The National Broadband Plan: Putting Telecommunications Services In Alaska At Risk

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National Broadband Plan fails Alaska

- Alaska poses unique challenges and costs and High Cost Fund support matters
- Eliminating existing financial support mechanisms will result in the loss of providers and decline of legacy network infrastructure with no guarantee of new broadband services
- The CAF/Mobility Fund may not be available due to satellite backhaul and inappropriate minimum standards
- The CAF/Mobility Fund fails to provide sufficient incentives for constructing and operating broadband networks in rural Alaska
- The NBP undermines competition
- Federal policy conflicts with state policy

There are unique challenges to the delivery of telecommunications services in Alaska

- Alaska has a small, geographically dispersed population with hundreds of isolated communities throughout the state
  - Only three cities with more than 10,000 residents
  - Most Alaskan communities are off the power and telecommunications grids – 62% of which have less than 500 residents – and many of which are only accessible by air or boat
  - Historically low telephone penetration rates, and a unique history as an underserved area

- Extreme weather conditions, distances, and inaccessible terrain create challenges to provisioning telecommunications services
  - Construction season is less than 6 months
  - Fuel may need to be flown to generators at remote wireless/microwave sites
  - Technicians may need to be flown to rural areas, weather permitting

  - Much of the state lacks roads, power, and middle mile telecommunications infrastructure
  - Relies on expensive satellite backhaul for telecommunications connections to the rest of the world

Alaska demographics

Total State Pop.	**698,473[1]**
Alaska Native Pop.	**106,866[1]**
Anchorage Alaska Native Pop.	**20,345[2]**
Anchorage Pop.	**278,700[2]**
Fairbanks Pop.	**31,142[2]**
Juneau Pop.	**30,737[2]**
Lifeline/linkup customers	**68,304**

[1] Estimated in 2009
[2] Estimated in 2006

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Facilities and communities in Alaska

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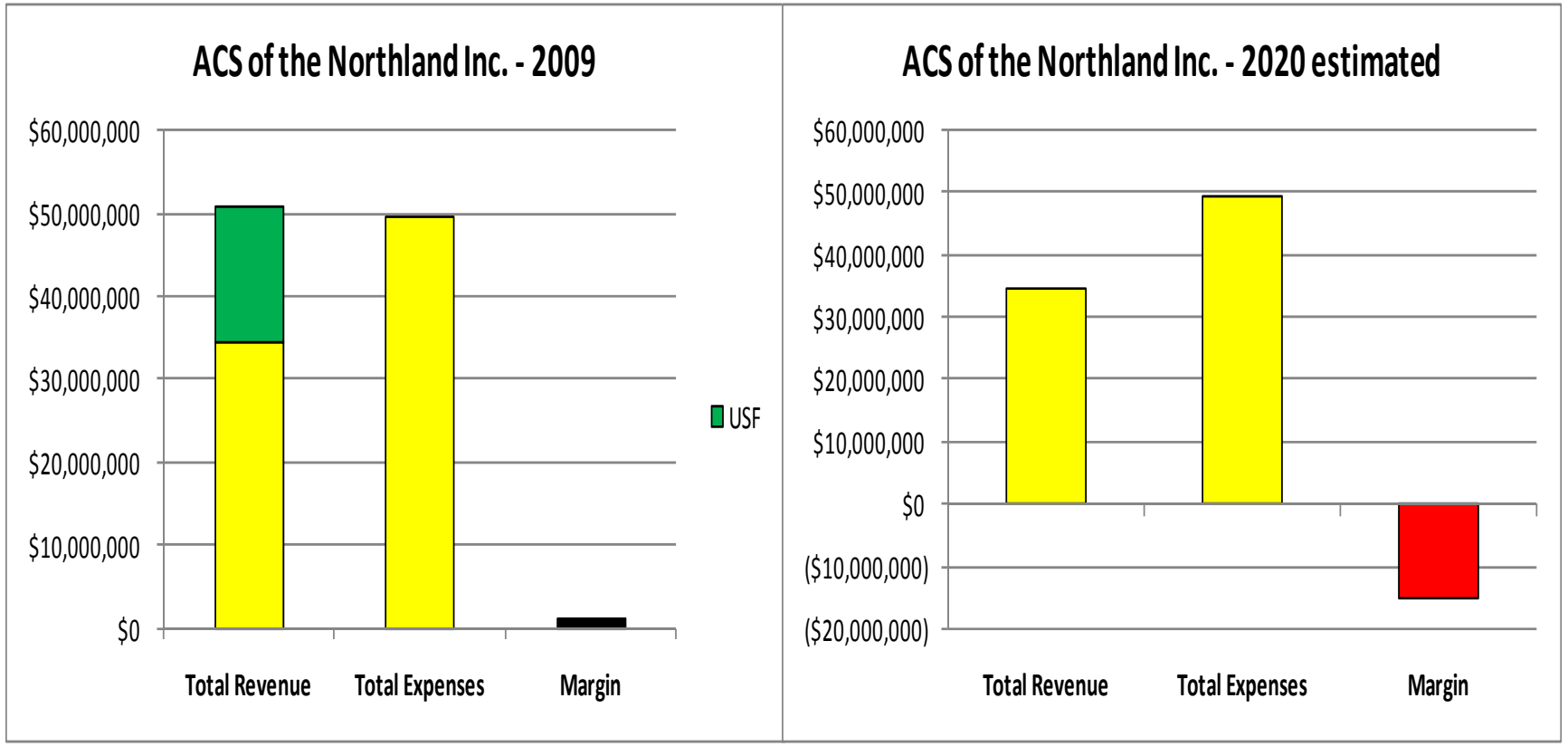
Existing service providers rely on High Cost Fund support

- Implementation of the NBP's USF reforms will eliminate service for some rural Alaskans
  - High Cost Fund (HCF) support is essential to maintain the existing network
  - HCF support is to be eliminated in ten years
  - Qualifying broadband services may not be available prior to the decline of the HCF
  - Many rural Alaskan service providers cannot survive without federal support

- Legacy USF MUST continue for Alaska Native regions to prevent a significant REDUCTION in telecommunications services

ACS' most rural service becomes unprofitable without HCF



ACS of the Northland serves 62 exchanges, 51 of which are off the road system

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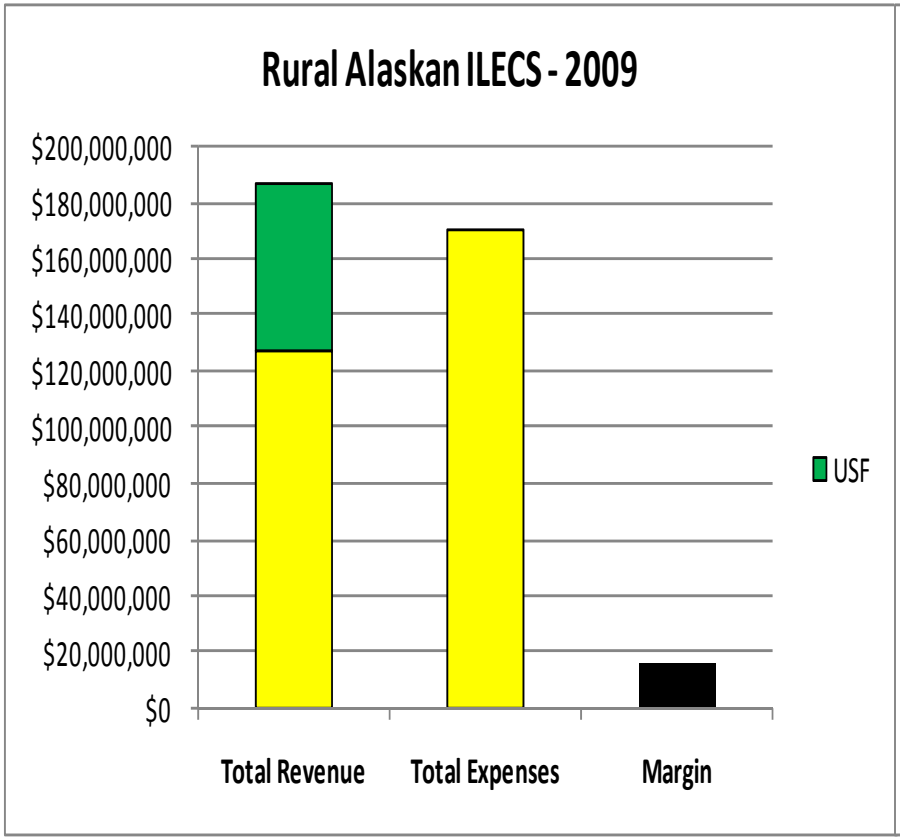
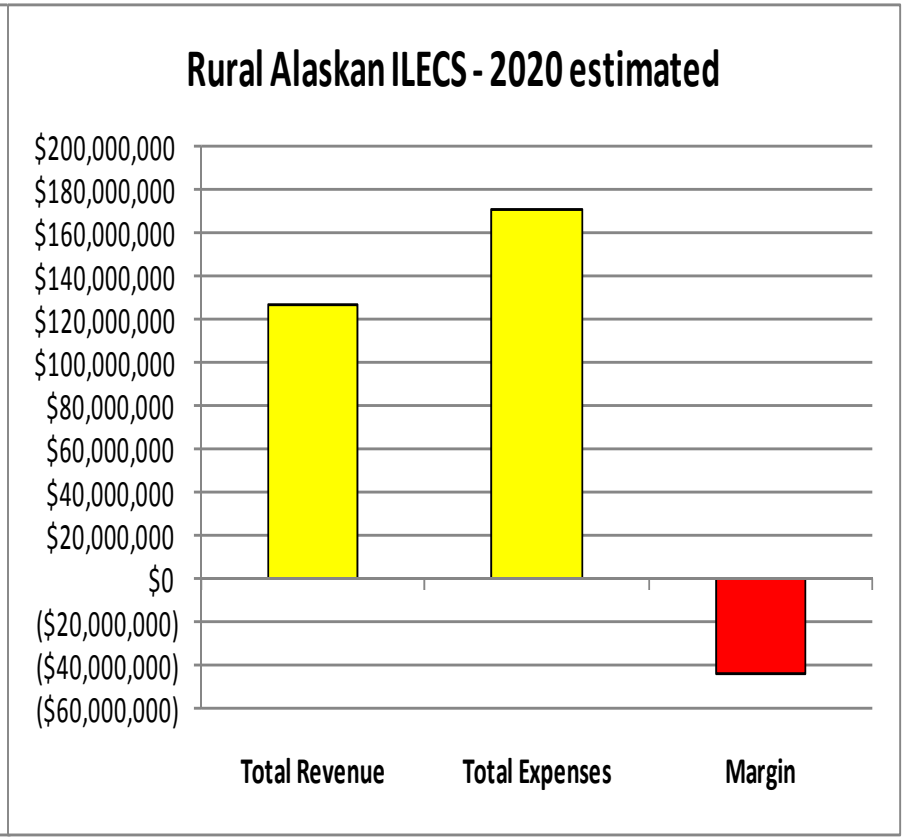
Most rural Alaskan LECs are unprofitable without HCF





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NBP minimum standards are impractical in Alaska

- The NBP has established a minimum of 4mgb/s download 1 mgb/s upload speeds to receive the proposed broadband support
- The NBP suggests that broadband service utilizing satellite backhaul may not qualify for broadband support, a policy that would eliminate support for hundreds of Alaskan communities
- In many cases, the most efficient delivery of rural broadband sufficient to meet the 4mgb/1mgb standard is likely to be 4G wireless service requiring satellite backhaul currently costing $50K-100K per month per site
- The capital investment and operating expense for 4mgb/1mgb service levels may not be supported by forward looking models
- As a result, broadband funds may not be available for building and operating new broadband networks in large parts of Alaska

USF reforms will fail to promote investment

- The NBP proposes the use of unrealistic cost models to determine financial support
- The NBP proposal to use reverse auctions will discourage investments
- The NBP proposal to fund only a single provider in an area either creates monopolies or uncertainty
- Rational investors will not make investments in rural Alaska without support mechanisms being sufficient and sufficiently predictable to create a high probability that investment can be recovered and a return earned

Rural Alaskans should not be denied competition

- Federal policy has promoted local and wireless competition for more than a decade
- Competition has brought more telecommunications services to rural Alaska comparable in type and price with services delivered in urban areas
- Competition helps establish market pricing
- Rural Alaskans should not be denied the benefits of competition because a new administration seeks to reduce the size of the Universal Service Fund
- Federal policy should support at least three providers in each area to ensure a market

Federal and State policies are inconsistent

- HCF has enabled rural Alaskan telecommunications providers to meet state carrier of last resort and universal service obligations of legacy network providers
- Alternative services compete with and undermine demand for traditional legacy services
- The FCC now seeks to move the nation away from legacy networks to broadband networks by eliminating the High Cost Fund and creating new broadband funds
- Alaska is not only maintaining, but proposing new obligations on legacy providers
- State and federal policy must be synchronized – by pre-emption on inconsistent state policies if necessary – to avoid severe disruption in telecommunications services

Factors compromising telecommunications services

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Summary and solutions

- The High Cost Fund serves Alaskans well today: plans to eliminate the HCF will leave some rural Alaskans who receive voice service today without any service in the future
- Alaska may not meet the FCC's broadband funding eligibility standards
- The NBPs broadband support proposals will not incent new services
- Rural Alaskans should have rights to competition and mobile services
- Inconsistent federal and state policies exacerbate service delivery problems
- Solutions:
  - Alaska is different and all Alaska Native regions should be exempt from proposals to reduce HCF support
  - USF support should be expanded to cover Internet connectivity
  - Broadband should be phased in over time in addition to voice support