

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20544

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

COMMENTS OF THE ALASKA TELEPHONE ASSOCIATION

In response to the Notice of Proposed Rulemaking released May 14, 2007, the Alaska Telephone Association (ATA)¹ files these comments in complete support of the Joint Board’s proposal to modify the Commission’s rules relating to the distribution of high-cost universal service support.

Congressional attention that has been directed at the universal service fund (USF) the last two years clearly demonstrates a general dissatisfaction with the present contribution and distribution methodology. As that

¹The Alaska Telephone Association is a trade association comprised of rural Alaska local exchange telephone companies. Its active members are Adak Telephone Utility; Alaska Power & Telephone Company; Arctic Slope Telephone Association Cooperative; Bristol Bay Telephone Cooperative, Inc.; Bush-Tell, Inc.; Copper Valley Telephone Cooperative, Inc.; Cordova Telephone Cooperative; KPU Telecommunications; Matanuska Telephone Association; Nushagak Cooperative, Inc.; OTZ Telephone Cooperative, Inc.; Summit Telephone Company, Inc.; TelAlaska, Inc.; United Utilities, Inc.; and Yukon Telephone Company, Inc.

dissatisfaction evolved into frustration, the fund's intended public policy benefits often became obscure. This has escalated to a point where the merits of sound public policy are in jeopardy of being lost to a process of zealous correction of the faulty methodology. An example of this politically expedient process was to cap the total USF, to deal with the rapidly increasing size of the high-cost fund. Our remarks will demonstrate that the Joint Board's recommendation -- although touted by some members of industry as an extraordinary and radical proposal -- is a welcome and conservative approach to a problem in dire need of remedy.

Immediate High-Cost Fund Cap

ATA supports immediate action to curtail the growth of the high-cost fund by placing a cap on the total of funds available to competitive eligible telecommunications carriers (CETCs) and, as recommended, we support the capped amount to be based upon the amount received in 2006. Rather than this being a Draconian action as most CETCs would have you believe, this measure is gratuitous in that it permits CETCs to continue to temporarily receive revenues which have no rational relationship to their costs or correlation to the public service -- if any -- they provide. A just but less charitable recommendation by the Joint Board might have been to require each CETC to provide a cost showing to justify its level of funding and return any USF receipts for which it could not provide such showing. Continuing

disbursement of funds capped at 2006 level is a conservative recommendation. ATA agrees with the Joint Board's recommendation that the cap on CETC's high cost funding be short term in nature during a period in which the Commission proceeds with a concerted effort to put long term USF reform in place. Assuming mechanisms are in place to verify CETC's actual cost of providing service, the funds are being used for the intended purpose and to rationalize the number of CETCs receiving support, all caps on high cost funding should be removed. Rural carriers should receive sufficient funding for the deployment of ubiquitous broadband and wireless networks in rural areas. The intent of Congress in the 1996 Telecommunications Act was that rural consumers have access to comparable services available in urban areas. To achieve the goal of Congress the Commission must ensure that a stable and sufficient USF is in place to incent investment in these networks.

Identical Support Rule

We are confident that in hindsight the identical support rule is recognized for what has been since its inception -- an unfortunate boondoggle. Cloaked in an elusive cloth of competitive neutrality, the identical support rule opened up to competition rural service areas lacking sufficient population to allow even one carrier to provide service without USF support. Business entities never before attracted to these markets, quickly recognized

an opportunity for lucrative profit margins when they could see that their costs didn't have even a cursory relationship to the robust revenues. Unlike carriers of last resort, CETCs do not enter unprofitable markets. Bluntly stated the identical support rule provides no service to the public yet it comes at a great cost. Its practice must cease.

Joint Board Review – 2002/2004

In 2002, the Commission asked the Joint Board to review rules relating to high-cost support in study areas in which CETCs were providing service. Focus on this area is imperative, but perhaps an even more fundamental question is to ask why a CETC would be serving in a high-cost area. Isn't a high-cost area by definition one in which an operating company would be unable to sustain affordable high-quality telecommunications service without such support? Apparently, the enthusiasm for having the illusion of competition everywhere created such a din after passage of the 1996 Act, that Congress' cautions pertaining to designating CETCs in rural areas were thrown to the winds by some state Commissions. However, it is inconceivable that Congress really envisioned assessing universal service surcharges in order to support giving consumers in high-cost areas a choice between a myriad of competitive local carriers.

In 2004, the Commission directed the Joint Board to consider high-cost funding methodology to supercede the plan adopted from the Rural Task

Force proposal. Reverse auctions were suggested. This method to control the expansion of the USF fund improperly prioritizes least cost over service and would measure its success by limiting the size of the universal service fund rather than by maintaining the quality of communications service in rural areas. Reverse auctions methodology is an anathema to rural telecommunications. It is a “race to the bottom”. The ATA stands firmly and respectfully in opposition to this methodology.

The Commission sought comment on the basis for support for CETCs. Prior to the advent of such a curious designation, costs based on audited accounts provided support at levels sufficient for carriers of last resort to maintain infrastructure and provide high quality services at affordable rates to millions of rural Americans. Accountability is necessary for a truly public utility service. Whether a choice of public utility providers -- each supported in high-cost areas based on its own costs -- is a value to customers, is surely open to discussion. A choice of multiple USF supported providers of public utility service strains the limits of credibility. How much is the public willing to spend for the illusion of competition? Congressional focus on the fund demonstrates that we have far surpassed a reasonable amount.

Cap Only CETCs?

In paragraph 5 of this NPRM, the Commission asks if the proposed cap should be placed only on CETCs. Additional questions ask about the

duration of the cap and the base period. As it is only the unrestrained CETC demands on the fund that are causing the extreme escalation there is no benefit or justification for applying an additional cap to the ILECs whose high cost funding has been capped for years. Since only an ILEC's USF support is based upon its actual cost of providing service, any additional cap to the ILEC support only widens an already existing gap between cost and support arising from existing caps on ILEC support. By contrast, applying a modest interim cap on CETC funding properly begins the necessary process of delinking CETC funding based upon the ILEC's cost structure along with the perverse incentives of the identical support rule. As for the duration and the base period, ATA appreciates the willingness of the Joint Board to address the inequities inherent in the illogical basis for the fund growth; we therefore support the proposed duration and the base line year.

Conclusion

ATA appreciates the Joint Board's recommendation and enthusiastically encourages the Commission to adopt it in its entirety. We are optimistic that this will be the start of a process that will return rationality to the rural telecommunications environment and will safeguard universal service for years to come.

Dated this 6th day of June 2007.

ALASKA TELEPHONE

ASSOCIATION

A handwritten signature in black ink that reads "Jim Rowe". The signature is written in a cursive style with a long horizontal stroke extending to the right.

By: _____
James Rowe
Executive Director