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Marlene Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

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

Dear Ms. Dortch:

Alltel Communications, LLC ("Alltel") submits this letter to reiterate its opposition to the so-called "interim" cap on high cost universal service support for wireless and other competitive eligible telecommunications carriers ("CETCs"). This letter also responds to the "carve-out" from the cap proposed by General Communication, Inc. ("GCI") in letters dated May 31, 2007, Nov. 2, 2007, and Jan. 7, 2008, as well as other *ex parte* filings.

The GCI carve-out proposal would maintain or increase funding for only one company – GCI – and would reduce support for every other CETC in Alaska and across the country. Like the overall CETC cap proposal, GCI's carve-out is unfair, discriminatory, and anti-competitive, and would make it more difficult to achieve long-term, comprehensive universal service reform. Indeed, the harmful features of the GCI carve-out highlight the damaging nature of the overall CETC cap proposal.

GCI seeks, in effect, a governmental industrial policy giving a preference to GCI, rather than letting Alaska consumers make their own choices in the marketplace, as contemplated by the 1996 Act. Like the CETC cap proposal in general, which unfairly favors ILECs over CETCs, GCI's carve-out proposal would improperly favor GCI over other providers and violate the Congressional mandate that "universal service support mechanisms and rules neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology over another." 1/

1/ *See* Universal Service for Americans Act, S.101, 110th Congress, 1st Sess, § 203 (introduced by Sen. Stevens on behalf of himself, Sen. Lott, and Sen. Hutchison, Jan. 4, 2007); *Federal-State Joint Board on Universal Service*, First Report and Order, 12 FCC Rcd 8776, ¶ 47 (1997); *Alenco Communications, Inc. v. FCC*, 201 F.3d 608, 622 (5th Cir. 2000).

To be sure, Alltel agrees that GCI should not be subject to an arbitrary funding cap, even on a purportedly "interim" basis. Instead of imposing caps on particular carriers, the Commission should move directly to adopt principled, pro-consumer and pro-competitive reforms to the entire high cost funding system. But GCI's proposal would unfairly and unlawfully target certain CETCs for restrictions – in this case, the Alaskan wireless CETCs who would not qualify for the GCI carve-out – while creating undue advantages for a larger competitor.

GCI's proposal also purports to protect providers who serve tribal areas. However, the criteria GCI proposes are carefully crafted to ensure that only GCI can take advantage of the carve-out. 2/ As one of the largest providers of wireless service to tribal areas, Alltel would not qualify for exemption from the cap under the GCI proposal, and the tribal areas that we and other wireless CETCs serve would be severely damaged by the proposed "interim" cap.

Adoption of GCI's carve-out proposal would thwart momentum toward comprehensive reform of the high cost universal service program. Like the overall CETC cap, the GCI carve-out idea "diminishes rather than enhances the prospects for near or even mid-term reform" and does "not address – or pretend to address – the fundamental, comprehensive reforms needed to carry a viable and improved system of universal service forward in the twenty-first century."3/

GCI claims that its carve-out proposal would help promote broadband in rural parts of Alaska. While that goal is commendable, there is virtually no information in the record of this proceeding about whether and to what extent GCI's proposal would advance that goal. Moreover, the Joint Board recently issued detailed proposals on universal service mechanisms to promote broadband, as well as mobility and voice services. But "the Commission has not yet adopted the Joint Board's recommendation" in this regard – indeed, the comment cycle has not even opened – and GCI's proposal "prejudices the Commission's open docket considering universal service support distribution" and leads one to "question whether we have thought about how [such] actions … may skew future treatment of similarly-situated parties." 4/

Finally, it is notable that the contribution factor has declined from 11.7% for 2Q 2007, to 11.3% for 3Q 2007, to 11.0% during 4Q 2007, and to 10.2% during 1Q 2008. Now that fund expenditures are slowing down, the Commission should proceed "to work on permanent reform" 5/ rather than devising a special benefit for a single favored carrier or imposing arbitrary funding restrictions upon disfavored CETCs and their customers.

2/ *See* ACS Wireless *ex parte* letter, WC Docket No. 05-337 (Nov. 14, 2007), at 2 ("GCI's proposed special USF program … clearly benefits that provider differentially from all other CETCs serving Alaska…. It appears that GCI has proposed not an 'Alaska' carve-out based on unique Alaska service characteristics, but rather, a carve-out that will help finance its own statewide broadband build-out.").

3/ Dissenting Statement of Commissioner Michael J. Copps, *High-Cost Universal Service Support*, Recommended Decision, 22 FCC Rcd 8998 (Fed.-State Joint Board on Universal Service, May 1, 2007).

4/ Statement of Commissioner Robert M. McDowell, *Applications for ALLTEL, Corp, Transferor, and Atlantis Holdings, LLC, Transferee, For Consent to Transfer Control of Licenses, Leases and Authorizations*, 22 FCC Rcd 19517 (Oct. 26, 2007).

5/ Statement of Commissioner Robert M. McDowell before the Committee on Commerce, Science and Transportation, U.S. Senate (Dec. 13, 2007), p.10 (emphasis in original).

In sum, Alltel strongly agrees with Commissioner McDowell's recent statement in support of "a comprehensive approach where we can consider all ideas and options for reform of this important program. This year the Commission has an historic opportunity to implement meaningful and lasting fiscal reform that balances stakeholders' concerns and promotes the interests of consumers. We should seize this opportunity and take a bold step forward." 6/ By contrast, CETC-only funding caps, with or without special carve-outs, would be a feeble step backward and would obstruct the Commission's ability and Congress' expectation to fully achieve the goal of promoting universal service for rural consumers.

Respectfully submitted,

Richard Massey
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Alltel Communications, LLC

6/ Statement of Commissioner Robert M. McDowell, *High-Cost Universal Service Support*, WC Docket No. 05-337 and CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 08-05 (released Jan. 29, 2008).