

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Universal Service Reform)	WT Docket No. 10-208
)	
Mobility Fund)	
_____)	

COMMENTS OF ALASKA COMMUNICATIONS SYSTEMS

Alaska Communications Systems (“ACS”)¹ submits these comments in response to the Notice of Proposed Rulemaking adopted on October 14, 2010, in the above-referenced docket seeking comment on “the creation of the Mobility Fund to provide an initial infusion of funds toward solving persistent gaps in mobile services through targeted, one-time support for the buildout of current- and next-generation wireless infrastructure in areas where these services are unavailable.”²

I. INTRODUCTION AND SUMMARY

Alaska’s vast size, dispersed population, underdeveloped road system, and harsh climate and terrain create unique challenges for the provision of mobile broadband services. Broadband penetration in Alaska is further suppressed by high levels of poverty in much of rural Alaska. These characteristics make it imperative that the Commission consider Alaska’s unique situation when developing the Mobility Fund and avoid formulating rules or mechanisms that put rural Alaskans at a disadvantage in competing for funding.

¹ Alaska Communications Systems in this proceeding represents ACS Wireless, Inc., which provides wireless, broadband, information, and other network services to consumer, business, and enterprise customers throughout the state of Alaska.
² *Universal Service Reform Mobility Fund*, WT Docket No. 10-208, Notice of Proposed Rulemaking, FCC 10-182 at ¶ 5 (rel. Oct. 14, 2010). (“*Mobility Fund NPRM*”)

ACS offers the following recommendations on the *Mobility Fund NPRM* to assist the Commission with crafting regulations that achieve the goals of the Mobility Fund while accounting for conditions that are Alaska-specific:

- Reserve a portion of the Mobility Fund to serve the needs of the Tribal Lands, including those qualifying areas in Alaska.
- Recognize that reverse auctions effectively prevent any deployment funding for Alaska.
- Allow Alaska carriers to propose geographic areas other than census tracts.
- Support multiple carriers in the same geographic area in Alaska.
- Do not require carriers to be designated as eligible telecommunications carriers (“ETCs”) in geographic areas where they apply for support.
- Deployment schedules that recognize the challenges of construction in rural Alaska; and adopt performance standards and compliance measurements that accurately assess coverage in areas where road systems and population densities fall outside the norm.
- Allow mobility funds to be used for backhaul investment.
- Fund both 3G and 4G service.
- Continue full funding for the current CETC support mechanisms in Tribal Lands, including Alaska.

II. RESPONSE TO PROPOSED RULES

A. The Commission Should Reserve a Portion of the Mobility Fund to Separately Target Tribal Lands, including qualifying areas in Alaska

The *Mobility Fund NPRM* suggests setting aside a portion of the Mobility Fund to be specifically targeted to deploying 3G coverage on Tribal lands in coordination with Indian Tribes

and Alaska Native Village governments.³ Tribal lands, particularly those in Alaska, have many characteristics that create unique challenges for the provision of mobile broadband.⁴ Many Alaska Native communities are geographically isolated and face persistent poverty.

ACS supports designating a portion of the Mobility Fund for Tribal lands and further urges the Commission to consider allocating a percentage of that funding to Alaska Native lands, as that term has previously been used by the Commission.⁵ Without dedicated, pre-assigned funding, the high cost per-unit served for mobile broadband deployment due to extreme conditions in Alaska will likely prevent those residing on Alaskan Native lands from receiving support for mobile broadband service and undermine the Commission's efforts to promote the availability of mobile services nationwide. Absent a carve-out, projects in Alaska will never prevail in a national reverse auction as contemplated in the *Mobility Fund NPRM*⁶ because deployment in rural Alaska will be more expensive per-unit served when compared to deployment in rural areas of the Lower 48.

Alaska has lagged far behind other predominately rural states in deploying terrestrial broadband facilities. Building fiber or microwave networks across long distances, through permafrost, and over mountain ranges can be extremely costly. ACS and other Alaskan providers serve many regional centers and very small communities (less than 200 residents) that do not have terrestrial backhaul connections. Approximately 55% of all these communities depend on satellite for middle-mile connectivity.

³ *Id.* at ¶ 33.

⁴ The Commission has recognized the unique challenges associated with serving these areas by, for example, exempting CETCs serving Covered Locations in Alaska from the CETC USF cap. *High-Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Order, 23 FCC Rcd 8834, 8848-49, ¶¶ 32-33 (2008).

⁵ Tribal lands in Alaska include all Alaska Native regions established pursuant to the Alaska Native Claims Settlement Act. *Id.* at ¶¶ 32-34 (*citing* 47 C.F.R. § 54.400(e)).

⁶ *Mobility Fund NPRM* at ¶ 64.

While satellite technology allows rural customers to have interexchange service across Alaska, it has certain complications. Satellite service sometimes experiences latency issues and problems with data transmission continuity and can also be disrupted by atmospheric and other conditions. Monthly published rates (plus local access and taxes) for a dedicated satellite T1 connection in Alaska are high, at \$14,656 for AT&T and \$14,447 for GCI. Volume and term discounts can reduce these standard prices somewhat, to \$8,000-\$10,000 per month (plus local access and taxes). By comparison, a dedicated T1 from Portland, OR to Seattle, WA costs only \$500 per month (plus local access and taxes). Nevertheless, Alaskan wireless carriers have continually expanded competitive voice and data coverage throughout Alaska with the help of existing support mechanisms.

B. The Commission Should Recognize that Reverse Auctions Are Not Appropriate for Allocating Universal Service in Alaska

Reverse auctions are only useful only in reducing universal service support, not actually advancing universal deployment of services. Allocation of funds based on lowest per-unit cost is diametrically opposed to the concept of targeting “areas that lag.” The areas that lag the most do so precisely because they are the most expensive to serve. The concept of assigning funds to the areas that are the lowest cost to remediate merely accelerates deployment that would likely occur anyway, and leaves the truly high-cost and under/unserved areas unchanged in any way. The concept of “ordering all the submitted bids from the lowest per-unit amount to the highest”⁷ will do little to create deployment in high-cost areas of Alaska.

In combination with the concept of “one provider per area,” this approach will prevent competition from ever developing in the areas that would be the most fertile for future expansion as technology and cost characteristics improve and economies of scale are achieved.

⁷ *Id.*

Further, reverse auctions are likely to generate bids of zero or near zero, if for no other reason than to keep other providers from getting support. Finally, the larger and financially stronger wireless providers can underbid the remaining wireless providers, squeezing them out of the market and again creating a monopoly which will, in turn, require FCC regulation. In essence, reverse auctions are a good way to reduce the draw on the Mobility Fund, or any universal service support mechanism, but not an effective way to get advanced wireless delivered to high-cost areas.

C. The Commission Should Not Rely on Census Blocks to Identify Unserved Areas in Alaska

The *Mobility Fund NPRM* seeks comment on the best datasets for identifying and distributing support to unserved areas and proposes to rely on census blocks and census tracts to determine coverage.⁸ However, many census tracts in Alaska cover very large geographic areas and may require network facilities where there are few people. In order to deploy support efficiently, the Mobility Fund should accept proposals for geographic areas that do not match census tracts. Allowing carrier-defined areas may be the least expensive way to enhance 3G coverage for the most people.

D. The Mobility Fund Should Support Multiple Carriers Within the Same Geographic Area in Alaska

A competitive telecommunications market has provided Alaskans with a range of providers, prices, and service bundles that would not be available in a monopoly environment. The Commission seeks comment on providing Mobility Fund support to only one provider per geographic area.⁹ In high-cost areas such as Alaska, competition is not viable without subsidies to all carriers in the market. While there may be some benefit to limiting support to a fixed

⁸ *Mobility Fund NPRM* at ¶¶ 20-26.

⁹ *Id.* at ¶ 15.

number of providers, the availability of competitive services will be significantly diminished or eliminated altogether if support is limited to a single provider. If competition is undermined by the restriction of funds to a single carrier, the Commission may be drawn into regulating broadband rates where there is a monopoly provider.

E. Fund Recipients Should Not Be Required To Be Designated ETCs

The Commission proposes to require every provider wishing to receive Mobility Fund support to be designated, or have applied for designation, as a wireless ETC by the state regulatory body in all areas where it seeks support.¹⁰ This requirement will predetermine Mobility Fund recipients and deny funding for providers that might be best positioned to serve certain areas. For example, a carrier may only be an ETC in part of the underserved area or may be willing and able to serve census tracts that are outside its current designated ETC areas. State commissions dictate ETC status based on local exchange carrier (“LEC”) service areas, which do not necessarily correlate to census tracts. ETC service areas also may not be patterned in a way that best facilitates 3G deployment.

For example, TelAlaska’s Interior Telephone study area has approximately a dozen exchanges, some of them over 1,000 miles apart. It serves Fort Yukon in the eastern interior of Alaska; Dutch Harbor, far west on the Aleutian Peninsula; and Moose Pass, adjacent to ACS’s service area on the Kenai Peninsula. ACS may be interested in Mobility Fund support to extend 3G coverage to Moose Pass, but would first be required to provide full voice coverage in Dutch Harbor, Fort Yukon, and all of Interior Telephone Company’s other wireline exchanges. This is a large and unnecessary barrier that may prevent deployment of 3G where it might otherwise be feasible.

¹⁰ *Id.* ¶¶ 45-49.

F. Deployment Schedules, Performance Standards, and Compliance Measures Should Recognize the Unique Challenges of Rural Alaska

The *Mobility Fund NPRM* proposes a rigid deployment schedule and proof of deployment procedures, including drive tests that are not feasible in rural Alaska. For example, the Commission suggests requiring recipients to achieve fifty percent (50%) coverage within one year.¹¹ This requirement would neither allow for the short summer construction season in Alaska nor recognize that engineering and construction resources are limited in Alaska. Many of Alaska's sites are remote, and may only be accessible by plane, helicopter, boat, or snowmobile. The logistics of getting people and equipment out to these areas requires considerable planning and advance preparation. Alaska has a relatively short building season and extra costs are incurred when building outside that window. It may be most effective to require a proposed deployment schedule with each bid, thereby allowing the Commission be cognizant of project-specific challenges when evaluating timely deployment.

The Mobility Fund's performance standards and proof of deployment procedures should also avoid a "one size fits all" approach. ACS agrees with the Commission that Mobility Fund recipients should be required to demonstrate the capabilities of newly-deployed 3G networks. However, Alaska's limited road system makes drive tests unworkable. Alaska does not have any Interstate highways, and even its capital city of Juneau cannot be reached by road connected with other regions of the state. It may be that the appropriate way to determine whether Alaskan carriers are meeting Mobility Fund obligations is for the carriers to propose service standards for the supported locations and then provide ongoing cell site reports to insure compliance.

¹¹ *Id.* at ¶ 39.

G. The Commission Should Provide Continuing Support for Backhaul to Projects that Receive Mobility Fund Support

Increased backhaul capacity is a prerequisite for provision of mobile broadband service in Alaska. Because the cost of backhaul in Alaska is so much higher than the Lower 48, a one-time infusion of capital funds may not be sufficient to make the expansion of 3G service economically viable. Backhaul is an essential component of 3G service, and one of the largest hurdles to the deployment of mobile broadband in Alaska.

Alaska's geography and population distribution make it imperative that backhaul be eligible for Mobility Fund support. Approximately 55% of Alaska's villages use satellite service to connect to the rest of the network. A one-time payment for construction of a cell tower and base station in a village served by satellite would still leave the most expensive segment of the expansion unfunded – connectivity from the village to the rest of the wireless network.

Even in areas with terrestrial transport, the Commission should consider proposals that include terrestrial backhaul. Leasing capacity to cell sites can be expensive, often exceeding \$4,000/mo. per DS-1. To make 3G deployment economically viable for carriers, the Commission should consider carrier proposals that include either funding of capacity leases, or construction of terrestrial backhaul. Funding the construction of backhaul facilities could create additional benefits to consumers beyond the immediate goal of expanding 3G coverage. In the case of fiber backhaul, the facilities are long-lived. Rather than become obsolete with the advent of LTE/4G, the high bandwidth backhaul facilities would actually facilitate transition to LTE/4G in the future.

H. The Commission Should Fund 4G As Well As 3G Deployment

By the time the Commission issues a final order in this docket, 4G services will be commercially available in a large portion of the country. The Commission should not relegate

rural and high-cost areas to old technology by requiring them to use Mobility Fund support for 3G facilities when 4G technology is now available. Consistent with the intent of universal service to ensure that rural and high-cost communities have services and rates that are comparable with urban areas, we urge the Commission to make any funding available for the deployment of 3G technology equally available for 4G technology.

I. The Commission Should Continue to Provide Full CETC Support To Tribal Lands

The Commission should preserve and even expand the current CETC support mechanism for Tribal lands including Alaska, which has accelerated the deployment of mobile broadband. It has been effective in creating incentives to deploy voice, and much of the infrastructure for voice such as backhaul, towers, power, and buildings, is necessary for mobile broadband. The Commission's tentative conclusion that only current voice CETCs should be eligible for Mobility Fund support is an implicit recognition that the current system has been effective, and that there are synergies between voice and broadband data deployment.

Unlike the Mobility Fund, universal service support to CETCs funds ongoing operating expenses. Capital investment is only one aspect in analyzing the economic viability of wireless services in Alaska, since operating expenses in high-cost areas of Alaska can exceed revenue. The effectiveness of the current CETC support mechanisms can be seen by the deployment of 3G service in Alaska to areas that would not have been economic without support. Elimination of CETC support, as has been proposed in other dockets, may actually result in cutbacks on the 3G service currently available. Because the construction and operation of the basic wireless infrastructure has been enabled in non-economic areas by the availability of CETC support, a reduction in CETC support will necessarily limit expansion of mobile voice or 3G data services, and may even lead to a contraction in coverage.

Calculation of support in Alaska should remain the same as it is today – wireless providers should receive whatever support the ILEC receives in the area. This support allows for the basic infrastructure that will serve as a platform for mobile broadband services. Identical support is administratively simple, and minimizes opportunities for disputes. Moreover, as a practical matter, any reduction from the CETC support received today by wireless providers will likely be viewed as a disincentive for additional deployment. If the amount of support diminishes, providers will be reluctant to embrace further expansion. To create an incentive to deploy deeper into uneconomic areas, wireless providers will require more USF than they receive today as CETC support, rather than less. Additionally, consistent with the objectives of the National Broadband Plan, we recommend broadening the CETC rules to make wireless data services just as eligible as voice services for CETC support.

III. CONCLUSION

ACS supports the Commission’s goal of accelerating advanced wireless deployment. For the Commission to achieve its goals in Alaska, ACS believes that it needs to preserve current CETC funding, reserve a portion of the Mobility Fund for Alaska, allow funds to be used for backhaul, and allow for flexibility in evaluating proposals for Alaskan broadband deployment.

Respectfully submitted on this 16th day of December, 2010.

/s/ _____
Leonard Steinberg
General Counsel and Corporate Secretary
Alaska Communications Systems, Inc.
600 Telephone Avenue, Suite 500
Anchorage, Alaska 99503
(907) 297-3000; Fax: (907) 297-3153