

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

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

**Comments of the
Regulatory Commission of Alaska**

Date: March 24, 2006

_____/s/_____
Kate Giard, Chairman
Regulatory Commission of Alaska

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Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	

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The Regulatory Commission of Alaska appreciates an opportunity to respond to the Notice of Proposed Rulemaking (NPRM, FCC 05-205) of the Federal Communications Commission (FCC) seeking comment on issues raised by section 254(b) of the Communications Act of 1934, as amended (the Act) and the United States Court of Appeals for the Tenth Circuit’s (Tenth Circuit) decision in *Qwest Corp. v. FCC* (*Qwest II*).

I. Any definition of “reasonably comparable” should take into consideration limitations on local calling scope.

A key universal service principle under the Act is that rates and access to services in rural and urban areas should be “reasonably comparable” to one another.¹ Through the NPRM, the FCC sought comment on how the term “reasonably comparable” should be defined.² The FCC noted that it may be that most rural consumers, who typically have smaller local calling areas than urban consumers,

¹ 47 U.S.C. §254(b)(3).

² NPRM at paragraph 18.

purchase more long distance services than urban consumers.³ In Alaska this is certainly true. Much of Alaska is typified by isolated, remote villages with low population. About 40 percent of all exchanges in Alaska serve under 100 access lines and 83 percent of the exchanges operate under 1000 access lines:

Alaska Access Lines	Number of Exchanges	Percent of Total
50,000 or more	1	0.4%
5,000 to 49,999	12	4.9%
1,000 to 4,999	28	11.5%
500 to 999	7	2.9%
250 to 499	22	9.0%
100 to 249	73	29.9%
50 to 99	52	21.3%
Under 50	49	20.1%
Total:	244	100.0%

In the exceedingly small calling areas found in rural Alaska, consumers often cannot place a local call to contact critical services, government agencies, and retail businesses. Rural areas in Alaska are therefore extremely dependant upon long distance for their telecommunications services, and as a result face higher telecommunications costs compared to most urban areas. Further, customers in urban areas in the rest of the nation often have access to potentially hundreds of thousands of lines by placing a local call. In contrast, rural areas in Alaska gain access to substantially fewer lines by placing a local call. We request that whatever definition of “reasonably comparable” the FCC adopts the FCC take into consideration these unique factors. It may be useful to further explore a definition of “reasonably comparable” based on a consumers’ total telephone bill.

³ NPRM at paragraph 21.

2. If the definition of “reasonably comparable” is modified to include consideration of high long distance rates, consideration should be given to Alaska’s unique network arrangements.

If the FCC determines that high long distance rates should be a factor when determining whether urban and rural rates are “reasonably comparable”, then it should also take into account the unique structure in Alaska whereby long distance and local services are often provided by separate companies with separate networks. There is no major Bell Operating Company in Alaska providing both long distance and intra-LATA toll to large areas of the state. In Alaska the primary interexchange carriers do not currently provide local service throughout rural Alaska; as a result, these interexchange carriers would not qualify for Eligible Telecommunications Carrier (ETC) status under existing rules. At the same time Alaska faces high transport costs due to its dependency upon expensive satellite services to ensure all rural areas are connected to the rest of the state. Alaska should not be denied the potential benefit of universal service support for transport and long distance services under a revised definition of “reasonably comparable” because of the historical manner in which services evolved in Alaska.⁴

3. The FCC Should Consider Establishing Explicit Support for Interexchange Carriers that Incur Unusually High Transport Costs Over Expensive Satellite and Microwave Facilities to Serve Remote Rural Subscribers.

As previously indicated, Alaska’s public switched and broadband networks are highly dependent upon expensive satellite communications. Alaska’s size, population density, climate, and limited road system, make satellite the only effective

⁴ Alaska is not served by a Bell Operating Company nor does Alaska have LATAs. Unlike the rest of the nation, local carriers in Alaska do not provide transport between exchanges except in certain urban areas. As a result, most areas of Alaska are not served by an Eligible Telecommunications Carrier that provides both local and long distance services.

option for serving many remote rural areas. As a result, the unit cost of providing long distance and broadband service to and from rural areas of the state is much higher than in other states. We believe the FCC should consider providing explicit support for interexchange carriers that incur unusually high transport costs to serve remote areas. This would be consistent with the Act's goals that rates be affordable and that rates be reasonably comparable.

4. The FCC should consider including remote rural areas of Alaska that are not on a road system as “insular” areas.

The Act provides that “Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high-cost areas, should have access to telecommunications and information services...at rates that are reasonably comparable to those services provided in urban areas.” 47 U.S.C. 254(b)(3). The FCC in its NPRM indicated that it had yet to establish a universal service mechanism for insular areas, but that it was considering revisions to the method by which Puerto Rico Telephone Company obtained support.⁵

We believe the many areas of rural Alaska have the same characteristics as island areas which the FCC has viewed as “insular”. Specifically, scores of remote villages in rural Alaska are isolated by wilderness from other areas of the state isolated from any road system, and are only accessible by plane or boat. We request that the FCC consider remote villages of rural Alaska as insular areas.

5. An income base “affordability” standard should not be considered in isolation of cost of living and similar demographic factors.

The NPRM suggested that the FCC may evaluate rate “affordability” as a function of household income. We are considering affordability issues in Alaska as they

⁵ NPRM at paragraph 32-33.

relate to our state Universal Service fund system. We have yet to conclude our review, and so have not finalized how affordability should best be determined. However, we question the reasonableness of determining an affordability standard based solely on income. We believe this could result in an arbitrary and unfair treatment of consumers. For example, while the salary and wage levels in Anchorage and Fairbanks have historically exceeded the national average, so did the cost of living, to an even greater extent.⁶ Considering the level of income in Juneau, Kodiak, and Fairbanks, Alaska without also taking into consideration that these locations were among the 20 most expensive cost of living locations in the nation would incorrectly treat any approach to affordability.⁷ While Juneau, Kodiak, and Fairbanks share a high cost of living by national standards, it is even more expensive to live in many of the more rural areas of Alaska given their remoteness and their requirement to import all commodities by air or over water. To consider income without also considering cost of living may be unreasonable and unfair to high-cost states.

⁶BTA Economic Research Institute, The 1995 Geographic Reference Report, at p. 10, 79, USA Library of Congress ISSN 1061-7469.

⁷ Alaska Economic Trends, June 2005, The Cost of Living in Alaska, by Dan Robinson and Neal Fried, at page 12. The cost of living survey of 400 locations nationwide was performed by the American Chamber of Commerce Researchers Association.

Conclusion

The definition of “reasonably comparable” rates and services should appropriately take into account local calling limitations. If the definition of “reasonably comparable” is modified to include consideration of high long distance rates or transport services, consideration should be given to Alaska’s unique network arrangements. The FCC should consider explicit support for high transport costs and should consider treating remote villages of rural Alaska as insular areas. The FCC should not adopt an affordability standard based on income without also considering the effects of cost of living and related geographical and demographic factors.

RESPECTFULLY SUBMITTED this 24th day of March, 2006.

/s/

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