

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

In the Matter of)	
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
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REPLY COMMENTS OF THE ALASKA TELEPHONE ASSOCIATION

In our initial response to the Notice of Proposed Rulemaking released May 14, 2007, the Alaska Telephone Association (“ATA”)¹ expressed its complete support for the Joint Board’s proposal to implement an immediate and temporary cap on the amount of high cost support flowing to competitive eligible telecommunications carriers (“CETCs”). After careful consideration of the arguments filed by other parties – and especially in light of the justifications offered by some of those opposing the Joint Board’s Recommended Decision (“Recommendation”) – we remain steadfast in our support and even more convinced of the rationality of the recommended decision.

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.

High-Cost Fund Jeopardized

For a variety of reasons the high-cost portion of the universal service fund has experienced significant demand increases since 2000. The percentage of assessment climbed to and has hovered around 12 percent and the contribution base has been expanded. In spite of these actions, there is imminent pressure for more funds and the burden on contributors as well as on individual consumers who see the itemized contribution on their monthly bills has caused a political backlash specifically against the fund and concomitantly against the universal service program.

Attached to the Recommendation as Appendix A are charts presented by FCC Chairman Martin at the February 2007 en banc hearing of the Joint Board that show the dramatic increase in the demand on the high-cost fund since 2002. Almost in its entirety the increase is attributable to CETCs. Were it not for the loud cries, even from members of Congress, to cap the high-cost universal service fund or abolish it altogether, the Joint Board would have had no reason to have issued its Recommendation and the ATA would be unconcerned with the amount of funds flowing to CETCs. It is mind boggling to us that, given this precarious environment, the most common argument put forward in opposition to the Recommendation is that CETCs need more funds to build out their networks. Undeniably, more money facilitates more investment, but the fund has reached critical mass and the CETC advocacy is “Make it bigger!” This is the epitome of self-centered irrationality!

Capped CETC Funding

Even under the proposed temporary cap, CETCs would continue to be eligible to receive a total amount of funds no less than the amount distributed in 2006. And the 2006 total is dollars received by CETCs based upon ILEC costs – the identical support rule. Today it is generally recognized that the identical support rule based on the dubious competitive neutrality concept is poor public policy. It presents business opportunities directed specifically at obtaining the inflated level of support rather than at the business of providing communications services in high-cost areas. The Recommendation permits CETCs to *continue* to receive these inflated amounts while the Commission and Joint Board explore comprehensive high-cost universal service reform. Although a number of ATA members have CETC affiliates, due to our concern for the viability of the universal service program we favor the temporary CETC support cap and we really struggle to understand why inflated recovery is less than satisfactory to some other CETCs. Perhaps the only explanation is the third of the Seven Deadly Sins -- greed!

Alaska Specific

Lest our lack of commentary be construed as acquiescence rather than simply oversight, we will touch briefly on the comments filed on June 6, 2007 in opposition to the Joint Board Recommended Decision offered by the largest CETC in Alaska, General Communication, Inc. (“GCI”).

In its summary (page i), GCI argues that a cap “undermines universal service principles.” GCI speaks of its plans to roll out wireless facilities to provide local, long distance, and broadband services to nearly 200 rural Alaskan areas “the vast majority of which currently have little or no access to comparable services.” Every Alaskan community currently has local and long distance service. A number of those incorrectly identified on the maps submitted with the GCI filing as having none, already have access to broadband.

GCI bemoans the fact that under the Recommendation it “estimates that the proposed cap will reduce per line USF payments to Alaskan CETCs by 16 percent in 2007 and by 34 percent in 2010” and that it is likely that GCI’s support in rural villages would fall to half of what the ILEC currently receives (page 8, 9). Notice that GCI fails to mention any respective underlying costs. ILEC support is based on its own audited accounts and GCI’s support is based on **the ILEC’s** audited accounts. Tersely, there is no relevance to GCI’s argument and no logical reason to maintain the identical support rule for which GCI so desperately pleads.

Finally, on page 13, GCI offers a “narrow” exception to the cap in case the Commission should determine it is the appropriate road to take. That exception is called a “conditional cap exclusion” that would only be available on Native Lands. We think it is not a coincidence that everywhere GCI serves or declares it will serve is on Native Lands.

Comprehensive Reform

Congress, the FCC and the public must determine what communications services are necessary and should be ubiquitous. The cost must be determined and the public must be willing to pay that amount.

The identical support rule has introduced an artificial inducement for investment into an industry where advances in technology and services have admittedly moved at a far quicker pace than rules and regulation. The very reasonable proposal by the Joint Board is to stop the hemorrhaging of the high-cost fund while some balance – some sustainability -- is brought back to the telecommunications business environment. The Recommendation is not a roadblock to advanced telecommunications in Rural America, but an opportunity to determine how to provide the necessary access without destroying the program that has supported the backbone infrastructure that has served high-cost areas and by which the coveted advanced services are now, and will in the future be, delivered to rural customers.

Conclusion

ATA believes the Joint Board recognizes the seriousness of the threat to universal service presented by the increasing demands by CETCs for high-cost funds. We have witnessed the attacks directed at the Joint Board by some segments of industry as well as by mislead members of Congress and we encourage the Commission to weigh the Recommendation and its impact on rural telecommunications customers with disregard

for the forces of intimidation. We remain in support of the Joint Board's recommendation and continue to encourage the Commission to adopt it in its entirety.

Dated this 21st day of June 2007.

ALASKA TELEPHONE ASSOCIATION

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

By: _____
James Rowe
Executive Director