

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	GN Docket No. 09-47
Comment Sought on the Role of the Universal)	
Service Fund and Intercarrier Compensation in the)	GN Docket No. 09-51
National Broadband Plan)	
NBP Notice #19)	GN Docket No. 09-137
_____)	

COMMENTS OF THE ALASKA TELEPHONE ASSOCIATION
NBP PUBLIC NOTICE #19

The Alaska Telephone Association (“ATA”)¹ respectfully offers the following observations and suggestions regarding the Commission’s notice seeking comment on the role of universal service and intercarrier compensation in the National Broadband Plan. Our comments are ordered by section as set forth in the public notice.

Section 1: Size of Universal Service Fund

The size of the fund should be related to the outcome desired. If universal deployment and acceptance of broadband is the desired social outcome then we as a society must be willing to fund the deployment and its on-going operation. The Commission’s latest progress report regarding development of a National Broadband Plan estimates a cost of between \$25 Billion for 768KB speed up to \$350 Billion to deploy fiber based 100Mbps broadband speed to all of the

¹The Alaska Telephone Association is a trade association comprised of incumbent local exchange carriers, competitive local exchange carriers and interexchange carriers serving the state. 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.

Nation's citizens. The \$7 Billion in the current fund must grow if deployment of even basic broadband is to be achieved in a reasonably short time. To cap or otherwise restrict the fund size will almost certainly ensure that desired broadband deployment will fall short.

Section 2: Contribution Methodology

The contribution base must assess all providers of broadband services regardless of technology. The reliance on a single mode of assessment such as revenues or telephone numbers may be less desirable than looking at assessing a combination of working telephone numbers and public network connections.

Section 3: Transitioning the Fund

Virtually all of the rural Alaskan incumbent local exchange carriers that are represented by ATA have invested in their plant infrastructure under the current (legacy) universal support mechanism to build and maintain an end user distribution network that is capable of providing broadband services. Most have shortened their loop plant to allow up to 1Mbps DSL service even in remote communities. Some, in addition to loop shortening have pushed fiber deep within their feeder network and are currently utilizing pair bonding for the final connection to the customer and achieving 20-30 Mbps speed capability. Others in addition to loop shortening and pair bonding have deployed fiber all the way to the home (FTTH) for new home-site subdivisions and businesses. A few have replaced portions of their existing copper distribution facilities while two have already engaged in the formal deployment of fiber throughout their network.²

² For example; Interior Telephone Company which serves small communities in western, central and south central Alaska both on and off of the road system has fiber deployed to nodes in over 45% of its service areas, with bandwidth capacity of 20 Mbps over the shorter copper loop lengths. Mukluk Telephone Company serving small

A transition of the current legacy fund to a broadband fund must recognize the inherent fixed cost nature of network investments and also the unique way USF funding has been distributed to incumbent rural telephone companies under the current program. Incumbents invest in network infrastructure first, and then are allowed to recover a portion of that investment over its useful life from USF funding. This means that at any one time a large portion of fixed loop investment made by incumbents has yet to be recovered and thus would be stranded if a flash cut to a new broadband funding mechanism was implemented and the new fund did not recognize the contribution of the network to the delivery of broadband service. Thus a transition mechanism is necessary to ensure that the incumbent rural companies who have relied on funding under the current USF program to deploy network infrastructure are allowed the time to recover that investment prior to the implementation of a new, evolving broadband funding program that may differ dramatically from the current program. Some advocates have argued for a transition process in which, over a specified period, USF recipients under the current program would be allowed to opt in to a new broadband support mechanism while those that choose not

communities on the northwest cape of the state including Nome, the destination city of the Iditarod sled dog race, has fiber deployed to nodes with 20 Mbps capacity. In remaining areas, copper plant is bonded and/or loop lengths are short enough to allow 1-4 Mbps capability. The Interior and Mukluk end user networks can be upgraded to even higher speeds relatively easily but effectively getting this speed all the way to the Internet gateway is limited by the high cost of available middle-mile high speed connections.

Matanuska Telephone Association, a member owned cooperative serving an area in south central Alaska the size of the state of New Jersey has deployed fiber throughout its feeder network allowing a network capable of 1Mbps speed to over 98% of its customers. By further deploying a combination of fiber and bonded copper plant MTA can now reach over 70% of these customers with speeds of 30Mbps. In addition, MTA has deployed FTTH to six subdivisions, one in which MTA experimented with overbuild of existing copper plant.

Ketchikan Public Utilities, a municipal owned utility serving the remote island community of Ketchikan in southeast Alaska that can only be reached by air or boat is in the third year of a five year plan to deploy fiber throughout its feeder and main distribution network so virtually all customers in this community of approximately 14,000 can be reached by fiber to the home as the demand for ever increasing broadband speeds evolve. This network is immediately capable of 100 Mbps, and as future applications and network costs dictate, KPU will have the ability to offer customers 1 Gbps service.

Adak Telephone Utility serving the remote community of Adak so far out on Alaska's western Aleutian chain of islands that it is closer to Tokyo than it is to Los Angeles, recently completed a FTTH upgrade to virtually its entire end user network.

to would be able to receive support until the end of the transition period so they are able to recover their investment made under the provisions of the legacy program.³ With the establishment of an appropriate transition period this appears to be a prudent and reasonable approach.

In the new broadband funding mechanism it is imperative that costs associated with the middle-mile are supported. In Alaska, the rural members of the ATA have successfully deployed end user broadband capable networks throughout the state. However, particularly in remote areas of this vast state where satellite connection to the Internet is the only available technology, the middle-mile costs are prohibitive and the technological throughput is limited. Even in the more populated rural areas of the state that enjoy at least one connecting road, the middle-mile network of terrestrial and undersea fiber that are the only means of connecting to Internet gateways in the continental United States are owned and operated by two non-regulated carriers who control the access and pricing to these vital routes. In transitioning to a broadband USF fund, we believe it is essential that the middle-mile costs be supported and that the best way to ensure the most efficient support be through the requirement that in addition to end user network providers being able to receive USF support for the prices paid to middle-mile providers for connection to the Internet, that the middle-mile providers themselves also have access to support, but only in exchange for operation under the interconnection and non-discrimination principles as required by BIP and BTOP. Middle-mile broadband grants may also be used to assist providers to make the huge capital investments associated with middle-mile networks necessary to connect all of the broadband capable end user networks throughout such a vast area as Alaska. Under the interconnection and non-discrimination principles laid out for BIP and BTOP recipients, a middle-mile provider would be required to offer access to its network at the

³ OPASTCO Ex Parte; GN Docket No. 09-51, et al; October 28, 2009.

same price and service standard as it provides its own retail or end user network if the middle-mile provider also offers retail services. This is the only way that small end user service providers would be assured of comparable access to the networks of middle-mile operators who also compete at the retail level. If middle-mile providers are supported by the new broadband fund, a separate fund component for this purpose would be prudent to properly administer this portion of the program.

As the Rural Task Force concluded almost a decade ago, the cost characteristics of rural networks vary dramatically throughout the Nation and available cost models do not accurately reflect the costs of deploying rural networks. Nowhere is this truer than in Alaska. The ATA recommends that historical embedded costs continue to be used to form the basis of support in any emerging broadband fund, particularly for rural incumbent broadband networks.

Regardless of the manner in which costs are determined for the purposes of USF funding, an emerging broadband fund will need to support operational costs as well as the recovery of capital investment. Where customers are fewer in number, the per capita maintenance cost is higher than in areas where the costs of maintenance can be spread over a larger number of customers. If the basis for future broadband support in rural, low density areas is tied to pricing broadband at levels experienced in highly competitive, densely populated urban areas as many commenters have recommended, then the relatively higher maintenance costs per customer must also be subject to support in order to allow such pricing. The question of what costs should and should not be supported becomes irrelevant if the emerging broadband fund supersedes the legacy, voice only fund after a suitable transition period. It is at this stage that the public switched network is transformed to a broadband network and thus the costs of maintenance of this emerging network will not be distinguishable between its voice and broadband components. Voice is simply another broadband application riding the network.

Section 4: Impact of Changes to Current Revenue Flows

It is important to note that in Alaska, all carriers serving end users in the state are recipients of high-cost universal service support. This is true in the relatively urban areas of Anchorage, Fairbanks and Juneau where all competitive carriers have been designated CETCs and receive the same per line support as the incumbent wireline ETC, ACS. This includes the cable telephony carrier, GCI, as well as wireless carriers, GCI Wireless, ACS Wireless, and ATT Mobility (still referred to in USAC records by the name of the network's former owner, Dobson). As we move out to rural areas around the state we also find competitors have entered these relatively small markets, also receiving funding through the USF mechanism. The cable company, GCI, who offers local voice and broadband services in competition with the rural incumbent immediately filed for CETC status upon being granted certification as a competitive local carrier in these rural markets. All wireless carriers in these markets also enjoy USF funding. Therefore, in Alaska, the situation described by the Commission in which one broadband provider is receiving support while others do not, has never existed. What does exist, for both incumbent carriers as well as competitive entrants, is a high reliance on universal service funding. Wireline based carriers, both the incumbent rural carrier as well as the cable telephony provider, also rely upon intercarrier compensation to fund a significant portion of their annual revenues.

For example, Matanuska Telephone Association (MTA), the largest cooperative in the state, receives 17% of its total combined regulated and non-regulated revenues from intercarrier compensation. Another 28% of MTA's annual consolidated revenue from all sources comes from high cost USF support. MTA's situation is representative of the other wireline carriers in the state. With this high a reliance on universal service and intercarrier compensation, to dramatically curtail funding from these sources, without allowing for alternative funding, would

certainly jeopardize the continued deployment and maintenance of broadband networks, especially as these networks need to evolve to support higher and higher speeds. Competitive broadband providers in Alaska are similarly situated. No competitive carrier offers its service in Alaska without support from USF nor have any of them offered to fund future deployments without public assistance.

Section 5: Competitive Landscape

As we mentioned above, all competitive carriers, both wireline (the cable company), as well as cellular carriers have been designated CETCs and receive the same per line support as the incumbent wireline carriers.⁴ However, in virtually all of these rural areas, the competitive carriers have not extended facilities to the extent of the network deployed by the incumbent nor do they offer a substantially differentiated voice or broadband product from that offered by the incumbent.⁵ Thus, in Alaska, we easily conclude that without USF no carrier would find our state's telecommunication markets attractive to serve. Moreover, as the Commission notes, the incumbent carrier in most cases (and in all cases in Alaska) is also designated as the carrier of last resort for voice service. In an emerging broadband USF fund public support should only go to a carrier that is willing to commit to the principles of:

- Interconnection/nondiscrimination
- Rigorous demonstration of its own costs
- Designation as carrier of last resort

⁴ The largest recipient of universal service support in Alaska is cellular CETC, ATT Mobility (Dobson) whose receipts surpass those of any incumbent ETC or other competitive CETC (wireline, wireless or cable provider). See Worksheet HC01A – 1Q2010 at USAC website, usac.org.

⁵ Cellular carriers do offer voice “mobility” in contrast to the wireline incumbent and cable company. However, in many of Alaska's rural markets, the incumbent wireline company also offers cellular service through a non regulated subsidiary.

As with any changes to such a vital program as universal service that competitive carriers as well as incumbent carriers have properly relied upon under the Commission's current rules, an appropriate transition interval must be implemented to mitigate the impact to current customers and investors.

Section 6: High Cost Funding Oversight

ATA's incumbent members fully support the need for continued public inspection of the recipient of universal service funding, including the submission of financial data, financial audits, and field inspections. It would be ridiculous to assume that any of our members look forward to audits and the submission and defense of detail records with regulatory agencies, but at the same time we realize that public support is a rare commodity and that to receive it requires a higher burden of proof that a recipient company is complying with the obligations required for such support. However, compliance obligations, including the types of records that are expected to be maintained, the level of detail and frequency, etc., must be well articulated in advance so that USF recipients can reasonably implement the record keeping processes and procedures to ensure compliance.

Section 7: Lifeline/Link Up

We do not offer any detailed suggestions at this time for expanding the Lifeline-Linkup program to cover broadband services other than to encourage the Commission to extend the low income program to cover broadband services.

Conclusion

Universal service is a vital mechanism that has been used by ATA's incumbent rural carriers to provide broadband capable networks to our vast insular state. ATA fully supports the transition of the current funding process to include broadband and to transition the support from the high cost universal service fund to the evolving broadband public network of the future. ATA's members are the community based companies best positioned to offer the deepest penetration of fiber into the public network of the future.

In determining the distribution of universal service broadband funding for any area, the appropriate recipient must, at a minimum, agree to offer its supported network to all application providers in adherence to the BIP and BTOP interconnection and non-discrimination principles; defend its costs through a rigorous regulatory showing, and; accept carrier of last resort obligations. The incumbent rural local exchange carriers comprising the membership of ATA have accepted these conditions in the past with respect to the current universal service fund and will do so under a transitioned broadband support fund of the future.

Dated this 7th day of December 2009.

ALASKA TELEPHONE ASSOCIATION



By: _____

James Rowe
Executive Director