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February 4, 2008

VIA ELECTRONIC FILING
Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, D.C. 20554

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

Dear Ms. Dortch:

ACS Wireless, Inc. ("ACSW")[1] files this letter to follow up on its November 14, 2007 letter concerning an exemption from a proposed CETC cap for certain Alaska services. The FCC has now released three NPRMs that relate to long term universal service reform. In light of the Commission's action, ACSW updates its recommendation for the record and provides further detail on its alternate proposal.

ACSW's Updated Recommendation

The FCC's issuance of three universal service NPRMs represents a major step toward considering long term reform. Now that the FCC has entered this phase of the proceeding, ACSW recommends that the Commission focus efforts on developing workable longer term solutions, rather than interim measures. The Commission has already made substantial progress in limiting the Fund's size through merger conditions on the larger wireless carriers. The best use of resources is to turn now to the many complex issues raised in the universal service NPRMs.

Second, if the Commission prefers to adopt an interim CETC cap, ACSW recommends that the Commission adopt a general carve-out for Alaska. Alaska has unique service characteristics that justify different treatment. However, it is difficult to develop neutral terms of a plan that will give providers an equal and fair opportunity to qualify for uncapped support. Adopting a generic Alaska exception indirectly targets incremental support for network build-out in remote areas without differentiating between providers, as competitive carriers already receive support in the more densely populated parts of the State. Since the measure is only short term, it is reasonable to adopt a solution that is simple, straightforward, and easy to administer. Restricting such a carve-out to Alaska not only recognizes the unique conditions faced by carriers in providing wireline, wireless and broadband services in the State, but also reduces the upward pressure on the overall Fund size. Based on data provided to the Commission by the Universal Service Administrative Company ("USAC"), CETCs in Alaska drew only $11.8 million dollars more from the high cost Fund in 2007 than in 2006. Given an overall Fund size of $4.5 billion, an Alaska carve-out would have only increased the overall size of the Fund by approximately ¼ of one percent.

Third, ACSW notes that GCI, while requesting an exemption from a proposed CETC cap for certain Alaska services, has said it would use that exemption to provide broadband to rural communities.[2] If the Commission

[1] ACS of the Northland, Inc. ("ACS-N"), which serves a number of Bush villages, expressly joins in these recommendations.

[2] Letter from Tina Pidgeon, V. P., Federal Regulatory Affairs, GCI, to Marlene H. Dortch, Secretary, FCC, CC Docket No. 96-45 and WC Docket No. 05-337 (filed May 31, 2007). ("GCI May 31, 2007 Letter")

wants to adopt an exemption to promote broadband deployment in remote parts of Alaska, it can accomplish this goal in a better way. The Commission should target its policy specifically to achieve its objective, (i.e., encouraging competitively neutral deployment of broadband to very rural areas). The Commission should take the incremental support that CETCs would receive if CETC support is not capped for Alaska (e.g., approximately $25 million[3]), and dedicate these moneys to support broadband deployment in Bush Alaska villages.[4] Providers could use this support to lease transport facilities for deployment of advanced services, including broadband, to Bush communities. To accomplish this, the FCC could waive its USF rules to permit a broadband Internet transport link (interstate private line transport link between a Bush village and the Lower 48) to be included as "loop" supported by the USF. ACSW proposes that support be provided for transport costs over $2,500 per DSl satellite link on a community-by-community basis. Providers should certify that they have used the support for this specific purpose, for a Bush village. Essentially, ACSW's proposal takes the USF support that GCI would set aside for its statewide wireless network deployment and targets those funds to support provisioning of broadband Internet access to Alaska Bush villages.

Background

The FCC's broadband policy goal encourages the deployment of broadband to rural communities in a manner that is technologically neutral and promotes competition, as follows:

> All Americans should have affordable access to robust and reliable broadband products and services. Regulatory policies must promote technological neutrality, competition, investment, and innovation to ensure that broadband service providers have sufficient incentive to develop and offer such products and services.[5]

For rural Alaska providers, especially those seeking to serve communities whose only public communications connection to the rest of the world is via satellite, the challenge and cost of meeting this goal is much greater than in other parts of the country.

The costs of serving remote communities in Bush Alaska are higher for a number of reasons. Bush Alaska consists of approximately 180 villages that are not on a road or marine ferry system, and that are only connected to the rest of the state, country and world by satellite, or in some cases, microwave links. In these villages, the local network consists of one very small switch often serving less than 100 to (and almost always less than) a thousand lines. This network configuration does not exist in any other state.[6] Further, Bush villages are generally very small communities with short loop lengths that are widely dispersed over the expanse of a state that contains almost 20% of the total U.S. land mass.[7] This contrasts with most of rural America that suffers from very long loop lengths.

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[3] Calculated by extrapolating the $11.8 million increase into 2008.

[4] "Bush Alaska" is defined to include the approximately 180 villages in Alaska not on a road or marine highway system and that rely on satellite (and sometimes microwave) communications to reach the rest of the world.

[5] *See* http://www.fcc.gov/broadband.

[6] Insular areas such as Hawaii, Puerto Rico and the Virgin Islands are similar in that providers route interstate and/or international calls over submarine cable and not landline cable. However, the local networks of these islands serve tens of thousands of lines, with several switches, all connected via terrestrial cable. The islands' costs are not as high as Bush Alaska because the communities served are not as widely dispersed, and include locations such as Honolulu and San Juan with many more customers to share costs.

[7] The population density of Alaska is approximately one person per square mile compared to a national average of 80 persons per square mile. *See* US Census Bureau, United States -- States; and Puerto Rico, GCT-PH1-R. Population, Housing Units, Area, and Density: 2000 Data Set: Census 2000 Summary File 1 (SF 1) 100-Percent Data. The state with the next lowest density, Wyoming has a density five times greater. Removing Anchorage from the calculation reduces the density of Alaska to just over 6/10ths of a person per square mile. *See* US Census

Bush Alaska villages are currently served with voice service by incumbent local exchange carriers and have extremely limited or no wireless and/or broadband service.

The real impediment to providing broadband in Bush Alaska is the cost of transporting traffic to Seattle, the nearest Internet peering location. While certainly, providers face an upfront cost for deploying distribution facilities in small communities, they then confront a cost of maintaining a DS1 satellite link to Anchorage or Seattle, which, with a connection to the Internet peering location, costs approximately $12,000 - $13,000 per month.

In contrast, providers' cost of transporting broadband Internet access traffic is far less expensive in the Lower 48, even in states with very remote rural areas. Lower 48 states generally have Internet Points of Presence ("IPPOPs") within the State or close by in a neighboring state. Montana, for example, has two IPPOPs, one in Helena and one in Billings, that can be reached from other points in the state via terrestrial cable.[8] In Montana, the maximum distance between any community and one of the two IPPOPS is less than 400 miles.[9] Based on Qwest UNE rates for Montana, a dedicated DS1 circuit running 372 miles in Montana would cost $368.86 per month.[10] The situation in Montana is certainly not unique in the Lower 48 states. The extremely large difference in relative costs faced by Bush Alaska communities to access an IPPOP, as well as the fact that the remote communities cannot be reached by terrestrial cable, make this issue a singularly Alaska problem. Under these special circumstances, transport support is critical to bring broadband to these small villages.[11]

GCI's Proposal is Self-Serving

GCI has proposed that if the FCC caps CETC support, it exclude certain service provided in Alaska Native Regions. GCI proposes that:

> 1) The cap exclusion will be available within Alaska Native Regions, which constitutes the entire State; and
>
> 2) A CETC serving a covered location will be eligible if it offers broadband over its own distribution facilities to at least 50% of households in the study area, and 80% within three years.[12]

GCI's proposal is self-serving in the extreme,[13] and is neither competitively nor technologically neutral.

Bureau Alaska – Place, GCT-PH1. Population, Housing Units, Area, and Density: 2000 Data Set: Census 2000 Summary File 1 (SF 1) 100-Percent Data.

[8] *See* Qwest Website:
http://www.qwest.com/largebusiness/enterprisesolutions/networkMaps/preloader.swf?server=wholesale.

[9] For example, according to MapQuest, the distance from Helena to the town of Troy in the northwest corner of Montana is 300 miles. The distance from Billings to Comertown in the northeast corner of the state is 372 miles.

[10] *See* Qwest Statement of Generally Available Terms and Conditions (SGAT) Exhibit A, Section 7.3.2.4 http://www.qwest.com/about/policy/sgats/SGATSdocs/montana/MT_5th_Rev_6th_Amended_Exh_A_2_15_05_Clean.pdf. $0.89 cents per miles x 372 miles plus a fixed charge of $37.78.

[11] In the case of Bush Alaska, the only way to achieve the FCC's policy goal is through extensive federal support. GCI's CEO was correct when he stated concerning the cost of deploying broadband, that without USF funding, "you will not get this service in rural Alaska." *See* Testimony of Ronald Duncan, CEO of GCI, Special Public Meeting, Regulatory Commission of Alaska, Dec. 11, 2007, Tr. at 13. ("RCA Public Meeting Tr. ")

[12] GCI May 31, 2007 Letter, at 2-5.

[13] *See* Letter from Leonard Steinberg, General Counsel, ACS and Elisabeth Ross, to Marlene H. Dortch, Secretary, FCC, CC Docket No. 96-45, Nov. 14, 2007, at 2. ("ACS Nov. 14, 2007 Letter")

As it has described to the RCA, GCI plans to build out its own wireless network in rural Alaska, financed in substantial part through federal USF support.[14] Apparently, GCI will seek support to build its wireless network in rural areas already served by local exchange carriers and in some cases, other wireless carriers.

Yet, the real obstacle to broadband deployment in Alaska is covering the satellite transport cost. Interexchange carriers already serving rural Alaska depend on owned or leased satellite links to reach the rest of the world, and even the next village. In order to offer broadband, an Internet service provider needs to purchase a costly satellite transport link. It is this expense which differentiates service in Bush Alaska from every other rural region in the country. While the cost of providing wireless or wireline distribution facilities in small isolated communities is relatively high compared to other states, the cost of satellite links to the rest of the world is prohibitive. Thus, the challenge of getting broadband to Alaska Bush communities is not in providing connections to customers in small relatively compact communities, but in obtaining the satellite transport to the Internet peering location. GCI's proposal ignores this fact and instead promotes a policy that would subsidize GCI's network build-out plans at the expense of other carriers. GCI's proposal may also result in construction of duplicative, competing networks in very high cost areas.

GCI has acknowledged that the satellite links create a bottleneck in providing broadband and other communications services to rural Alaska communities. As GCI said to the RCA Commissioners:

> …that satellite link that connects Alaska to the rest of the world provides both a real time delay in communications and in [sic] an expensive bottleneck that must be transcended.[15]

GCI's proposal would maintain that bottleneck because it fails to address making the transport link affordable.

Also, because GCI owns the bottleneck (GCI owns one of the two Alaska satellite networks), it may be the only carrier that can take advantage of uncapped support under its proposal.[16] To receive additional support under GCI's proposal, a carrier must initially have the ability to provide broadband (not just voice service) to at least 50% of households in a study area over its own facilities. This condition has two effects that are not consistent with the spirit, if not the letter, of the universal service program. First, some Alaska rural study areas consist of many small villages joined through satellite links.[17] In these study areas, GCI, with its existing satellite links, will be the only carrier able to meet the 50% requirement. The number of communities within the study area, and therefore the number of satellite links required to reach the 50% hurdle, will make providing broadband unattainable for other carriers. Thus, the proposal is not competitively neutral. Second, in other service areas that do not contain as many villages, the 50% requirement means that GCI will have no incentive to provide service to the smaller villages in the study area. It will be able to meet the 50% (and later the 80%) requirement by serving only the largest communities in a study area. For example, in the Nushagak study area, GCI would only have to serve one such community (Dillingham) to exceed the 80% threshold. The other two villages in the study area (Ekuk and Manakotak) would be "left out in the cold" by GCI's proposal. In these cases, GCI's proposal will not eliminate the rural divide. The end result is that the most rural areas will still not have the opportunity to enjoy the benefits of broadband service.

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[14] RCA Public Meeting Tr. at 9-10.

[15] RCA Public Meeting Tr. at 11.

[16] GCI used federal Schools and Libraries support for construction of its satellite network, reducing its network cost. GCI's USF-funded investment helps give it the "owner economics" to serve rural Alaska at a lower cost than other providers.

[17] For example, ACS-N's two study areas contain over 60 small communities, many with populations under 300. Even if ACSW already provided wireless services in these areas, it would not be able to meet GCI's benchmarks, because it would have to purchase a separate T-1 for broadband for a number of villages to reach the 50%, and later 80% benchmarks, in addition to the T-1 it already maintains for voice and data services for each community. Similarly, ACS-N would have to purchase separate T-1s for each community for it to provide broadband service – the purchase of such interexchange capacity being highly unusual for a LEC providing Internet service.

Other Alaska providers, whether using wireline or wireless technology for broadband, should have comparable opportunities to qualify for an Alaska policy designed to promote rural broadband deployment. To open the program in a more competitive manner, the FCC should permit providers to use support to offset some of the satellite link cost.

ACSW's Proposal

Overall, ACSW recommends that the FCC move to consider and adopt permanent reform measures since it has now issued three NPRMs proposing substantial long term reform of the universal service program. If the FCC prefers to adopt an interim cap, a statewide carve out is the simpler solution**.**

If the FCC wants to adopt a more limited and targeted Alaska rural broadband policy, it should permit the incremental funds that would otherwise support GCI's carve-out proposal to be specifically targeted to promote broadband deployment in Bush Alaska in a competitively neutral manner. ACSW proposes that the Commission permit providers to receive incremental Alaska support for a private line transport link between Bush villages that rely on satellite transport for communications and the Internet peering location, Seattle.[18] The FCC should permit support to be paid for transport costs over $2,500 per DSl satellite link on a community-by-community basis. A $2,500 benchmark is extremely conservative since it is over 500% of the cost of a similar circuit in rural Montana.[19] This results in no other state being disadvantaged since it is extremely unlikely that the average cost of broadband transport to rural communities in any other state or territory exceeds $2,500 per DS1 per month.

ACSW's proposal includes criteria that achieve the Commission's goal:

1. It is targeted: it may be used only for Bush villages that do not currently have advanced services.
2. It is technologically neutral: wireless or wireline providers may use support for the transport link for broadband internet access services.
3. It is competitively neutral: It may be used by any provider for transport facilities.
4. It does not provide Alaska any comparative advantage over other states or territories. The benchmark above which support is calculated should exceed the average monthly cost of broadband transport from rural communities to an IP Point of Presence in any other state.

Further, ACSW proposes to cap funding if the FCC adopts a limited Alaska rural broadband policy. ACSW proposes that the Commission take the incremental support that Alaska CETCs would receive if they are not subject to the cap[20] and dedicate it to encourage Bush broadband deployment. The Commission can recalculate the Alaska cap amount annually.

The Commission can waive its rules for calculating rural carrier universal service support as part of adopting a limited rural broadband policy for Alaska. Providers could include in loop costs that qualify for support the costs of the interstate private line link used to transport broadband Internet access traffic from a Bush village to the nearest Internet peering location, Seattle.

ACSW's proposal meets the FCC's objective in a more efficient, cost effective manner than that proposed by GCI. The proposal limits the impact on total Fund size by restricting the exclusion to projects designed to

[18] Carriers would use support to lease satellite transponder and related fiber capacity not to construct duplicate satellite networks.

[19] *See* Montana example discussed above.

[20] ACSW estimates that Alaska CETCs would receive approximately $80 million in 2008 if support is not capped, and $66 million if support is capped based on 2007 Alaska CETC support levels.

provide service to communities not accessible by terrestrial communication links. Serious questions exist as to whether the recent explosion in disbursements to CETCs is actually promoting the goals of the universal service program. However, there can be no doubt that limiting support to Bush Alaska eliminates any hope of broadband deployment in those communities. Adoption of the ACSW proposal would target support to these communities and limit the burden on the rest of the Fund.

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