

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

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
<u>Universal Service Reform – Mobility Fund</u>)	WT Docket No. 10-208

COMMENTS OF THE ALASKA RURAL COALITION

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I. Introduction.

The Alaska Rural Coalition¹ (“ARC”) files its Comments in this proceeding pursuant to the *Further Inquiry* issued by the Federal Communications Commission (“Commission”) on November 27, 2012.² The ARC appreciates the Commission collecting additional comments on the Mobility Fund Phase II award process, however, the ARC also offers comments on Tribal Mobility I as it remains concerned that the Tribal Mobility I process has yet to be implemented. Alaskan companies need to factor in the awards made in Tribal Mobility Fund Phase I before they can meaningfully participate in Mobility Fund Phase II.

The ARC membership consists of essentially all of the rate of return incumbent rural local exchange carriers (“RLECs”) in Alaska,³ who share unified interests regarding the impacts of further proposed changes in universal service funding and access charge revenues to the state. Many of the ARC companies also provide wireless service in the remote, high cost areas of Alaska and are very dependent on continued support to maintain viable and affordable service.

¹ The ARC is composed of Arctic Slope Telephone Association Cooperative, Inc.; Bettles Telephone, Inc.; Bristol Bay Telephone Cooperative, Inc.; Bush-Tell, Inc.; Circle Telephone & Electric, LLC; Cordova Telephone Cooperative, Inc.; Copper Valley Telephone Cooperative, Inc.; City of Ketchikan, Ketchikan Public Utilities; Matanuska Telephone Association, Inc.; OTZ Telephone Cooperative, Inc.; Interior Telephone Company; Mukluk Telephone Company, Inc.; Alaska Telephone Company; North Country Telephone Inc.; Nushagak Electric and Telephone Company, Inc.; The Summit Telephone and Telegraph Company, Inc. and Yukon Telephone Company, Inc.

² See *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for our Future*, 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, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) (“*Transformation Order*” and “*FNPRM*”); Federal Communications Commission, Public Notice, *Further Inquiry Into Issues Related to Mobility Fund Phase II*, WC Docket No. 10-90; WT Docket No. 10-208 (Nov. 27, 2012) (“*Further Inquiry*”).

³ The other ILECs in the state are the ACS companies, which are all price cap, and United Utilities, Inc., a rural ILEC that is wholly owned and controlled by GCI.

The ARC urges the Commission to focus on creating stability in the regulatory environment as it implements the details necessary to effectuate the change outlined in the *Transformation Order*.⁴

The ARC urges the Commission to proceed cautiously in enacting specific mechanisms governing the provision of ongoing Mobility Fund Phase II support. Thus far, only the auction portion of Phase I has actually occurred. There have been no buildouts by carriers using the funds awarded during the auction, and the Commission has yet to gather any data on whether or not the funds awarded have led to substantially improved end-user service, or even to carriers' completion of the Commission's service milestones. Unlike the one-time nature of Phase I support, Phase II support represents an ongoing, long-term commitment of significant amounts of public funds. The ARC believes it would be far more prudent to delay full commencement of Phase II until the Commission has had a meaningful opportunity to construct Phase II rules based on the lessons from Phase I's implementation. At this point the Commission does not know if the money awarded in Phase I will deliver the services required.

In these comments, the ARC explains that the Commission must be careful when defining eligibility for Phase II so as not to exclude our nation's highest-cost, remotest areas. The ARC expresses concerns with the Commission's proposal to use the Mosaik database and/or the centroid method to determine Phase II eligibility, suggesting that a method based on the proportion of an area with service would be more straightforward and better deploy funds to the areas that need them the most. The ARC also expresses its hope that the Commission will

⁴ Shawn Buckley, *FCC Goes Public with Its Ambitious Connect America Fund*, Fierce Telecom (Nov. 21, 2011), <http://www.fiercetelecom.com/story/fcc-goes-public-its-ambitious-connect-america-fund/2011-11-21> ("It is essential that the order and the final outcome of the further notice of proposed rulemaking eliminate lingering regulatory uncertainty so that small rural carriers can attract capital and operate high-quality rural broadband networks[.] . . . That uncertainty has a near and long-term effect on how rural service providers can expand broadband to more of their users."); see also Ross Boettcher, *Shift for Rural Telecoms*, OMAHA WORLD-HERALD, Nov. 22, 2011, available at <http://www.omaha.com/article/20111102/MONEY/711029925> ("U.S. Rep. Lee Terry, vice chairman of the Energy and Commerce Committee's subcommittee on Communications, Technology and the Internet, said he realizes the lack of predictability is an issue.").

determine eligibility for support based on whether or not a carrier is currently able to offer service at the Commission's desired 3G speeds, but will not penalize companies by denying support for areas that are dependent on satellite middle mile transport that will be lacking in capacity for 3G service. If ongoing support for procuring very costly middle mile (satellite or terrestrial) transport is not made available, it will make 3G service in remote areas impossible. The ARC indicates its support for bidding credits based on poverty rates within a service area and lack of access to the National Highway System. Further, the ARC makes clear that the Remote Areas Fund rules have not been fully articulated, but appear to be designated to support areas lacking wireline services, and should not be a factor in the determination of eligibility for wireless support.

The ARC believes that road miles are a wholly inappropriate way to measure coverage in Alaska, a state where entire communities lack access to roads, depending instead on rugged transportation such as snowmobile, ATV, boat or regional commercial aircraft. Many wireless operations in Alaska located in coastal areas extend service far out to sea, where commercial fishing and other marine traffic heavily depend on that service for commerce and public safety. If the Commission is committed to using road miles as a metric, it *must* create an exemption for Alaska or develop factors that properly recognize the unique characteristics of the state. The ARC also believes that a 10-year or longer period of Phase II support will encourage predictability in funding and so support investment in the infrastructure crucial to supporting mobile services to our customers.

The ARC explains the importance of awarding bidding protections or credits to small businesses such as the ARC members. It also sets forth why the Commission's current Letter of Credit ("LOC") requirement for carriers is likely to undermine the Commission's goals of

universal service. Finally, we provide essential factual context for the Commission's tribal initiatives in Alaska. We provide suggestions for implementing the Commission's goals of tribal self-determination and empowerment in Alaska, where many tribes completely lack the experience or infrastructure to create and manage telecom companies, and yet many existing carriers are majority Native-owned and Native-served. The ARC supports the Commission's implementation of the Mobility Fund Phase II program. However, the realities of service and business in Alaska present some very real questions about that program's design that must be addressed if the Commission is to accomplish its ultimate goals of universal service at reasonable rates regardless of a customer's geographic location.

II. Identification of Eligible Areas Critical To Rural Consumers.

The Commission seeks further comment on identification of the geographic areas that will be eligible for Phase II support.⁵ The Rural Coalition remains concerned that the Commission's current plan for determining areas eligible for Phase II funding will leave Alaska's remotest, highest-cost areas without the support necessary to meet the Commission's service goals.⁶ Neither the Mosaik Solutions' database ("Mosaik") nor the centroid method will produce accurate results for Alaska.

The ARC is concerned about the Commission's intention to exclude from Phase II support census blocks where an unsubsidized carrier is providing 3G or better service. Census blocks must have substantial coverage by an unsubsidized carrier if support is to be excluded.

⁵ *Further Inquiry* at paras. 6-7.

⁶ *See Transformation Order* para. 101, n. 158 ("Even if the modest speeds of 4 Mbps down/1 Mbps up are adopted by the FCC as target throughput speeds, substantial construction of terrestrial facilities and expansion of satellite capacity will be needed to create the backhaul capability that will be necessary to deliver broadband at those speeds in Alaska."); *Comments of the Regulatory Commission of Alaska in the matter of Connect America Fund*, WC Docket No. 10-90, Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, before the FCC (Jan. 18, 2012) ("*RCA Comments*") at 14.

The definition of an unsubsidized carrier must be clearly defined to include those carriers who do not receive any high-cost support, including support from the Schools and Libraries Program and/or the Rural Health Care Program. The Commission should not permit larger carriers to benefit from federal subsidies while also cherry-picking their areas of coverage within large census blocks to exclude the many areas of Remote Alaska that are not profitable to serve within these large census blocks. Including such larger carriers in the definition of unsubsidized carriers, and distributing Phase II support based on that classification, will strand small, rural carriers with the obligation to serve consumers in our nation's most rural, highest-cost areas without the support necessary to do so.

A. Mosaik Solutions Data Is An Inappropriate Way to Determine Areas With An Unsubsidized Competitor.

The Commission seeks comment on using the Mosaik database to identify census blocks served by an unsubsidized competitor.⁷ The ARC echoes the concerns the Commission has already recognized about the accuracy of the data in the Moasik database.⁸ The ARC believes that the data currently represented in the Moasik database is too narrowly sampled to accurately reflect the current state of service coverage in Alaska. This data may be unreliable and has not been tested or subjected to independent, third-party review. This data also needs to be updated continuously as service coverage across the nation changes, or it will quickly become obsolete. The ARC is concerned that the Commission has not put forth an ongoing plan to keep current the Mosaik data it proposes to use. ARC members have experienced difficulties obtaining reliable access to the Mosaik database, and continue to question whether Mosaik's server and interface

⁷ *Further Inquiry* at para. 7.

⁸ *Further Inquiry* at para. 8.

for carriers will actually prove workable for the many carriers who will critically depend on its data for determining support.

If the Commission chooses to go forward with using the Mosaik data and database to determine areas eligible for Phase II support, then it is important that the Commission institute some process by which carriers can challenge the factual accuracy of the Mosaik data. Without some mechanism in place for challenge and review, use of the Mosaik data to determine eligibility for Phase II support risks assigning support based on inaccurate representations of coverage. This in turn risks stranding rural areas, which depend most heavily on telecommunications for access to the outside world, without the support necessary to ensure ongoing service at all, let alone service at the Commission's required speeds.⁹

B. The Centroid Method Is Also Inappropriate to Determine Areas With An Unsubsidized Competitor.

The Commission seeks comment on the proposal to determine eligibility of a census block for Phase II support based on the presence or absence of unsubsidized 3G or better service at the centroid.¹⁰ The ARC concurs with previous commenters in urging the Commission not to

⁹ *Comments of the Alaska Rural Coalition*, GN Docket No. 12-228, before the FCC (Sept. 20, 2012) (“*ARC Broadband Standards Comments*”) at 3 (“The remote nature of these unserved locations in Alaska means that their residents have the greatest need for advanced telecommunications, especially regarding vital services like emergency response, telemedicine and distance learning.”); *see, e.g.*, Kim Severson, *Digital Age is Slow To Arrive in Rural America*, N.Y. Times, (February 17, 2011), available at http://www.nytimes.com/2011/02/18/us/18broadband.html?pagewanted=all&_moc.semit (“In rural America, only 60 percent of households use broadband Internet service.”); *see also Alaska Rural Telehealth Network*, <http://www.nrtrc.org/about/network-profiles/artn/> (last visited Sept. 13, 2012) “In Alaska, the healthcare workers practicing in hospitals, clinics, and community health centers are essential to the delivery of acute and primary care services to small, rural, and remote communities. Although the majority of Alaska’s population is located outside the greater Anchorage area, the majority of healthcare providers in Alaska (e.g., physicians, PAs, RNs, physical therapists) are located in its three largest cities. As a result, rural clinicians practice in a generalist’s environment, but where they often need to have specialty knowledge and expertise. This dichotomy is further complicated when you consider the limited opportunities for continuing education and access to specialty consultations available because of travel costs, geographical and weather restrictions, and a general lack of or inability to arrange for clinical coverage during absences.” *Id.*

¹⁰ *Further Inquiry* at para. 9.

determine support using this method.¹¹ As the ARC has indicated above, service areas in Alaska are very large, and are characterized by swaths of sparsely populated terrain and very few more densely populated urban areas. Determining support for these large rural areas based on the availability of service at a central location, where service may be much cheaper to provide and maintain, will prove disastrous for rural carriers and their customers.

The expense to carriers of providing service in a study area is based on the cost of service across the entire service area, not on the cost in any one location. The centroid method simply does not take into account the full expense of maintaining a comprehensive, interconnected network needed to provide service in a study area. Use of the centroid method would be particularly damaging to carriers in Alaska, where service territories are generally very large. Without access to the core network, service to individual locations would be impossible. If the Commission chooses to use the centroid method to determine eligibility for support, the ARC respectfully suggests that the Commission consider exempting Alaska from that mechanism based on its large census blocks and the larger size of its service areas relative to the rest of the nation.

C. The Proportional Method Represents the Best Option To Accurately Determine Areas With An Unsubsidized Competitor.

The Commission requests comment on whether it should consider alternative methods for determining an area's eligibility for support, such as the proportional method.¹² As a workable alternative to the Mosaik database and the centroid method of determining eligibility for Phase II support, the ARC supports the use of a proportional method to determine whether or not a census

¹¹ See *ACS Comments* at 16; *Comments of the Rural Telecommunications Group, Inc.* WC Docket No. 10-90, Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, before the FCC (Jan. 18, 2012) at 12-13.

¹² *Further Inquiry* at para. 9.

block, or other relevant measure of a service area, should be considered eligible for high-cost support. A proportional measure would assess the percentage of coverage across the entire service area as a whole, and would award support to those service areas where the percentage of coverage is below a certain threshold proportional to the area.¹³ As the ARC has indicated above, the Mosaik and centroid methods of determining support eligibility are very likely to exaggerate the actual availability of coverage in Alaska's large service territories, particularly in the most rural and hardest-to-reach regions of those areas, putting at risk the future of reliable service to customers in those areas.

The ARC proposes that the Commission consider awarding Phase II capital support to areas with 50% or less coverage across a carrier's entire service area. With this method, the Commission would be using the current absence of coverage in populated rural regions of service areas as a clear indication that serving those areas is unlikely to be profitable. Use of a 50% proportional method would mean that the Commission will adequately and appropriately address the needs of extremely rural areas where the availability of service remains an ongoing question.

If the Commission is unwilling to adopt a proportional method for determining all Phase II support, the ARC urges the Commission to consider using the proportional method as an alternative mechanism for Alaska. An exemption for Alaska from either the Mosaik or centroid method would ensure that the relatively greater size of Alaska's service areas,¹⁴ along with the

¹³ See *Transformation Order* at para. 344.

¹⁴ *RCA Comments* at 4-5 ("Alaskans may be left behind by the FCC's reforms to universal service, which do not adequately consider our state's unique challenges. The FCC has heard it many times: Alaska is different. Our vast size, small population, extreme weather and landscapes, and high costs have been described in numerous filings.").

significant and unique weather and terrain-related challenges faced by rural Alaska carriers,¹⁵ does not distort the Commission’s determination of the true availability and cost of providing coverage in some of our nation’s remotest and highest-cost areas.

The Commission must consider the impacts to existing rural wireless networks of the loss of support and whether the loss of that support will cause service to degrade or be lost. The wireless networks serving Remote Alaska depend on high cost support not only for capital but also ongoing operational costs. The loss of support will render many wireless networks unviable and lead to a complete loss of service in many areas. A priority should be assigned to awarding support needed to maintain existing networks and preventing the loss of service or the lessening of existing coverage.

An additional factor the Commission must consider is ensuring the deployment of wireless networks that will support the various wireless technologies that are currently in use. Customers currently have wireless providers that utilize CDMA technology or GSM technology. GSM customers cannot utilize the CDMA network nor can CDMA customers use the GSM network. Limiting support to one wireless network that deploys a particular technology will very likely create only one service choice for customers, and will deprive customers that travel to remote Alaska locations of vital roaming capabilities. For example, a GSM customer that travels

¹⁵ See *Reply Comments of the Alaska Rural Coalition*, WC Docket No. 10-90, WC Docket No. 05-337, before the FCC (July 23, 2012) (“*ARC Reply Comments*”) at 9 (“[T]he lack of roads, extreme climate and harsh geography of Alaska must remain in the forefront of the discussion when considering the role the Remote Areas Fund will play in Alaska”); *Comments of Alaska Communications Systems, Inc. in the matter of Connect America Fund*, WC Docket No. 10-90, Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, before the FCC (Jan. 18, 2012) at 3, n. 4 (“Almost everything about providing communications services in Alaska is unique and sets its service providers apart from what other carriers across the country experience.”) *Comments of General Communication, Inc. in the matter of Connect America Fund*, WC Docket No. 10-90, Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, before the FCC (Jan. 18, 2012) (“*GCI Comments*”) at 2-4 (“Alaska is a uniquely high cost area within which to provide any telecommunications, whether traditional telephony, mobile or broadband. Much of remote Alaska lacks even the basic infrastructure critical to most telecommunications deployment, such as a road system and an intertied power grid.”).

to a remote Alaska location that is only served by CDMA technology will not be able to roam on the wireless network, which in turn will make that customer's wireless service useless and possibly put that customer in physical harm in the event of an emergency.

III. The Commission Should Prioritize Underserved Rural Areas For Support.

The Commission seeks comment on whether to target Phase II support to areas lacking any mobile service or to areas lacking current generation (3G) service.¹⁶ The ARC wishes to re-emphasize, along with other rural carriers, its position that the Commission should prioritize Phase II support for carriers who currently provide service at 2G or less capacity.¹⁷ For carriers such as the ARC members, who primarily serve extremely rural, high-cost areas, providing even a 2G level of wireless service presents an ongoing challenge, both logistically and financially.¹⁸ These rural service areas are often so vast and sparsely populated that providing wireless coverage for a large area still only reaches a handful of customers.¹⁹ However, these customers' geographic isolation makes the availability of telecommunications services, particularly wireless coverage, exponentially more important for these customers' daily lives than for the average citizen in an urban area.²⁰ The ARC respectfully suggests that the Commission consider adopting a presumption that areas that have yet to achieve wireless coverage at speeds of 3G or

¹⁶ *Further Inquiry* at para. 10; *see also Transformation Order* at para. 1132.

¹⁷ *Further Inquiry* at para. 10.

¹⁸ *ARC Comments* at 22-23 ("The ARC believes that where 2G or higher service does not exist today in Alaska, there is no private sector business case, absent federal support, for the deployment of the network infrastructure needed to provide the service.").

¹⁹ U.S. Census Bureau, *Resident Population Data* (last visited Dec. 20, 2012) <http://2010.census.gov/2010census/data/apportionment-dens-text.php> (ranking Alaska 52nd in density among the 50 states, Puerto Rico, and Washington DC, with a population density of 1.2 people per square mile).

²⁰ *See supra* fn. 9.

higher are too sparsely populated for there to be a sound business case for building out such networks, and will therefore require high-cost support.

Because of the crucial nature of telecommunications services in these remote areas, the ARC also supports the Commission's use of bidding credits based on other relevant factors, to increase the likelihood that customers in these underserved areas will benefit from improved levels of service.²¹ Specifically, the ARC supports making a bidding credit available to carriers based on the poverty level of customers in their service area. The availability of such a credit could be structured around a threshold percentage of customers in a service area living at or below existing federal poverty guidelines, as established by current U.S. census data.²² The ARC also supports making a bidding credit available to carriers serving areas not accessible by the National Highway System. Lack of access to major highways is a strong indication of a customer's geographic isolation, and so of both the likelihood of lower service levels and of those customers' heightened need for access to the outside world via mobile telecommunications.²³ Such bidding credits would be most effective as additional measures supplementing the Commission's basic prioritization of areas currently lacking 3G service for Phase II support. Making such bidding credits available represents one way to effectively

²¹ *Further Inquiry* at para. 11.

²² In the alternative, the Commission could use existing Lifeline qualified households. *See also* Matt Hamblen, *FCC Says 93M in US lack broadband, digital divide grows*, Computerworld (Feb. 10,2010), http://www.computerworld.com/s/article/9160738/FCC_says_93M_in_U.S._lack_broadband_digital_divide_grows ("In the 21st century, a digital divide is an opportunity divide ... job creation and American competitiveness abroad require that' all Americans have the skills and means to fully participate in the digital economy. "); *see also* Songphan Choemprayong, *Closing Digital Divides: The United States' Policies*, 56 Libri 201 (2006) ("Since the emergence of information technology, the gap between information 'haves' and 'have-nots' has been broadening: the information rich become richer, while the information poor are poorer.").

²³ *Further Inquiry* at para. 10.

address the Commission’s desire to “assure that support goes to areas that would lose service absent the receipt of ongoing support.”²⁴

The Commission also seeks comment on how the availability of Remote Areas Fund support should affect the availability of Mobility Fund Phase II support to areas potentially eligible for both programs.²⁵ The ARC cannot stress enough how important it is that the Commission refrain from using the availability of the Remote Areas Fund to justify limiting any availability of Mobility Fund Phase II support to high-cost areas. The Remote Areas Fund is designed to bring services dependent on *wireline* infrastructure to our nation’s most rural and high-cost areas.²⁶ The Commission has already required for the first time that all carriers, including small ILECs serving remote areas, provide broadband to their customers at certain minimum speeds.²⁷ Most of these carriers face this mandate (and the threat of losing high-cost support based on failure to meet it) despite the undeniable fact that the middle mile infrastructure necessary to connect their last-mile local networks with the internet backbone either has yet to be built in their service areas, or has not been offered to the public at any reasonable or predictable price.²⁸ These carriers are depending on the already stressed Remote Areas Fund for the support necessary to construct this essential middle mile and meet the Commission’s service goals.

²⁴ *Further Inquiry* at para. 11

²⁵ *Id.*

²⁶ *See Transformation Order* at para. 1223.

²⁷ *See Transformation Order* at para. 101.

²⁸ *ACS Comments* at 8 (“The Commission’s model ignores the costs of extremely long haul middle mile transport in Alaska, especially by satellite and undersea cable, which are necessary to support delivery of the broadband speeds mandated by the Commission.”); *GCI Comments* at 28 (“As discussed above, middle-mile costs will be a significant (but not the only) component of the high costs of delivering any type of broadband – whether fixed or mobile – to Remote Alaska...middle mile is an essential component of providing affordable and reasonably comparable broadband services to rural Alaska, and of creating a communications infrastructure that can support critical public health, education and safety needs.”); *RCA Comments* at 19 (“Funding for middle mile infrastructure is essential to deployment of broadband in Alaska.”).

Assigning weight to the Remote Areas Fund in the provisioning of wireless support risks straining the Fund's limits beyond capacity, unnecessarily confusing two distinct mechanisms of high cost support, and, ultimately, undermining the Commission's goals of universal service in *all* areas, even those with a high cost of service. For example, the Commission could easily exhaust the entirety of the Remote Areas Fund were it to use the Fund to procure the satellite capacity necessary to provide mobile coverage across Alaska. So long as the Commission requires carriers to provide services at speeds requiring wireline infrastructure, it must not enact policies suggesting that the availability of funds directed at wireless services can serve as a substitute for wireline support, or vice versa.

IV. Definition of Bidding and Coverage Units Will Play a Significant Role In Directing Funds to the Neediest Areas.

The Commission seeks comment on its proposal to establish Mobility Fund bidding units based on the number of road miles in each eligible area.²⁹ While the ARC appreciates the Commission's reasons for using road miles as a metric in most areas of the country, road miles are a completely inappropriate measure for Alaska. As the ARC has explained before, populated communities in Alaska are often separated by enormous wilderness areas that contain no roads.³⁰ Travel between remote populated areas generally occurs via methods more suited to the state's variable terrain, such as airplane, ATV, snow machine, boat or regional commercial aircraft. If the Commission were to determine Alaska's need for Mobility II funding based on road miles, the resulting data would likely suggest that Alaska is a very small state with little need for Mobility funds. Nothing could be further from the truth.

²⁹ *Further Inquiry* at paras. 12-13; *see also Transformation Order* at para. 1133.

³⁰ *See supra* note 15.

In fact, the Alaska citizens whose primary method of travel occurs via airplane, ATV, or commercial fishing boat depend on the availability of mobile coverage not only for daily life, but also for access to essential safety and rescue services while in transit.³¹ The stakes of mobile coverage are much higher in Alaska, where a stranded traveler risks exposure to harsh, wild conditions far beyond those found at a typical highway rest stop in the Continental U.S., and without the likelihood of help from passing motorists. In Alaska, mobile coverage can actually represent the difference between life and death, and it would defy all logic for the Commission to determine, using a road mile metric, that Alaska needs no Phase II funding because it lacks roads. It is Alaska's very lack of roads that makes mobile coverage for its citizens so essential.

Given the inappropriateness of a road mile metric for Alaska, the ARC supports the Commission's use of an alternative metric such as terrain, topography, or average cost of service per square mile to determine bidding units for Mobility Fund Phase II. If the Commission wishes to use road miles as a measurement for the Lower 48, we respectfully urge that it *must* create an exemption or alternative metric for Alaska and other remote areas without roads. Whether this metric is geographically based or simply based on average cost of service per square mile, it must capture the unique characteristics of the remotest areas of the country.

V. A 10 Year Support Horizon Encourages Predictability in Funding.

The Commission seeks comment on the term of support available for Mobility Fund Phase II funding.³² The ARC believes that a 10 year term for Phase II support provides the predictability and sustainability carriers need to make prudent network investments. Deployment in Alaska takes substantial time given the short construction season and onerous process to

³¹ See *supra* note 9.

³² *Further Inquiry* at para. 15.

procure equipment and deploy it. Recovery of investment in sparsely populated areas cannot reasonably occur in a timeframe less than 10 years. A term of support much shorter than 10 years could cause significant hardship for carriers serving Alaska.

The Commission expresses concern regarding the term of support and the dynamic nature of the industry.³³ It is difficult to deny that there is a trade-off between a longer term of support and the Commission's ability to respond to changes in the industry. However, it is the ARC's experience that the areas in the most need of the available support are likely to respond to dynamic changes slower than urban areas. Areas of dense population drive innovation and change. There is little need for support in these areas. In contrast, rural and Remote Areas lack adequate population to make radical changes on a short time horizon. The public interest is best served by providing a longer term of support to create the best environment possible to extend the highest quality of service available to rural and Remote Areas.

VI. Participation by Small Telecommunication Carriers Is Critical To Fulfilling The Commission's Intent For The Mobility Phase II Fund.

The Commission seeks comment on the appropriate eligibility requirements to participate in Mobility Fund Phase II.³⁴ The Commission previously proposed³⁴ that the same eligibility requirements would apply to Mobility Fund Phase II as were imposed upon providers seeking Mobility Fund Phase I support.³⁵ The ARC has expressed serious reservations with the difficulty

³³ *Id.*

³⁴ *Further Inquiry* at paras. 16-18.

³⁵ *Further Inquiry* at para. 16 (citing *FNPRM* at para. 1140).

small carriers serving rural and remote areas would have in complying with some of the eligibility requirements.³⁶ Other rural carriers shared the concerns of the ARC.³⁷

A. Remote Areas Fund Should Have No Role In Mobility Fund Phase II.

The Commission seeks comment on the interrelationship between Mobility Fund Phase II and other universal service support mechanisms.³⁸ The ARC believes that if a carrier or its affiliate qualifies for support under one mechanism, it should not be disqualified from receiving other support, particularly when the support is targeted towards totally different infrastructure. The Commission has adequate reporting mechanisms to ensure that no carrier receives “redundant support for the same service in the same areas.”³⁹

The Commission seeks comment on any interrelationship between eligibility for Mobility Fund Phase II and the Remote Areas Fund.⁴⁰ The ARC is frankly alarmed at the Commission’s suggestion that the Remote Areas Fund has any role in eligibility for Mobility Fund Phase II. The Remote Areas Fund is unlikely to contain adequate funding for the highest cost areas, many of which are located within Alaska, and the ARC does not believe that Mobility Fund Phase II should have any relationship to the Remote Areas Fund. If any relationship exists, it should be to provide a bidding credit for carriers serving Remote Areas in Mobility Fund Phase II. It is difficult to understand what the potential relationship could be given the lack of clarity about the

³⁶ ARC Comments at 20-21. “It is unlikely that a small carrier could obtain an LOC proposed by the Commission, as compared to a larger carrier with more assets serving densely populated areas.” *Id.*

³⁷ See, e.g. *Comments of the Blooston Rural Carriers in the matter of Connect America Fund*, WC Docket No. 10-90, Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, before the FCC (Jan. 18, 2012) (“*Blooston Comments*”).

³⁸ *Further Inquiry* at para. 17.

³⁹ See *Further Inquiry* at para. 17.

⁴⁰ *Further Inquiry* at para. 17.

Remote Areas Fund, but given the significant challenges facing carriers in the very highest-cost areas, such as Alaska, any preference for sustainable and predictable funding should be encouraged.

B. Small Business Participation Essential For Successful Allocation of Funds.

The Commission specifically seeks comment on the eligibility of small businesses for a bidding preference in Mobility Fund Phase II in light of the experience gained in Mobility Fund Phase I.⁴¹ The ARC believes the results of Phase I underscore how important bidding preferences for small businesses are to successful participation by them. The only Alaska carrier to successfully participate and win support was General Communication, Inc. (“GCI”).⁴² GCI, a large publicly traded company, received more than \$3 million in support.⁴³ Other, smaller carriers could have used support to achieve the goals of the Commission, but the eligibility requirements were too onerous to achieve and the opportunity too remote to justify the expense of participation.

To facilitate the participation of small businesses, the ARC supports waiving or eliminating the Letter of Credit (“LOC”) requirement for small carriers. Many parties, including the ARC, have described the difficulty in obtaining a LOC.⁴⁴ To the best of the ARC’s knowledge, the Rural Utility Service, a key lender to Alaska carriers, is not issuing LOCs. Likewise, CoBank, an alternative lender to rural Alaska carriers, has disputed that onerous

⁴¹ *Further Inquiry* at para. 18.

⁴² See http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-12-1566A2.pdf for a complete list of winners.

⁴³ Per GCI’s Third Quarter 10Q on file with the Security and Exchange Commission GCI’s total assets were approximately \$1.5 billion, and revenues for the first nine months of 2012 were \$526.5 million.

⁴⁴ ARC Comments at 20-21.

financial penalties are necessary to curb waste and abuse by small, rural carriers.⁴⁵ Since the concerns of the ARC and other rural carriers for eligibility were proven in the results of Mobility Fund Phase I, the ARC believes the record supports Commission consideration of relaxed eligibility requirements for Mobility Fund Phase II.

The ARC believes a bidding credit is “important to smaller carriers’ ability to effectively compete at auction.”⁴⁶ High-cost support has been invested in the deployment of essential mobile infrastructure. To leave small, rural companies without critical funding would effectively waste that investment. It is in the public interest to providing support to the small companies who have built networks in the highest-cost areas that cannot survive without an explicit funding mechanism.

VII. Tribal Priority Units Are Critical To Providing Mobile Service To Alaska, But Must Be Carefully Constructed To Reflect The Realities of Alaska.

The Commission seeks additional comments on its targeted provisions to address connectivity challenges on Tribal Lands.⁴⁷ The Commission specifically seeks comment on the potential usage of tribal priority units to “afford tribes an opportunity to identify their own priorities.”⁴⁸ While the ARC appreciates how that effort might benefit tribes in the Lower 48 states, the unique tribal structure of Alaska would render the approach virtually useless. As the ARC and other Alaska carriers have previously discussed, Alaska tribal governments are

⁴⁵ See generally Comments of CoBank ACB, filed April 18, 2011.

⁴⁶ *Further Inquiry* at para. 18.

⁴⁷ *Further Inquiry* at para. 20 (referencing *FNPRM* at paras. 170-71).

⁴⁸ *Further Inquiry* at para. 20.

decentralized.⁴⁹ The lack of well-defined tribal governmental entities presents several challenges in Alaska that differ from the rest of the nation. For example, meeting the tribal consultation requirements outlined in the *Transformation Order* creates a significant process for each carrier given the volume of different entities that might be considered to be covered by the new regulations.⁵⁰

There are few tribal governments in Alaska ready and able to step up and create telecommunications carriers capable of bidding for Phase II funds. Some members of the ARC are comprised of cooperatives that have Native employees and management serving Native communities. As the ARC as previously commented, these companies and their customers would benefit from a similar mechanism to the tribal priority units.⁵¹ The ARC advocates providing the Tribal priority units, as well as the 25 percent Tribal bidding credit, to companies that are locally owned, including but not limited to cooperatives, serving Native Lands in Alaska.⁵² Tribal entities have ample opportunity to comment to the relevant carrier, the Commission or the Regulatory Commission of Alaska regarding their priorities, but few have the expertise, experience or infrastructure to actually provide service.⁵³ In the alternative, the ARC would support a delegation of the responsibility of assigning Tribal priorities to the Regulatory Commission of Alaska. Based on previous comments by the Regulatory Commission of Alaska

⁴⁹ The Alaska Native Claims Settlement Act set up 13 regional corporations plus 200 village corporations, which supplanted the historical tribal entities in Alaska and created a daunting task of coordinating between the parties for soliciting input. *See* 47 U.S.C. §§ 1601-1624.

⁵⁰ *Transformation Order* at para. 489.

⁵¹ ARC Comments at 26-27.

⁵² ARC Comments at 26-27.

⁵³ ARC Comments at 27.

to the Commission, we believe Alaska regulators could stand for the statewide Tribal interests in a way that no other entity could given the unique structure of Alaska Tribal governance.

The Commission seeks comment regarding whether a system of Tribal priority units should be used in both the general and the Tribal Mobility Fund Phase II.⁵⁴ The ARC supports using Tribal priority units in both auctions. The very limited funds in the Tribal Mobility Fund Phase II could easily be depleted. It would benefit Tribal areas to receive priority units in both auctions. To provide an equitable opportunity for Alaska communities to benefit from the available funding, the Commission should ensure that Alaska carriers benefit from both the Tribal priority units as well as the 25% bidding credit.

VIII. Conclusion.

The ARC appreciates the Commission's recognition that Alaska differs from the rest of the country.⁵⁵ The ARC concurs with the Commission and other Alaska carriers that the rules regarding eligibility and distribution of Mobility Phase II funding must reflect the reality of Alaska. To lump Alaska into the general rules threatens the availability of next generation service in the state and contravenes the Commission's stated goals for the Mobility Program.

The ARC believes that the Commission should determine eligibility for support based on whether or not a carrier is currently able to offer and sustain affordable service at the Commission's desired 3G speeds, and supports factoring poverty rates within a service area and lack of access to the National Highway System into eligibility for Phase II support. The ARC has made clear that the Remote Areas Fund was designed to support areas where adequate wireline services do not exist, and should not be a factor in the determination of eligibility for

⁵⁴ *Further Inquiry* at para. 20.

⁵⁵ *See, e.g., id.*

wireless support. The ARC further indicates that measuring coverage in Alaska by road miles would be illogical and devastating to future deployment in the state, and that a 10-year or longer period of Phase II support will support investment necessary to bring mobile services to our customers.

The ARC supports the issuance of bidding protections or credits to small businesses, and emphasizes that Commission's current LOC requirement for carriers is likely to undermine the Commission's goals of universal service. Finally, the ARC has provided suggestions for implementing the Commission's goals of tribal self-determination and empowerment in Alaska. The ARC supports the Commission's goals in instituting the Mobility Fund Phase II program. However, the unique challenges to carriers in Alaska must be addressed if the Commission is to implement the program successfully.

Respectfully submitted on this 21st day, December 2012.

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