CORRECTED

October 21, 2011

VIA ECFS

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

Re: *Connect America Fund*, WC Docket No. 10-90; *A National Broadband Plan for Our Future*, GN Docket No. 09-51; *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135; *High-Cost Universal Service Support*, WC Docket No. 05-337; *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92; *Federal-State Joint Board on Universal Service,* CC Docket No. 96-45; *Lifeline and Link-Up,* WC Docket No. 03-109

Dear Ms. Dortch:

On October 21, 2011, on behalf of General Communication Inc. ("GCI"), I spoke with Zac Katz, Chief Counsel and Senior Legal Adviser to the Chairman, regarding the above-referenced proceeding.

I told Mr. Katz that a waiver for rural Alaska (however defined), which tolls CETC support phase down for only two years while the FCC conducts a proceeding on how to separately handle the unique challenges present in such areas, would not provide the stability and predictability necessary for GCI to deploy wireless service to unserved locations or to upgrade underserved locations from 2G to 3G (or 4G where technically feasible). For one, despite best intentions, there is no guarantee that any such proceeding would be concluded within 2 years (or ever), and thus would only delay the reductions that will foreclose investment in many Alaska Native communities without increasing GCI's ability to predict whether it can recover its costs and a reasonable return on new investment. The same lack of stability will also result if the Commission begins an immediate CETC phase down with a promise that some amount of funding from an as yet undefined Tribal Mobility Fund will be allocated for Alaska Native regions.

As previously stated, under the current support mechanisms, GCI has plans to bring 2G wireless services to approximately 52 Alaskan Native villages, the vast majority of which have no other local wireless service. However, only two years of predictable support – or declining support with no assurance of specific future support – is not sufficient to permit rational investment. A two-year waiver would cover but a fraction of the average book life of fixed assets associated with mobile service, which is eleven to twelve years.

It is extremely costly to launch cell service in remote villages. Since GCI launched its rural wireless initiative, it has invested over $46 million in capital alone for fixed assets to deploy for mobile service. This investment does not even begin to cover the substantial deployment and operating costs for backhaul, operations, maintenance, maintenance capital expenditures, and customer service- let alone a return on investment- for very small villages. These tiny communities are neither accessible by road nor connected to an intertied electrical grid, thus all supplies, including diesel fuel to generate electricity, must be imported by plane. These costs must be covered as well before GCI can begin to earn a return on its investment. Assuming an initial capital cost of $300,000 per cell site, which CostQuest used in a recent cost study filed with the Commission and which understates GCI's own experience, 52 cell sites (assuming one per village) would require approximately $15.6 million in capital just to put in place.

There are very few potential subscribers in these remote villages to support such relatively large investments in wireless service. According to the 2010 Census, these 52 villages average only 155 total residents, with some communities containing less than 50 residents and the largest at approximately 1200. Of these villages, only 3 have local cell phone service. At $40 per month, at 80% adoption, these villages, on average, would each only generate $59,520 in annual subscriber revenue – enough to roughly offset only the average maintenance costs per site. USF support is therefore critical to developing an investment case to support these deployments. USF support is likewise necessary to upgrade rural Alaska from 2G to 3G, including, in some areas, upgrading backhaul so that it can support 3G services. We note that the ABC Plan itself recognized the importance of a stable period to support investments when it proposed a ten year period for CAF support tied to upgrades.

It is also important that this continued CETC support for deployment or upgrade remains available on a per line basis, rather than frozen on an ILEC study area basis. Capping support at current ILEC study area levels would not allow a carrier to increase total revenue in a even if it launched new service in several new villages. Without this new per-line support, the modest revenue that could be expected from small, poor communities could not justify the substantial investment needed to launch service. Investment in service extension will not occur under such circumstances.

We also discussed how to delineate "urban" from "rural" Alaska. I explained that while "urban" is probably a misnomer outside the Municipality of Anchorage, the greatest population densities are found in the Municipality of Anchorage (which includes the ACS Anchorage study area as well as portions of the Matanuska Telephone Authority study area), the City of Fairbanks, and City and Borough of Juneau. All other areas should be considered "rural." Although the Matanuska-Susuitna Borough is part of the Anchorage MSA, much of that Borough is extremely rural and includes areas that are several hundred miles away from Anchorage. Similarly, I explained that the Kenai Peninsula, which is a part (but not all) of the ACS Glacier State study area, cannot be considered a "bedroom community" of Anchorage. The Kenai Peninsula is very rural and the drive from the peninsula's largest communities (Kenai (population 7100), Homer (population 5000) and Seward (population 2700)) to downtown Anchorage takes two to four hours. The ACS Fairbanks study area itself encompasses highly rural areas (which are generally in Zone 2) and higher density areas (which are in Zone 1). It simply does not make sense to use ILEC study areas boundaries to segregate "urban" from "rural" areas in Alaska.

Even within the "urban" areas, properly defined, it is important that the transition of CETC support not be so rapid as to be disruptive.

On October 21, 2011, I also spoke separately with Edward Lazarus, Chief of Staff to the Chairman, Paul de Sa, Chief, Office of Strategic Planning and Policy Analysis, Christine Kurth, Legal Adviser to Commissioner McDowell, and Brad Gillen of the Wireline Competition Bureau. I raised similar points in those conversations.

A copy of this letter is being filed in the above-referenced dockets.

Sincerely,

/s/

John T. Nakahata
Counsel to General Communication, Inc.

cc:
Edward Lazarus
Zachary Katz
Margaret McCarthy
Christine Kurth
Angela Kronenberg
Paul de Sa
Carol Mattey
Michael Steffen
Patrick Halley
Brad Gillen