 9 FCC Rcd at 3028 (“the Board recommended retaining the frozen allocator [the CMM factor] specifically to prevent potential intrastate cost shifts...”).¹

It is absurd to view the Bush earth station policy in isolation from these other issues. It would be just as inappropriate to simply eliminate the policy without

¹ As the Commission has observed, the CMM factor has accounted for approximately \$30 million of support for Alaskan communications. See ibid. The CMM factor has been frozen for years and, indeed, was expressly preserved by the Commission in the context of the earth station rulemaking despite an assault by AT&T. See Memorandum Opinion Order in CC Docket No. 80-584, FCC 86-68, 59 RR2d 1161, 1166-67 (1984) and Memorandum Opinion and Order, FCC 86-439, 1 FCC Rcd 177 (1986). Given the gulf between AT&T's proposed new Alaska-only subsidy (\$7.9 million), and the level of support provided by the CMM, there is no indication as to how existing Bush earth stations can continue to be funded, much less new technology implemented in Bush Villages. With changes in technology and the law, it is appropriate to review existing policies and formulate successors -- not lurch from the tried and true to the unknown.

having a new policy in place. GCI's effort to do just that is a reflection of its own strategy not to compete with AT&T in the Bush over the long haul, but to simply displace the existing single MTS earth stations in Bush Villages with its own.

Accordingly, United urges the Commission to expeditiously create an Alaska Joint Board to consider post-Telecom Act improvements, where necessary, to the Bush earth station policy. Such a Joint Board should be assigned specific milestone dates with a view toward presenting a recommended decision to the Commission on the interrelated issues presented by AT&T's Petition, on GCI's request to eliminate the earth station policy, and on the formulation of a competitively neutral successor to that policy which does not demand additional federal or State subsidies.²

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May 2, 2000

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² To this point, only United has proposed a successor policy which provides a competitively neutral opportunity for several parties to have pro rata ownership in a single earth station where it is clearly uneconomic to operate multiple facilities.

CERTIFICATE OF SERVICE

I, Joseph C. Fezie, hereby certify that a true copy of the attached "Reply to Opposition of General Communication, Inc." has been mailed to the following by First Class United States mail, postage prepaid, this 2nd day of May, 2000:

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