

Federal Communications Commission

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)
)
Federal-State Joint Board on)
Universal Service;) CC Docket No. 96-45
Promoting Deployment and)
Subscribership in Unserved)
and Underserved Areas, Including)
Tribal and Insular Areas)
_____)

MOTION TO ACCEPT LATE-FILED COMMENTS

The Regulatory Commission of Alaska (RCA) hereby moves the Federal Communications Commission to accept late filed comments in the above proceeding. In the comments, the RCA responds to the Public Notice released on August 21, 2001. In that Public Notice, the Federal-State Joint Board on Universal Service invited comments on possible modifications of the list of core services eligible for federal universal service support.

The RCA originally considered the comments at a public meeting held on October 31, 2001. Due to the unforeseen absence of a quorum at that public meeting, the RCA was unable to approve the comments for submission in the above docket in time to meet the November 5, 2001 deadline. The comments were reconsidered and approved at a public meeting held on November 7, 2001.

For the reasons stated above, the RCA respectfully requests that the Commission accept the late filed comments addressing possible modifications of the list of core services eligible for federal universal service support.

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**Before the
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In the Matter of)	
)	CC Docket No. 96-45
Federal-State Joint Board on)	
Universal Service)	
)	

**Comments of the
Regulatory Commission of Alaska**

Date: November 9, 2001

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Regulatory Commission of Alaska

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SUMMARY

As recognized by Federal Communications Commission Chairman Michael K. Powell, the widespread deployment of broadband infrastructure has become the central communications policy objective today, and a principal policy objective should be a national commitment to eventual universal availability of broadband. In his October 23, 2001 press conference on Digital Broadband Migration, Chairman Powell stated:

It is widely believed that ubiquitous broadband deployment will bring valuable new services to consumers, stimulate economic activity, improve national productivity, and advance many other worthy objectives – such as as improving education, and advancing economic opportunity for more Americans.

As the Regulatory Commission of Alaska (RCA), we wholeheartedly endorse Chairman Powell's objective to one day achieve the universal availability of broadband, but Alaska faces unique economic and demographic hurdles to that goal. Because of these obstacles, it is unlikely that Alaska will obtain even basic dial-up access to Internet services throughout our rural areas without federal assistance.

Characterized by its vast expanse and sparse population base (particularly in rural locations), Alaska faces unique obstacles to universal service. With regard to Internet access, the cost of service in rural areas (where Internet is often accessed via toll, rather than local, call) practically precludes universal service without federal support. High costs are due in part to the isolated nature of most rural villages, the low population density involved, and a communications reliance on expensive satellite and microwave technology.

To assist Alaska in overcoming the digital divide, we request that the Federal Communications Commission (FCC) modify the list of core services to include local or toll-free Internet access. To ensure adequate quality service, we request that the

modification include a requirement that a standard transmission rate of 56 Kbps be provided. To ensure financial support is available to long distance companies providing services necessary to allow for affordable local access at 56 Kbps, the FCC should waive or otherwise forebear from enforcing the requirements of Section 254(e) as necessary. To ensure that existing support to local exchange companies is not inappropriately affected by the inclusion of Internet access (or similar service) in the list of core services eligible for universal service support, we request that states be allowed to waive any requirements under Section 214(e)(1)(a) to provide 56 Kbps service. State commissions should determine whether this waiver should be available based upon a demonstration by the utility that 56 Kbps service is not technically feasible and the waiver is in the public interest.

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**COMMENTS OF THE
REGULATORY COMMISSION OF ALASKA**

INTRODUCTION

The Regulatory Commission of Alaska (RCA) appreciates the opportunity to respond to the Public Notice (PN) released by the Federal-State Joint Board on Universal Service on August 21, 2001 in CC Docket No. 96-45. The PN sought comments on whether the list of core services eligible for universal service support should be modified. We advocate modifying the list of core services to include access to Internet service at a standard speed of 56 Kbps.

I. ALASKA WOULD BENEFIT IF FEDERAL UNIVERSAL SERVICE SUPPORT WERE ALLOWED FOR LOCAL INTERNET ACCESS

Most areas of the country, and especially urban areas, expect that access to the Internet will be generally available at reasonable speeds. In Alaska adequate telecommunications is critical to the welfare of the state, but our harsh climate, sparse population, and other factors make provision of basic voice and data services difficult and costly to provide. Slow transmission speeds exist because there appears to be insufficient economic incentive for IXCs to provide greater bandwidth or increase the capacity necessary to make reasonable Internet access available statewide. Low Internet penetration rates exist because there is no local or toll-free dial-up access, and Alaskan

consumers lack the financial wherewithal to subscribe to Internet service given the high cost of service.

A) Alaska's Unique Characteristics Make Reliance on Telecommunications Services, Including Internet Access, A Necessity.

Alaska is unique in regards to demographics. Alaska combines the nation's largest state landmass with a lack of a comprehensive road system and the nation's lowest population density. This low population density is exacerbated in Alaska's bush communities due to the dispersal of Alaska's small population. Approximately 300 widely dispersed small rural communities contain less than 30 percent of Alaska's population base and are spread over a total landmass of about 586,412 square miles. In interior Alaska, the majority of these small bush communities are not connected to Alaska's highway system and toll traffic is carried via satellite.¹ The lack of roads and high cost of travel between remote villages, together with a general lack of basic services (e.g., hospitals, access to government) at the village level, creates a situation where rural Alaskans are extremely dependent upon telecommunications services to conduct day-to-day business and to respond to emergencies. Affordable local access to the Internet is key to ensuring rural Alaskans are not trapped on the wrong side of the digital divide.

B) Alaska's Unique Characteristics Also Make It Difficult For Rural Consumers To Obtain Affordable Access To The Internet At A Reasonable Data Speed.

In Alaska, the impediment to affordable Internet access at even moderate data transmission speeds lies with the interexchange portion of the network and not necessarily the local network. Due to the relatively short distances between the local telephone office

¹Southeast Alaska is characterized by a series of islands, and long distance traffic is carried by means of microwave systems, with some links provided by satellite.

and the customer, many rural local facilities are capable of handling 56Kbps speeds.² However, in many rural Alaskan communities, there is no local Internet Service Provider (ISP). As a result in rural Alaska, connection to the ISP normally requires the use of interexchange carrier (IXC) facilities.

Alaska relies on expensive satellite and microwave technology for long-haul transport. The high costs to build and maintain these facilities has deterred IXCs from providing dial-up transmission speeds of 56 Kbps in many rural locations. To minimize this cost, interexchange carriers limit the bandwidth available to consumers for voice channels, often resulting in maximum dial-up transmission speeds of 14.4 Kbps in rural areas unless special arrangements are made. We believe that 14.4 Kbps is well below the transmission speed that accords with the national standard of 56 Kbps, a speed already achievable in many areas of urban Alaska and the nation.

C) Adequate Internet Access Will Likely Be Unaffordable Absent Federal Support.

Regardless of transmission speed limitations, Internet access in rural communities is further limited by affordability. Another aspect of Alaskan demographics is the divergence of income levels between urban and rural Alaska. Employment opportunities are far more limited in rural Alaska, and consequently the median income in rural Alaska is significantly less than in the larger Alaskan communities. Since very few bush Alaska

²Many of our rural communities consist of residences, businesses, and public offices huddled together in close proximity. This close proximity is ideal for the transmission of high-speed data given the short length of the copper local loop. The RCA notes that even though the local loop may be capable of 56 Kbps service, the actual transmission throughput experienced by a customer using a standard 56 Kbps modem may vary depending upon a variety of factors, including whether the customer is accessing the ISP via the toll network.

communities have local access to the Internet, customers must pay toll charges in order to access the Internet.³

In Alaska, two IXCs provide data transport via satellite from these rural locations, and transport is very costly. The rural customers who connect to the Internet via dial-up to an ISP located outside their local area are subject to toll charges generally ranging from \$.10 to \$.25 per minute, in addition to ISP subscription charges. For 20 hours of usage this customer would pay approximately \$140.⁴ In contrast, the urban consumer in Anchorage would not pay a toll charge and typically receives unlimited Internet access for a subscription fee of \$20 or less. Based on 20 hours of usage, the rural Alaskan spends an additional \$120 (600 percent) for Internet access. Consequently, very few rural citizens can afford residential access to the Internet, and there is an extremely low penetration rate in Alaskan bush communities where local access to the Internet is not provided.

The cost of transport also serves as a deterrent to ISPs. Rural ISPs will pay substantially more for transport than urban ISPs. For example, an ISP located in a rural area of Alaska will be charged \$2,200 a month for 256Kbps Frame Relay service by the IXC.⁵ An ISP located in Anchorage will purchase transport from a LEC, paying a \$238.95 monthly charge. The rural ISP pays approximately 820 percent more compared to similar service in Anchorage. Due to low customers bases and the high cost of

³In a January 2001 report entitled *Telecommunications Services Inventory of Rural Alaska*, the Denali Commission reported that of 267 communities included in the study, 164 did not have local dial-up Internet service. Where local access to the Internet was not available, users connected with the Internet by long distance call to America Online, an AT&T 800 access number, or a GCI 700 access number.

⁴This figure is based on toll charge equaling \$.10 and ISP subscription of \$20. (20hrs x 60min x \$.10 + \$20 subscription = \$140).

⁵This cost is based on a recurring \$890 port charge plus an additional \$1310 permanent virtual circuit charge.

interexchange data transport, there is little economic incentive for ISPs to install a server in these rural locations or take other measures intended to reduce the cost of Internet service in rural Alaska. Consequently, it is unlikely that Internet service providers will expand to Alaska's more remote areas without the provision of federal support to offset the cost of the service.

Because most of rural Alaska must access the Internet by means of a toll call, Alaska faces a true digital divide. This divide exists not only between urban and rural areas, but also between the young and old residents of these bush communities. In many villages, the only high to moderate-speed Internet access in the community is through the FCC's rural health care and schools and libraries programs. Often the only Internet link in a village is at the local school or clinic, with general use by residential customers precluded under the FCC's rules. Children enjoy Internet access through their schools, while parents are often unable to afford residential Internet service. In those communities, there are often no other available locations to access Internet service for non-students and non-health care workers, nor may students access the Internet after school hours. Because of the limited availability of these programs, they do not adequately address our goal that reasonable access to the Internet be available to rural Alaskans.

To correct this situation and bring rural Alaska closer to the information age, federal universal service support is needed. We request that the FCC allow IXC's access to federal universal service support when necessary to affordably accommodate local Internet service at transmission speeds of 56 Kbps to remote rural areas. Under this proposal, the expense of long-haul transport of Internet traffic would be offset by federal funding to make rural Internet access affordable and comparable to that found in urban areas.

II. RURAL INTERNET ACCESS AT SPEEDS COMPARABLE TO THOSE PROVIDED IN URBAN AREAS WILL ADVANCE THE GOALS STATED AT SECTION 254(C)(1) OF THE ACT

As previously stated, we believe that the list of core services should be modified to include Internet access, allowing carriers to receive universal service support for bringing Internet service to Alaska's rural areas at speeds and rates comparable to those provided in urban areas. Our proposal is consistent with the guidelines of the Telecommunications Act of 1996 at Section 254(c)(1), considered when designating a service as eligible for federal universal service funding. We believe that local Internet access at 56 Kbps is essential to the public, subscribed by the majority of residential customers, commonly deployed, and in the public interest.

A) Internet Access Is Essential To Education, Public Health, Or Public Service

Particularly in Alaska's rural areas, Internet service is essential to education, public health, or public service. Most of Alaska's rural villages are sparsely populated, isolated communities with low medium incomes and minimal public health or community service facilities. A common community configuration in Alaska is the so-called "hub and spoke" situation, where several smaller communities surround a larger village (relatively speaking). The smaller communities are dependant upon the larger village for public health, police and emergency service, tribal government, and other community services considered essential in urban areas. For the most part, these villages are not accessible by a road system, with travel only by small plane, boat, or snowmachine.⁶ The result is that travel between communities is more expensive and less frequent than in other areas in the country. In addition, many key services are only available in Anchorage, Alaska's only

⁶Even with these limited transportation modes, travel is often extremely hazardous due to weather conditions.

urban city, or at the state capital of Juneau. Juneau is isolated by water from other Alaskan communities, and Anchorage is not assessable by road from many rural locations.

In light of the isolated nature of Alaska's rural communities, the ability to readily communicate effectively from the remote communities is essential. Businesses, educational institutions, and governmental entities have become increasingly dependent upon the Internet as the means for distributing key visual and data information to the public. The comments of the State of Alaska in this proceeding well illustrate that the Internet has become a critical means of communications in the United States. We conclude that access to the Internet has become essential to education, public health, and public service.

B) Internet Service Has Been Subscribed To By A Substantial Majority of the Nation's Residential Customers, With Standard Transmission Speeds Of 56Kbps.

Telecommunications and information services have evolved in recent years to the extent that Internet access at the customer's residence has become prevalent throughout the country. Once an anomaly, the Internet is now viewed as a necessity in the workplace and has also become essential for residential consumers. Due to large reductions in the prices of personal computers and the Internet explosion, Internet access is now a service that is subscribed to by a substantial majority of the residences in this Nation

In Alaska's larger communities and throughout the nation, local dial-up access to Internet service is available, with a standard data transmission speed of 56 Kbps for residential service. Unlike the rest of the nation, smaller bush communities in Alaska lack local access to the Internet and often are not provided affordable transmission speeds of 56 Kbps.

C) Internet Access at Speeds Of 56 Kbps Is Being Deployed In Public Telecommunications. Networks By Telecommunications Carriers.

The majority of rural Alaskans have not enjoyed the advances in technologies that are now considered commonplace for the rest of the country. 56Kbps dial-up speed is the standard connection speed offered by most Internet Service Providers throughout the rest of the nation. The 56K modem has become the standard modem installed in most computers not only due to advances in technology, but also due to the necessity and customer demand to fully capture the dynamic and interactive features available on many Internet web pages. Several different sources confirm that the vast majority of phone lines in North America support 56Kbps modem speeds. "U.S. Robotics' own tests have shown that the vast majority of phone lines in North America support x2 [56Kbps] technology."⁷ 56 Kbps is now recognized as the standard modem speed and modems operating at lower speeds are hardly sold in the United States anymore.⁸

⁷Modems FAQ (2001) *available at* <http://www1.sympatico.ca/help/Learn/FAQ/x2.html>; *see also* 56K Modems: X2, v.90, K56Flex (2000) ("[T]rials involving thousands of calls (conducted by U.S. Robotics and Lucent Technologies) in a multitude of regions have shown that a preponderance of those calls were able to achieve the faster 56K speeds."), *available at* <http://info/ipinc.net/support/faqs/56k.html>; V.90 FAQ (2000) ("Testing initiative[s] have determined that a vast majority of phone lines in North America can support 56K."), *available at* <http://www.accesscom.com/system/56k/why56k.html>

⁸See Annabel Z. Dodd, *The Essential Guide to Telecommunications*, 239 (2d ed. 2000) ("[S]tandard modem speeds have increased from 300 BPS to 56,000 BPS."); V.90 Modem Standard, ("In 1998, 56K modems really hit their stride . . . and consumers have adopted widespread use of V.90 [56 K] modems."), *available at* <http://www.v90.com/>; Overview of V.90 Modem Standard, ("Very likely, V.90 will be the final analog modem speed standard. . . . Analysts predict that modem sales will grow to about 75 million modems sold per year by 2000. Almost all of these will be V.90."), *available at* <http://www.v90.com/overview.htm>; Modem Speed, ("There has been over the last years a major improvement in speeds of modems . . . to the current 56K modems according to the V.90 standard, as they have become the standard for modem connections to the Internet."), *available at* http://www.helmig.com/j_helmig/modemv90.htm; Handy Information on Modems, ("The current popular modem speed is 56k. The previous favorites in

D) Internet Access In Rural Areas Is Consistent With The Public Interest, Convenience, And Necessity.

The Internet provides individuals with access to a plethora of information and practically unlimited research resources. Federal, state, and local government web sites provide consumers with access to government information and, to some extent, government services. For communities that have minimal local health service facilities, residential customers could access medical information via the Internet. Communication with individuals and entities outside the community is enhanced through the use of e-mail. In short, the Internet provides users access to resources that are otherwise unobtainable. This is particularly true in remote rural areas where public facilities are at a minimum or do not exist.

In the information age, the public interest is best served by ensuring that access to information sources and public institutions is available to all American citizens. The Internet has become the most affordable and efficient means to disseminate information and facilitate communications between individuals, organizations, and government bodies. Simply stated, rural Alaskans have been left out of the information age and are denied access to basic public information, a situation that is contrary to the public interest.

In summary, we believe that Internet access at 56 Kbps meets the general definition of universal service under the Act. The FCC can assist Alaska and possibly other states by providing necessary funding to ensure that at least minimal Internet access (i.e., 56 Kbps) is locally available at an affordable rate.

descending speed order were 33.6k, 28.8k, 14.4k, and on down.”) (2001), available at <http://www.tui.edu/Help/Modems.html>.

III. THERE ARE SEVERAL AVAILABLE OPTIONS TO CONSIDER WHEN DETERMINING THE APPROPRIATE LEVEL OF FUNDING

To achieve affordable Internet service at 56Kbps in rural areas, the interexchange transport of information would require federal support. We believe that there may be many viable ways to determine a fair level of universal service support to be used for provision of 56 Kbps service. Among the ideas we have considered are:

- a) Allowing ISPs sufficient federal support so that the ISP could obtain Frame Relay service (or equivalent) to isolated rural communities at rates comparable to those found in urban areas, similar to how the rural health care program works today. Isolated rural communities could be defined as those where landline circuits to the location were unavailable. The FCC may also wish to set a size limit on the community (e.g., below a set access line limit such as 250) recognizing that large communities might have sufficient demand for Internet service to occur via market forces without federal support.
- b) Allowing ISPs a discount off of Frame Relay service (or equivalent) to access rural communities similar to that provided under the federal schools and libraries program.
- c) Contributing to the cost of documented upgrade of IXC facilities to provide 56 Kbps dial-up service. We believe that this option may require further review to determine how such network upgrades would occur in the most efficient manner.

There may be many other viable options available beyond the ones we identify above. We recommend that the FCC identify local access to 56 Kbps service as

qualifying for universal service support, followed by a public notice seeking comment on the best method for implementation.

The RCA is advocating for an efficient process where universal 56 Kbps transmission capability is achieved over a reasonable period of time. We envision a process in which a utility shows a need for facilities upgrade to efficiently achieve 56 Kbps transmission capability. State commissions should oversee the process to ensure utilities implement upgrades within set cost and time limits.⁹ We recognize that it may be a burden on the fund to ensure all carriers are able to transmit data at levels approaching 56 Kbps in the near future. To protect against this, state commissions should be provided the flexibility to implement 56 Kbps service where practical, and to deny carrier plans to upgrade when such is technically premature and may unduly impact the universal service fund.¹⁰ The FCC may wish to set guidelines for states to apply when determining whether federally funded upgrade would be allowed. The FCC may also wish to consider whether any standard should only apply to new local exchange plant upgrades or should be phased in over a period of years. An FCC analysis of implementation costs may best determine the proper transition to and limits on funding of 56 Kbps service so as to prevent excessive increases to the fund contrary to the public interest. Consistent with this approach, and as further explained later in these comments, state commissions should be

⁹Continued state oversight of this process could be done in conjunction with the current process where state commissions must verify that carriers are appropriately utilizing universal service funds only for the intended purposes of high cost support. A carrier, when seeking certification of its use of funds, could at the same time indicate plans to upgrade facilities to achieve 56 Kbps service. State commissions could then review the plans for technical feasibility and economic efficiency.

¹⁰The RCA envisions a coordinated FCC/state commission implementation process. Indeed, there may be circumstances where the state commission may need to encourage a utility to implement the necessary network upgrades for 56 Kbps capability.

able to waive any requirement that an Eligible Telecommunications Carrier provide 56 Kbps service upon a public interest showing.

IV. TO ENSURE AFFORDABLE INTERNET SERVICE IN RURAL AREAS, INTEREXCHANGE CARRIERS SHOULD RECEIVE UNIVERSAL SERVICE SUPPORT AND LOCAL ELIGIBLE TELECOMMUNICATIONS CARRIERS SHOULD BE PROVIDED A WAIVER OF THE REQUIREMENT TO PROVIDE 56 KBPS INTERNET SERVICE IN ORDER TO MAINTAIN ETC STATUS

A) With Regard To Support Targeted for Interexchange Internet Access in Rural Areas, The FCC Should Waive the Requirement of Section 254(E) That Only Eligible Telecommunications Carriers May Receive Universal Service Support.

Section 254(e) of the Act specifies that only Eligible Telecommunications Carriers (ETCs) may receive federal high cost support. 47 C.F.R. 54.101 requires that an ETC must be able to provide nine core services, one of which is local service. In Alaska IXC are not currently ETCs and likely could not qualify for such status, as they do not provide local service. Thus under the current system of regulations, it is possible that IXCs would be ineligible under Section 254(e) to receive federal universal service support for provision of Internet access transport. To allow IXCs access to federal universal service support, the RCA request the FCC either waiver or forebear from enforcing the requirement that IXCs must provide the core services and become ETCs in order to be entitled to universal service support.

B) If Internet Access at 56 Kbps Is Designated A Core Service, States Should Have The Ability To Fully Or Partially Waive The Requirement Of Section 214(E)(1)(A) That A Local Carrier Must Offer Internet Service at 56 Kbps In Order To Obtain Or Retain ETC Status.

Most Alaskan local exchange carriers have obtained ETC status based on their ability to provide the nine core services as currently defined under federal rules. If the FCC were to expand the list of core services to include access to the Internet at 56 Kbps, it

is possible that some local exchange carriers (LECs) would be unable to meet this standard. While most areas of the state have local loops capable of transmission speeds of 56 Kbps, there are some areas where Alaskan LECs do not currently have loops in place capable of a 56 Kbps transmission speed.¹¹ Consequently, if Internet service at a standard speed of 56Kbps is added to the list of core services eligible for universal service support, LECs with local loops incapable of transmission speeds of 56 Kbps will no longer be eligible for ETC status and will lose federal universal service support. Loss of high cost support would likely make local service unaffordable for many companies, contrary to the intent of the Act. To prevent this from occurring, the RCA requests the FCC allow state commission, upon a public interest showing, to waive the requirement that LECs provide Internet service at a speed of 56 Kbps on all lines in order to be eligible for ETC status.¹² In general, any waiver mechanism adopted by the FCC should be broad enough to ensure that existing ETCs do not prematurely lose ETC status if their existing networks are incapable of immediately meeting any new definition of universal service which may be adopted.

CONCLUSION

In Alaska's rural areas, the need for Internet service is heightened because of the isolated nature of those locations and the absence of public health and community service

¹¹For example, a number of Alaskan ETCs provide local service using BETRS rural radio technology. BETRS technology has been employed in Alaska in situations where terrain or remoteness of the customer makes landline service infeasible. However, BETRS technology as deployed today is incapable of providing data speeds approaching 56 Kbps.

¹²The RCA believes that state commissions must have the ability to waive compliance with the 56 Kbps standard in order to maintain ETC status, and to review utility proposals for network upgrades to determine whether the transition to 56 Kbps

organizations. However, due to the lack of affordability of Internet service throughout rural Alaska, the portions of American citizenry with arguably the greatest need for information services are forced to go without those services. Such a situation is in direct conflict with the FCC's commitment to ensure the advancement of universal service to rural, high cost, and insular areas.

The Act provides that access to advanced telecommunications and information services should be provided in all regions of the Nation.¹³ We believe that it is time to modify the list of core services eligible for universal service support so that consumers in all regions of the nation have access to telecommunications and information services that are reasonably comparable to those services provided in urban areas. Without universal service support, deployment of Internet service in most Alaska rural areas may be delayed for years. The high cost of the service will deter rural consumers from subscribing to Internet service, and the cost of satellite transmission precludes the provision of statewide transmission speeds that are reasonably comparable to those available in urban areas.

The Regulatory Commission of Alaska proposes that local access to 56 Kbps service be considered a universally needed service and requests the FCC to implement rule changes to allow adequate federal funding so that consumers in rural areas may have comparable Internet access to that found in urban areas.

service occurs over a reasonable period of time and for a reasonable investment and annual expense.

¹³47 USC §254(b)(2).

