

February 11, 2008

Ex Parte

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

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

Dear Ms. Dortch:

General Communication, Inc. (GCI) hereby responds to ACS Wireless' (ACS) ex parte dated February 4, 2008. GCI reiterates its support for the interim cap, provided that the Commission also adopts a limited exclusion for Tribal (including Native Alaskan) Lands, as GCI has previously outlined.¹

At the outset, it bears repeating that GCI has sought a limited, competitively neutral exclusion to permit uncapped support at the existing per line rate at the time of payment, limited for residential and single line business accounts to one payment per account. Such an exclusion would support projects like the one upon which GCI is about to embark – an unprecedented deployment of advanced mobile voice and broadband networks to rural Alaska. Assuming GCI can arrange financing (to which the continuation and amount of high cost universal service support is critical), GCI will greatly expand the availability of advanced mobile voice and broadband services throughout rural Alaska.² The attached maps show the changes in wireless and broadband services that can result from completion of this new deployment.³

As GCI has previously pointed out, ACS' opposition to the interim cap appears to be motivated by its desire to preserve in full, and potentially expand, the over \$20 million

¹ Letter from Tina Pidgeon, Vice President, Federal Regulatory Affairs, GCI, to Marlene Dortch, Secretary, FCC, WC Docket No. 05-337 and CC Docket No. 96-45, at 4 (filed May 31, 2007).

² Comments of General Communication, Inc., Dockets WC 05-337 and CC 96-45, at 6-9 (filed June 6, 2007).

³ See Attachments A (Broadband) and B (Wireless).

annually it receives in high cost CETC support, concentrated in Alaska's urban and suburban centers. Notably, between second quarter 2007 and second quarter 2008, ACS' annualized projected high cost ETC support increased by approximately 50 percent, from \$13.6 million to \$20.5 million.⁴ And as ACS' own website materials show, this is for wireless service limited to Alaska's road and marine highway network, not the isolated Bush communities.⁵

ACS' proposed new support for satellite-based transport is both inappropriate for consideration as interim reform, and ill-conceived. Unlike GCI's proposal, ACS' proposal does not work within the framework of the existing high cost fund and CETC support, but would create an entirely new support mechanism. Setting aside the relative merits, an unprecedented proposal such as this is more appropriately considered (if at all) in the context of the Joint Board's proposal for broadband support, on which the Commission just recently has sought comment.⁶

Furthermore, ACS' proposal for satellite-based transport costs is simply a bad idea whose time should never come:

- ACS argues that GCI's proposal would deliver ACS insufficient support to provide broadband to Alaska Bush communities. ACS is, in effect, telling the FCC that it must therefore provide greater support (*i.e.*, spend more) to provide broadband under ACS' proposal than under GCI's proposal.
- ACS' proposal provides no incentive for efficient operations. ACS proposes a subsidy for all transport costs above \$2500 per DS1, without limitation.
 - First, a subsidy that simply funds the price that ACS pays above a threshold amount creates no incentive to actually reduce costs below the threshold, because the entire additional amount is paid by the USF. Moreover, the provider that actually succeeds in reducing costs below the benchmark only has a limited competitive advantage, thus further dampening incentives for efficient service delivery.
 - Second, ACS' assumption that it would need a dedicated T-1 to every village is bad engineering. This vastly overstates the amount of capacity,

⁴ Compare Universal Service Administrative Company, Appendix HC01 –High Cost Support Projected by State by Study Area – 2Q 2008, available at: www.usac.org/about/governance/fcc-filings/2008/quarter-2.aspx (projecting for each ETC high cost support for the second quarter 2008) with Universal Service Administrative Company, Appendix HC01 –High Cost Support Projected by State by Study Area – 2Q 2007, available at: www.usac.org/about/governance/fcc-filings/2007/quarter-2.aspx (projecting for each ETC high cost support for the second quarter 2007).

⁵ See http://www.acsalaska.com/NR/rdonlyres/6D9D3450-399C-4295-9A32-EC6EDD9CF3A5/0/ACSCoverage_handout.pdf.

⁶ See High-Cost Universal Service Support; Federal-State Joint Board on Universal Service, Notice of Proposed Rulemaking, FCC 08-22, WC Docket No. 05-337 & CC Docket No. 96-45, ¶¶ (rel. Jan. 29, 2008).

and thus the cost, of serving these villages. This is not how GCI (or any cost-conscious provider) engineers its networks.

- Third, in addition to overinflating the amount of capacity needed, ACS' cited prices of \$12,000 to \$13,000 per month for a satellite DS1 link are also substantially overstated. ACS appears to be using list prices when in fact the rates in this market are negotiated, with substantial discounts.
- In fact, the Alaska long haul transport market is competitive and open for further entry. Neither GCI nor AT&T Alascom owns the satellites over which they operate. Both lease transponder capacity from the two satellite operators, SES Americom and Intelsat. Any provider, including ACS, could do the same, by investing in earth stations and associated ground-based systems, as GCI has done.
- To the extent ACS is complaining that GCI has economies of scale, that is not something that the FCC has ever addressed through CETC USF – nor should it do so. The FCC has never paid smaller CETCs more than larger ones for providing the same service, and it has never paid the CETC more per line than the incumbent LEC. The FCC should be encouraging and rewarding greater economies, not diseconomies, in providing service to rural and high cost areas.

Accordingly, the Commission should not adopt, either on an interim or long term basis, ACS' proposed satellite transport subsidy, but should now adopt the interim cap with GCI's proposed Tribal Lands exclusion.

Finally, on February 8, 2008, Tina Pidgeon, Vice President, Federal Regulatory Affairs, GCI, spoke separately with Dan Gonzalez, Chief of Staff to the Chairman and John Hunter, Chief of Staff to Commissioner McDowell. In each conversation, Ms. Pidgeon indicated that even without specific broadband service thresholds, essential deployments and subscribership benefits of the proposed Tribal Lands exclusion could likely still be achieved.

Please contact me if you have any questions.

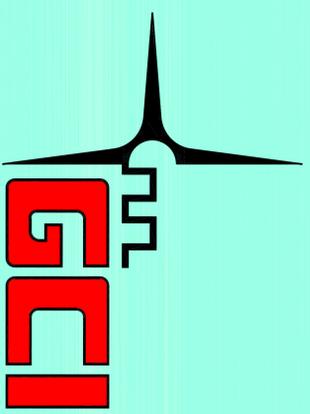
Sincerely,



John T. Nakahata

Counsel for General Communication, Inc.

cc: Dan Gonzalez, Chief of Staff
John Hunter, Chief of Staff to Commissioner McDowell



**Communities where GCI's Rural Rollout
will deliver Broadband /MobileWireless
Service**

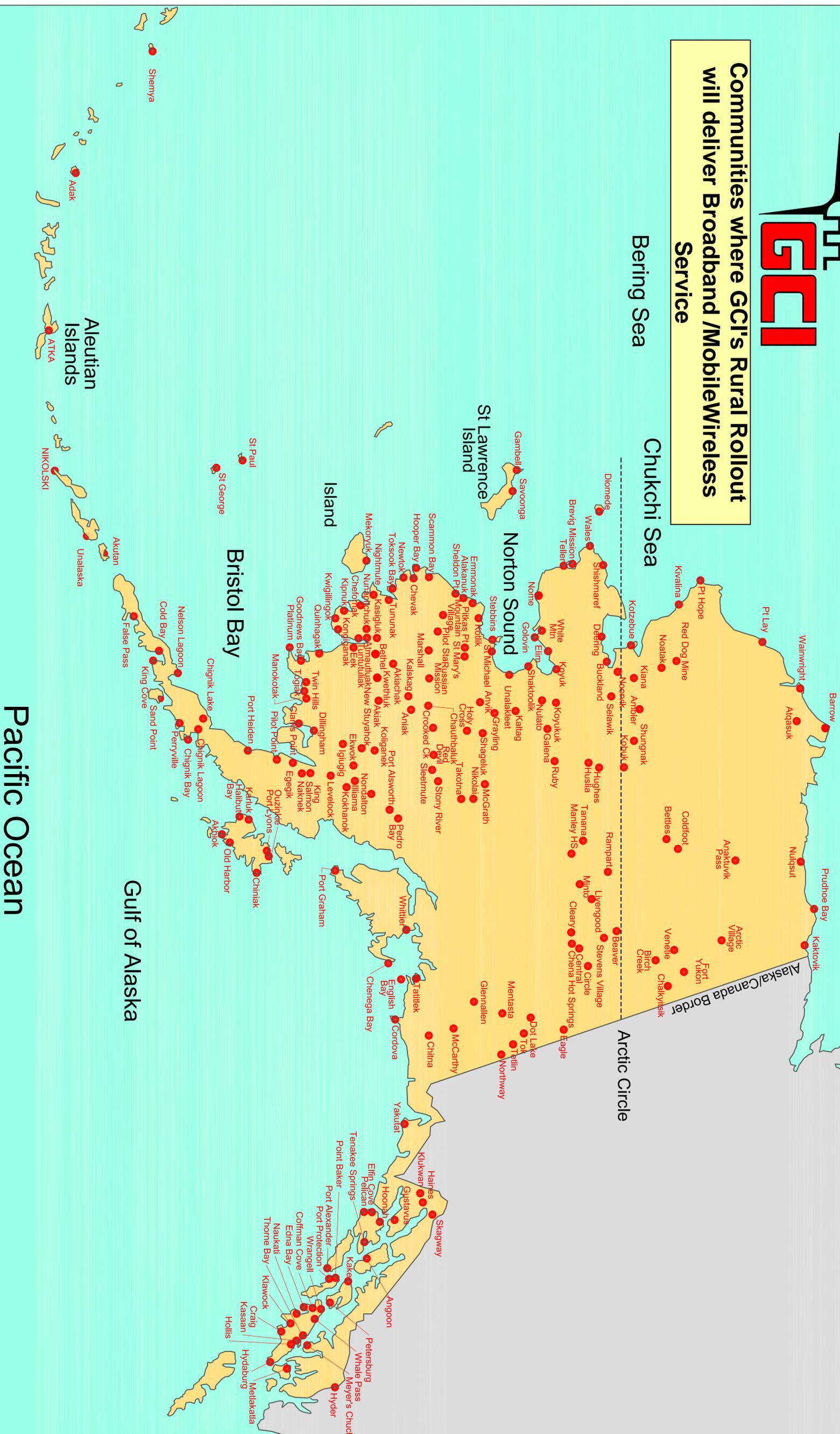
Arctic Ocean

Beaufort Sea

Bering Sea

Chukchi Sea

Arctic Circle





Arctic Ocean

Beaufort Sea

WIRELESS AVAILABILITY IN ALASKA COMMUNITIES FEBRUARY 2008

With Wireless



Limited Wireless



Without Wireless



Bering Sea

Chukchi Sea

Arctic Circle

St Lawrence Island

Norton Sound

Anchorage

Juneau

Island

Bristol Bay

Gulf of Alaska

Aleutian Islands

Pacific Ocean

