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

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
	)	

REPLY COMMENTS OF GENERAL COMMUNICATION, INC.

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REPLY COMMENTS OF GENERAL COMMUNICATION, INC.

General Communication, Inc. ("GCI") hereby replies to comments filed in response to the Commission's Public Notice requesting comment on the recommendations of the Federal-State Joint Board on Universal Service ("Joint Board") regarding long term, comprehensive high-cost universal service reform.[1] As GCI explained in its initial comments,[2] the Telecommunications Act of 1996 (the "1996 Act") sought to facilitate competition in the telecommunications market while ensuring that all consumers have access to quality services at affordable and reasonably comparable rates. The practical experience of GCI and others, confirmed by economic theory, demonstrates that these two critical purposes work in tandem. Contrary to outdated and unsupported assumptions,[3] competition can bring consumers even in rural and remote areas lower

1 *Federal-State Joint Board on Universal Service Seeks Comment on Long Term, Comprehensive High-Cost Universal Service Reform*, Public Notice, WC Docket No. 05-337, CC Docket No. 96-45 (¶ 4) (May 1, 2007) ("Public Notice").

2 Comments of General Communication, Inc., WC Docket No. 05-337, CC Docket No. 96-45 (filed May 31, 2007) ("GCI Long Term Reform Comments"). Hereinafter, unless otherwise noted, all citations to Comments refer to those filed in these dockets on May 31, 2007.

3 *See, e.g.*, Comments of CenturyTel at 6.

prices, service innovations, and increased choices in a way that no regulator can match in a single-provider system.

INTRODUCTION AND SUMMARY

The main conflict apparent from the many comments filed in this proceeding arises between those, like GCI, that want to allow universal service to bring rural America the same state-of-the art, cutting edge services available to urban consumers by harnessing competition, and those that would consign unserved and underserved consumers to the current and often outdated service provided by incumbents. Even with high-cost universal service funding, many incumbents have failed to bring advanced telecommunications and information services to their customers. Reform should not abandon competition and thereby freeze the status quo for these underserved consumers.

The Joint Board and the Commission can both limit growth of the fund and encourage increased last-mile deployment of innovative service by adopting a series of principled reform measures. First, high-cost support should be available to providers that commit to the provision of broadband service in covered areas. Second, reform should not include winner-take-all reverse auctions, which would remove incentives and the ability to invest. Third, support for ETCs should remain symmetrical, but decline over time. Fourth, all ETC's should receive support on a per-line basis, and should not receive support for more than one line per account. Fifth, support amounts should be no greater than the minimum amount necessary to provide affordable and reasonably comparable services. Sixth, support should not be available for services like voice and data transport that are already provided without subsidy. This group of reforms, if adopted, will allow competition to both control the growth of the fund and ensure that consumers everywhere have the opportunity to receive innovative and advanced communications services.

I. THE COMMISSION SHOULD ADOPT REFORMS THAT WILL IMPROVE BROADBAND DEPLOYMENT, PRESERVE COMPETITION, AND REDUCE THE SIZE OF THE FUND.

Universal service should ensure that consumers "in all regions of the Nation" have "[a]ccess to advanced telecommunications and information services."[4] Because consumers also bear the cost of universal service, however, universal service funding should also be limited to the minimum necessary to fulfill universal service goals. Properly structured reform can meet both of these goals by encouraging increased deployment of innovative services to unserved and underserved consumers and allowing competition to drive support levels downward. Specifically, the Commission can encourage broadband deployment, preserve competition, and limit the size of the fund by adopting five key elements of reform.

First, all ETCs must commit to provide broadband services with incrementally faster broadband speeds, not as a supported service, but as a condition of receiving high-cost support. GCI has previously detailed an aggressive but achievable broadband mandate that would require high-cost support recipients immediately to bring broadband of 400 kbps (one direction, local network) to 50% or more of the households in covered locations within a study area and to bring at least 1Mbps to 80% of households within three years.[5] GCI is not alone in advocating such an approach. Frontier

4 47 U.S.C. § 254(b)(2).

5 Letter from Tina Pidgeon, V.P. Federal Regulatory Affairs, GCI to Marlene Dortch, Secretary, FCC, re Federal-State Joint Board on Universal Service, High Cost Universal Service Support, WC Docket No. 05-337; Federal-State Joint Board onUniversal Service, CC Docket No. 96-45 at 2–3 (May 31, 2007), attached as

Communications, for instance, "proposes that provision of broadband Internet access services to a large and increasing percentage of a study area should be a prerequisite to the receipt of high-cost funding," and suggest that "[i]n this way, the Commission can provide a strong incentive for the provision and expansion of broadband services without necessarily adding specific funding requirements for these services with further burdens on the universal service fund."[6] GCI agrees. Providing ETCs with the opportunity to deploy and improve broadband services will both limit the size of the fund and ensure that high-cost funds are used to increase deployment of advanced services.

Second, no ETCs should receive multiple support payments for additional lines on residential or single business line *accounts*.[7] This practice drives up the size of the high-cost fund without furthering universal service goals. Indeed, many have commented that the USF cannot continue to support payments for multiple lines on a single account.[8]

Third, providers of substitute services must receive the same level of support as the ILEC on a per-line basis for the customers they actually serve, while the support for predominantly complementary services can be modified.

Fourth, all ETCs should receive support on a per-line basis that is initially frozen at current levels and then declines over time, until the Commission determines that support has reached the minimum level necessary to provide affordable or reasonably

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Exhibit 1 to Comments of General Communication, Inc. (filed June 6, 2007) ("GCI CETC Cap Comments").

6 Comments of Frontier Communications at 9.

7 This differs from a "primary line" restriction in that it would allow rural customers to receive support for a wireless, as well as wireline, account.

8 *See, e.g.*, Comments of Mid-Rivers Telephone Cooperative, Inc. at 14; Comments of the Public Service Commission of the State of Missouri at 6–7; Comments of the New Jersey Board of Public Utilities at 5.

comparable service or that the market and innovation have obviated the need for continued support.

Fifth, all ILECs should be required to disaggregate support upon CETC entry. Mandatory disaggregation will ensure that there is no incentive for CETCs to "cherry-pick" low cost areas, and will target support to those remote and high-cost areas where it is most needed.

The limited cap exclusion proposal that GCI put forth in response to the Joint Board's and the Commission's interim CETC cap proposal incorporates most of these key elements.[9] Regardless of whether the Commission implements an interim cap, however, the principals underlying GCI's cap exclusion proposal can serve as a model for targeted relief in other underserved areas and as a pilot program for long-term reform designed to (1) promote broadband deployment in some of the nation's most remote areas and (2) limit high-cost fund growth by reducing support payments for multiplicative complementary lines.[10] The Joint Board and the Commission could, for example, predicate receipt of high-cost USF funding on implementation of the GCI cap exclusion conditions or, alternatively, allow fund recipients to voluntarily implement these conditions as a prerequisite for high-cost funding. Adopting such measures would allow the Commission and the Joint Board to test and evaluate the efficacy of specific long-term reform measures.

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[9] *See* GCI CETC Cap Comments.

[10] Several comments have advocated for pilot programs to test reform proposals. *See, e.g.*, Comments of AT&T Inc. at 10–16; Comments of the National Association of State Utility Consumer Advocates at 23–26.

II. A COMPETITIVE MARKET PROMOTES UNIVERSAL SERVICE AND DELIVERS BENEFITS FOR RURAL COMMUNITIES IN WAYS THAT A MONOPOLY DOES NOT.

Competition is the catalyst for global economic development. So, too, should competition be the foundation of long-term high-cost universal service reform. Some comments filed in this proceeding aim to protect "support for existing incumbents' networks"[11] at the expense of support to innovative competition. The Joint Board and the Commission must reject such protectionism and institute long-term reform that employs the invisible-hand of market-based competition to expand deployment beyond the services provided over "existing incumbents' networks."

A. Competition Must Have an Opportunity to Flourish In Rural Markets

As outlined in initial comments,[12] competitive efforts from CETCs like GCI in the urban and suburban areas of Anchorage, Fairbanks, and Juneau have spurred incumbent LECs to provide a full range of services to these consumers, including broadband connectivity. But CETCs have barely begun to penetrate rural Alaska. And without competitive pressure from CETCs, the ILECs in these villages simply have not delivered services comparable to those available in the relatively urban areas of Alaska. As a result, Alaskans in the vast majority of Bush villages outside the regional rural centers have little or no access to any broadband service that substantially exceeds the FCC's minimum 200 kbps threshold. The Alaska Federation of Natives, for example, has expressed the importance of the fund to these remote communities:

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11 Comments of the Iowa Utilities Board at 2; *see also* Comments of Gardonville Cooperative Telephone Ass'n at 7 (lamenting that access charges paid to ILECs are "not sufficient to support the embedded costs of maintaining their networks").

12 GCI Long Term Reform Comments at 2-7.

> The Universal Service Fund (the "Fund") has played a crucial role in providing a basic level of local telecommunications service to the residents of these remote, economically-challenged, very-high-cost rural communities. The Fund's mission in rural Alaska, however, is nowhere near complete. Without access to the advanced telecommunications and information services (including mobile wireless and broadband) that less remote communities enjoy, these 200 rural Alaska communities will be denied the economic, educational, public health, and public safety benefits that Congress intended the Fund to provide to rural America.[13]

GCI has been preparing to roll out facilities to bring local, long distance, and broadband Internet access service to these rural Alaskan communities. These services are the norm in lower-cost urban areas of Alaska and will provide access to education, commerce and public services – access that is key to the promotion of economic development, safety, and public wellbeing in these remote regions. In addition, GCI's entry infuses these rural areas with competition, pushing both GCI and the ILEC to bring efficient and innovative services to these traditionally harder-to-reach consumers. In these ways, GCI's planned deployment will truly fulfill the goals of universal service as envisioned by Congress, the Commission, and the Joint Board.

As the comments in this proceeding illustrate, GCI's experience is not unique. ComspanUSA ("Comspan"), for example, delivers broadband voice, data, and video services over its own fiber facilities to rural communities throughout Oregon.[14] Directly fulfilling the twin goals of the 1996 Act – competition and universal service – Comspan delivers "these services to those high-cost areas of the state that have largely been ignored by the incumbent local exchange carriers ("ILECs") and the local cable

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[13] Alaska Federation of Natives, Inc. Ex Parte Letter, WC Docket 05-337, at 1 (filed June 11, 2007).

[14] *Bright Light, Little City*, WIRED, July 2007 (promotional insert following page 28), attached hereto as Exhibit 1.

companies."[15] In its comments, Comspan details its existing networks and services in rural Oregon communities and recounts how those services have put competitive pressure on the ILEC and cable companies to upgrade their networks. Notably, Comspan reports that it now has plans to build networks in ten more towns across Oregon within the next year. If the FCC adopts the proposed cap, however, Comspan explains that, like GCI's planned roll-out, its "expansion plans will be stopped in their tracks, and citizens in Oregon's underserved communities will be denied precisely those benefits and services that the Act was intended to promote."[16] Similarly, in its comments, Mid-Rivers Telephone Cooperative, Inc. ("Mid-Rivers") reports that it "has additional plans to continue the expansion of its facilities," including "substantially complet[ing] the facility overbuild in . . . six CLEC exchanges," but notes that [t]hese plans will have to be altered if [high-cost support] is not available."[17]

These are just a few concrete examples of the competition and service to previously underserved or unserved areas that are sprouting from high-cost service support. Because incumbents receiving high-cost support have not yet delivered these new and innovative services, the Joint Board and the Commission cannot afford to stifle such competitive efforts and deprive rural and underserved consumers – those most in need of universal service support – of the technological advances and benefits of competition.

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[15] Comments of ComspanUSA at 1.

[16] *Id.* at 2.

[17] Comments of Mid-Rivers at 4–5.

B. Reform Should Not Sacrifice Competition.

As GCI and others have noted, a winner-take-all (or even a one-wireless-and-one-wireline-winner-take-all) auction will freeze or degrade service levels by denying consumers the benefit of competition and removing incentives and the ability to invest.[18] Indeed, an auction that produces a single winner is simply a new means to install a single monopoly provider, with the attendant disincentives to respond to technological changes and potential competition during the license term. Such a system will wring competition out of markets where it might have developed; create government-sanctioned, but still inefficient, monopolization; frustrate technology investment and innovation; and ultimately prevent the natural decrease in high-cost support that competition will engender. This is especially true because technology is rapidly changing. Locking in single providers ignores the significant potential for advances in delivering cost-effective universal services to rural areas.

Some commenters simply refuse to acknowledge the potential benefits of competition in even the most remote areas, suggesting instead that "[t]here is no economic basis for funding more than one network when one network is not sustainable without support."[19] But, if these assertions are correct and a particular market will not sustain more than one network, then multiple networks will not sprout. There is no reason, however, to artificially limit entrants to markets that may sustain competition.

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18 *See, e.g.*, Comments of Comspan at 7 ("Moreover, Compspan specifically opposes any auction mechanism that would produce a single winner, and thereby, in effect, eliminate competition altogether from high-cost areas.').

19 Comments of New Jersey Board of Public Utilities at 11; *see also* Comments of NASUCA at 21 ("It is certainly reasonable to conclude that the designation of multiple ETCs for a single high-cost territory, burdening the USF and thereby consumers throughout the nation, may not be in the public interest.").

"Of course," as Former FCC Chief Economist Dr. David Sappington notes, "in markets where scale economies are sufficiently pronounced, the market may result in *de facto* monopoly, *i.e.*, only one firm may ultimately serve customers. But the value of *potential* entry and competition is that it allows the market continually to test whether scale economies make entry uneconomic, or whether entry is feasible and in the best interests of consumers."[20] Ultimately, "an absence of entry barriers," such as a winner-take-all auction, "will help to ensure that monopoly provision arises only when such provision is in the best interests of consumers, and that competitive provision will re-emerge if the incumbent supplier ceases to pursue the best interests of consumers."[21] Moreover, a regulatory-sanctioned monopoly squelches any opportunity to find out whether a lower subsidy can produce the same service or whether the same subsidy can produce an even better service.

III. THE COMMISSION SHOULD NOT ISSUE DIFFERENT SUPPORT PER LINE TO CARRIERS PROVIDING PREDOMINANTLY SUBSTITUTE SERVICES IN THE SAME MARKET.

Pleas to abandon the so-called identical support rule are also misguided, at least with respect to providers of services that predominantly substitute for, rather than merely complement, the ILEC's services. When a CETC is substituting for the ILEC, providing substantially the same service to the same customer in the same location, there is no reasonable basis for paying different support. Indeed, paying more support to one carrier would bloat the fund by destroying the market's "invisible hand" that forces providers to seek to limit costs in order to reduce prices to consumers and be more competitive. With

[20] David E. M. Sappington, *Harnessing Competitive Forces to Foster Economical Universal Service* at 16-17 (emphasis added) ("Sappington").

[21] Sappington at 17.

asymmetric support, the more inefficient provider faces no marketplace penalty for having higher costs, because the difference between the "high cost" and "low cost" provider is covered by the universal service fund – and under an "own costs" support mechanism both providers would have an affirmative incentive to be inefficient.

Placing competitors on the same footing on a per-line basis is necessary to reduce high-cost fund growth through competition and to achieve competitive and technological neutrality. As Dr. Sappington has explained, "symmetric support secures production by the least cost supplier, and thereby minimizes the industry costs of producing the supported service" and "also provides ongoing incentives for all industry suppliers to work diligently to constantly reduce their operating costs."[22] Thus, at a minimum, support for substitute, as opposed to complementary, services must be symmetric.

Even rural ILECs recognize the need for a distinction between wireline carriers, like ILECs and many substitute CETCs on the one hand, and wireless carriers, which are predominantly complementary CETCs, on the other. The Western Telecommunications Alliance, which represents 250 RLECs west of Mississippi river, "believes that it is time… for the Commission" to distinguish between wireline and wireless carriers, pointing out that, on the whole, the latter "are predominantly complementary or supplementary services" that compete in different markets.[23] While this technology-specific assessment of complements and substitutes is too crude and thus, inaccurate (not to mention, already rejected by the Joint Board), the Western Telecommunications Alliance clearly recognizes that distinctions do exist. The Joint Board and the

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22 Sappington at 27.

23 Comments of Western Telecommunications Alliance at 4, (filed June 6, 2007); *see also* Comments of Western Telecommunications Alliance at iii.

Commission should recognize the fundamental economic distinction between substitute and complementary services by maintaining symmetric support (and its competitive benefits) for substitute services.

To limit the growth of the fund and capture the benefits of competition, symmetric support should also decline over time. By gradually reducing support levels for all ETCs, the Joint Board and the Commission can enable the market to determine this minimum amount of support necessary to deliver affordable and reasonably comparable service to all high-cost areas.[24] This approach will limit the size of the fund and benefit consumers everywhere by ensuring that universal service support is no higher than the amount necessary to reach universal service goals.

IV. ALL SUPPORT SHOULD BE PORTABLE.

The Joint Board and the Commission must implement a system of portable support in which all carriers providing substitute services receive the same level of support on a per-line basis for the customers they actually serve. Currently, ILECs receive the same level of support regardless of the number of lines that they serve. CETCs on the other hand receive support *only* for lines they actually serve. Thus, CETCs compete among themselves for per-line support, while incumbents receive duplicative support for customers that are served by a competitor.[25] As Alltel Wireless puts it, "This funding mechanism is asymmetric (no such "make whole" opportunities

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[24] As GCI and others have argued, and no one disputes, that the Commission must better define what constitutes "affordable" and "reasonably comparable" service. *See, e.g.*, GCI Long Term Reform Comments at 8-9; Comments of NASUCA at 4.

[25] *See* Comments of Alltel Wireless, Exhibit 1 at 16 ("Under the current system, rural incumbents receive funding based on full embedded costs, regardless of the incumbent penetration rate. As incumbent penetration declines, funding per line rises.")

exist for CETCs) and creates perverse incentives for all participants" and runs "counter to the fundamental goals of the Act and counter to the workings of competitive markets in general."[26] To control growth of the fund, the Joint Board and the Commission must ensure that each ETC receives support only for the lines it serves.

Attempts to justify abandoning symmetric support that rely on exaggerations of the regulatory disparities between ILECs and CETCs should be rejected.[27] Regulatory differences do not justify the dramatically different treatment of ILECs and competitors under the current high-cost support system, as the differences in regulatory treatment between ILECs and substitute CETCs are already slight and are likely to continue to diminish in the future. Many ILECs are no longer (or never were) subject to retail rate regulation. For example, many small ILECs do not have retail rate regulation, and many other incumbents receive substantial pricing flexibility. In Alaska, an ILEC with competition faces no retail price regulation except for basic stand-alone residential service, and even that will be gone by 2010.[28]

Moreover, despite ATA's claims that "the ILEC and only the ILEC has been designated with carrier of last resort responsibility,"[29] carrier of last resort ("COLR")

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[26] *Id.*

[27] *See*, *e.g.*, Comments of BEK Communications Cooperative at 4; Comments of NASUCA Comments at 20–23; Comments of Gardonville at 4; Comments of CenturyTel at 12–14.

[28] *See* 3 Alaska Admin. Code § 53.243 (2007) (granting significant pricing freedom in the business and residential markets and providing that the current cap on ILEC price increases for stand-alone residential and single-line business services expires on June 30, 2010, at which point carriers will face no regulatory restraint on their ability to raise prices for these services).

[29] Comments of the Alaska Telephone Association at 2.

obligations can be shared in Alaska,[30] and elsewhere.[31] To the extent that COLR obligations are limited to ILECs in certain jurisdictions, part of the long-term reform effort should include ending that needless disparity. In any event, 214(e) requires all CETCs to be prepared to serve the entire study area within a year in the event the ILEC withdraws as a CETC. Moreover, many ILECs recover line extension costs from their customers – either through direct line extension fees or in the ratebase[32] – and thus face little risk or burden as the COLR. To the extent that regulatory disparities do exist, they are rapidly disappearing[33] and do not justify foreclosing competition in high-cost areas.

V. SUPPORT SHOULD BE LIMITED TO A SINGLE LINE FOR EACH RESIDENTIAL OR BUSINESS ACCOUNT.

The Joint Board and the Commission should no longer allow an ETC to receive multiple support payments for additional lines on residential or single line business accounts, which greatly exacerbates the growth of the high-cost fund without furthering universal service goals.

Specifically, a wireline or wireless ETC that receives support for the first line on an account should not receive additional support to provide additional lines to that same account. Notably, this limitation would not prevent support for a second line provided by a separate ETC where, for example, the customer chooses to have both wireline and wireless service. Instead, it would ensure that providers do not receive duplicative (or multiplicative) support when customers obtain second lines or purchase wireless family

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[30] *See* 3 Alaska Admin. Code § 52.390 (2007).

[31] *See, e.g.*, Haw. Code R. § 6-81 (2007); Mo. Code Regs. 4 CSR 240-31.040 (2007); N.M. Stat. Ann. § 63-9A-6.2 (2007); S.C. Code Ann. § 58-9-280 (2006).

[32] *See, e.g.*, 4 Colo. Code Regs. 723-2 (2007); Miss. Code R. 26-000-002 (2007).

[33] *See* Reply Comments of General Communication Inc. at 13 (filed June 21, 2007).

plans.[34] Multiple support payments per account exacerbate the growth of the high-cost fund without furthering universal service goals. Many commenters have recognized the need to limit such abusive and multiplicative support.[35]

VI. SUPPORT SHOULD BE LIMITED TO THE MINIMUM AMOUNT NECESSARY TO PROVIDE AFFORDABLE AND REASONABLY COMPARABLE SERVICES.

The Joint Board and the Commission must sever the link between high-cost support and rate-of-return regulation: a link that encourages inefficiency, artificially inflates costs, and implicitly subsidizes services not designated in Section 254(c). Rather, the Commission and the Joint Board should institute a neutral basis of support – the minimum support necessary to provide affordable service to high-cost areas on a fixed per-line basis – which will promote efficient competitors to use the support to provide service to areas where it may not otherwise be economically viable to do so and will provide ETCs with incentives to maximize profits by improving efficiency and lowering their own costs.[36]

The simplest way to achieve that goal is, first, to freeze the per-line support amount distributed to providers of substitute service and, second, to reduce periodically the per-line support amount until the market delivers affordable and reasonably

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[34] Chairman Martin has expressly stated, "I believe we need to limit the ability of rural consumers to receive support for multiple phones." Responses to Chairman Markey's April 2, 2007 Letter at 3.

[35] *See* supra n.8.

[36] *See, e.g.*, Comments of Dobson Cellular Systems, Inc. at 10 ("Support for CETCs – and ILEC ETCs – should be determined based on an objective and efficient measure of the costs of providing service in a given area.")

comparable service to all high-cost areas. This, of course, assumes that the Commission finally defines what constitutes "affordable" and "reasonably comparable" service.[37]

Tying universal service support levels to rate-of-return regulation does not serve the interests of consumers that bear the cost of universal service. Instead, that system guarantees return on investment regardless of success in the marketplace or the quality of service provided. But that system simply provides perverse incentives. Dobson Cellular, for one, has recognized that "it makes no sense to provide *any* ETC" with high-cost support based on ILEC's costs, which "actively *discourages* efficiency and leads to bloated costs."[38] The fund should, instead, contribute only the minimum amount necessary to provide affordable and reasonably comparable substitute service to high-cost areas.

Moreover, no commenter has provided a practical alternative to the identical support rule. Even some ILEC affiliates recognize that "the burdens of supporting CETCs based on their embedded costs far outweigh any benefits."[39] ACS Wireless, for example, outlines the difficulties inherent in creating detailed cost rules for wireline and wireless CETCs and the absences of data necessary to implement those rules.[40] An "own costs" rule is not only administratively unreasonable, but will provide no motivation for

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37 Parties from all sides of the debate register their disbelief that even more than 10 years after passage of the 1996 Act, key terms such as "affordable" and "reasonably comparable" are not defined. *See, e.g.*, NASUCA Comments at 4 ("The prime example [of the Commission's failure to act] is the resolution of the most fundamental issue for high-cost universal service support: definitions of what constitute "reasonably comparable" and "affordable" rates and services . . . . These key terms in 47 U.S.C. 254(b) are the underpinnings of the universal service programs yet remain undefined."); GCI Long Term Reform Comments at 8-9.

38 Dobson Comments at 9.

39 Comments of ACS Wireless, Inc. at 8.

40 *Id.*

CETCs to become more efficient and contain costs and may well increase CETC costs, particularly if wireless CETCs' network construction costs are included. Moving to an own-costs approach thus risks continuing or even increasing the growth of the fund while substantially increasing its administrative complexity. Because increasing the fund size would be antithetical to the Joint Board and the Commission's reform goals, the Joint Board and the Commission should decline to adopt an own-cost method of setting support levels.

VII. THE COMMISSION SHOULD NOT EXPAND USF TO COVER SERVICES THAT ARE ALREADY PROVIDED WITHOUT SUBSIDY IN A COMPETITIVE MARKET.

The Commission and the Joint Board must also refocus high-cost support to exactly where it belongs, *i.e.*, supporting new last-mile connections and broadband deployment in the most remote areas while controlling support of multiplicative complementary lines. In contrast, the Commission and the Joint Board should resist efforts to extend support to markets that are already competitive, such as transport for both broadband and voice traffic for which ACS Wireless and others request support.[41] In Alaska, for example, transport services between local areas are available from multiple providers at competitive and affordable rates. The Commission need not and should not further burden the high-cost fund to support services like transport that are available from multiple suppliers without support. Rather, the Commission must funnel limited universal service resources to increasing last-mile connections and to bringing telecommunications services to new subscribers.

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[41] *See id.* at 10–12. *See also* Comments of CenturyTel, Inc. at 24 (complaining that "funding is necessary for the transport required to provide advanced telecommunications services to many remote rural areas").

CONCLUSION

For the foregoing reasons, GCI urges the Commission and the Joint Board to implement long-term high-cost universal service reform that allows competition to control the growth of the fund and ensure that consumers everywhere have the opportunity to receive innovative and advanced communications services.

Respectfully submitted,

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