

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

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
Universal Service Reform—Mobility Fund)	WT Docket No. 10-208

**REPLY COMMENTS OF GENERAL COMMUNICATION, INC.
ON MOBILITY FUND PHASE II**

I. INTRODUCTION AND SUMMARY

General Communication, Inc. (“GCI”) files these reply comments in response to the Commission’s Public Notice seeking further comment with respect to the implementation of Mobility Fund Phase II.¹ Like many other commenters, GCI urges the Commission to fully understand the results of Mobility Fund Phase I before proceeding to implement Mobility Fund Phase II. Furthermore, comments underscore the extent to which support set aside for Mobility Fund Phase II are likely to be inadequate to fulfill the Commission’s universal service objectives, as GCI has already demonstrated will be the case in Alaska. The Commission needs to consider supplementing the Mobility Fund Phase II support amounts, whether from unused CAF Phase I support or from other sources. Given that support is likely to be insufficient, to the extent that the Commission adopts a reverse auction approach—which, as commenters point out, was only one option in addition to a model-based approach—it should not adopt bidding credit approaches

¹ See *Further Inquiry into Issues Related to Mobility Fund Phase II*, Public Notice, DA 12-1853, WC Docket No. 10-90 and WT Docket No. 10-208 (rel. Nov. 27, 2012) (“Public Notice”).

that focus on the identity of the provider (e.g., rural telephone company, small business or tribal entity) rather than on the characteristics of the area to be served (e.g., 2G unserved, very low density areas, Tribal lands). In the context of limited funds and a reverse auction, bidding credits that increase the cost to the fund over more efficient alternatives, as opposed to prioritizing needy locations, will necessarily mean *excluding* support for some higher cost areas that will be among the areas most needing support.

The comments also contain several important suggestions that the Commission should address. AT&T correctly observes that the Commission has not adopted a definition of “unsubsidized competitor” for the Mobility Fund Phase II. It will need to do so. The Commission should also permit carriers to demonstrate compliance with public interest requirements through propagation models rather than drive testing, which is costly and difficult. Furthermore, in areas in which there are no certified wireless ETCs, the Commission should permit bidders who commit to filing an ETC application to participate in the auction, and then to obtain ETC designation.

II. THE COMMISSION SHOULD NOT RUSH TO IMPLEMENT MOBILITY FUND PHASE II, BUT SHOULD BE SURE IT CAN EVALUATE THE RESULTS OF PHASE I.

Several commenters urge the Commission to evaluate fully the results of Mobility Fund Phase I before finalizing Phase II.² GCI agrees with these commenters. The Commission has

² See Comments of the Alaska Rural Coalition Comments, at 3, WC Docket No. 10-90, WT Docket No. 10-208 (filed Dec. 21, 2012)(“ARC Comments”)(“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”); Comments of United States Cellular Corp., at 7-8, WC Docket No. 10-90, WT Docket No. 10-208 (filed Dec 21, 2012)(“U.S. Cellular Comments”)(“More time is necessary to develop an informed judgment regarding whether the implementation and operation of the Phase I reverse auction sheds any light on the advisability of using a reverse auction mechanism to disburse Phase II support.”).

only gone through the step of holding the auction, and has not yet even completed the review of long forms and granting of awards. Moreover, it will be some time before the on-the-ground results of Phase I can be evaluated. Rather than moving quickly to a reverse auction-driven Phase II that largely parallels Phase I, the Commission should be able to make a fuller assessment of Phase I results.

III. A COST MODEL WOULD HELP DETERMINE WHETHER MOBILITY FUND II WILL BE INSUFFICIENT TO MEET THE COMMISSION’S UNIVERSAL SERVICE OBJECTIVES.

The Competitive Carriers Association and US Cellular argue strongly that the Commission should pursue the development of a wireless cost model, just as it is developing a wireline cost model.³ GCI agrees that the Commission should—and indeed must—develop a cost model, even if it ultimately distributes support using reverse auctions. A cost model will allow the Commission to roughly gauge whether the \$500 million in annual support set aside for Mobility Fund Phase II is even close to sufficient to meet the universal service objectives that the Commission has established for mobile services.

The Commission needs to have some estimate as to the relative costs of its universal service objectives so that it can appropriately prioritize the limited funds that are available. As the Competitive Carrier Association notes, the \$500 million for recurring annual support for mobile services in Mobility Fund Phase II pales when compared with the \$1.8 billion per year that will be made available, in the first instance, to price cap incumbent local exchange carriers under Connect America Fund Phase II, or the over \$2 billion that continues to be paid to the rate-

³ See Comments of Competitive Carrier Association, at 6-7, WC Docket No. 10-90, WT Docket No. 10-208 (filed Dec. 21, 2012)(“CCA Comments”); U.S. Cellular Comments at 11-12.

of-return incumbent LECs.⁴ By modeling wireless costs as well as wireline costs, the Commission can compare the relative uses of these scarce funds, and better determine whether the amounts it has set aside are sufficient to meet its universal service objectives.

As stated in its comments, GCI will be providing the Commission with its own model of the incremental costs of upgrading Alaska to mobile wireless service with data speeds of 786 kbps downlink and 200 kbps uplink. This model demonstrates that Alaska will need more sustained recurring long term high cost support than the \$78 million it currently receives in Remote Alaska support.⁵ This suggests strongly that, if the Commission wishes to achieve its universal service objectives for mobile service in Alaska, it will need to direct more, not less, support to Alaska as part of Phase II.

IV. IN A REVERSE AUCTION, THE COMMISSION SHOULD ONLY ADOPT BIDDING CREDITS TIED TO THE NATURE OF THE AREA TO BE SERVED, AND NOT TO THE CHARACTERISTICS OF THE ETC.

Several commenters propose bidding credits tied to the nature of the provider, such as for a small business, a rural telephone company, or a tribal owned entity, rather than based on the nature of the area to be served. While such credits may be worthwhile public endeavors in other settings, in the context of a reverse auction for a limited amount of universal service support, such credits serve only to reduce the areas that will be supported, and thus reduce the effectiveness of the Commission's universal service program. Instead, the Commission should use bidding credits only to prioritize certain areas over other areas, based on the characteristics of the area, rather than the ETC provider.

⁴ See CCA Comments at 2-3.

⁵ See Comments of General Communication, Inc., at 2-3, WC Docket No. 10-90, WT Docket No. 10-208 (filed Dec. 21, 2012)(“GCI Comments”).

A bidding credit changes the level at which a bid is “scored” for the purposes of making awards, but not the amount of support actually disbursed. Thus, if the Commission has a 25% bidding credit and an ETC bids \$1000 per road mile, because of the bidding credit, the Commission will evaluate it as if it were a bid at \$750 per road mile. However, the actual amount of support still paid is \$1000 per road mile, and it is this amount that will be counted against the total cap on support.

In the context of a credit based on the nature of the area to be served—such as being an area not served by 2G service or a very low density area or a Tribal land—this makes sense, as it simply serves to prioritize those areas over, for example, a higher density area that already had 2G service for which a bid was submitted at \$850 per road mile. Within a given geographic area, all bidders are treated the same, *i.e.*, all ETCs serving that area receive the same bidding credits. Although one *area* is prioritized over another, the fund reaches all supported areas at the lowest amounts bid, *i.e.*, in the most efficient manner.

This is not the case, however, if the bidding credit turns on the nature of the ETC, rather than the area it serves. If the 25% credit were awarded, for example, to an incumbent LEC that is a “rural telephone company,” as some commenters propose, then the rural telephone company’s \$1000/road mile bid would be selected over another ETC’s \$850 per road mile bid, *even for the same geographic area*. The consequence of spending \$1000/road mile, when the same service could have been delivered for \$850/road mile means that the capped fund has less remaining support to award to other bidders. This inevitably means that not only is the fund paying more than the minimum amount needed to support service in a particular geography, but it is also reducing the total number of areas that can be supported within the limits of the capped fund. This is different than, for example, with auctions for spectrum licenses, in which awarding

a license in one area at a lower price due to a bidding credit does not affect the distribution of licenses in other areas.

For this reason, the Commission should reject requests for “small company,” small business, or rural telephone company bidding credits.⁶ The Blooston proposal for a bidding credit for a rural telephone company should also be rejected because it is not competitively neutral. The only companies that are rural telephone companies are the rural wireline ILECs. There is simply no reason to favor rural wireline ILECs and their affiliates in a competitive bid for support for mobile services. Similarly, the Commission should prioritize service to tribal areas, rather than tribal ownership, as GCI has previously proposed.⁷

V. OTHER ISSUES.

A. Definition of “Unsubsidized Competitor.”

AT&T correctly points out that the Commission’s definition of an “unsubsidized competitor” addresses only fixed services, rather than mobile services.⁸ The Commission will have to develop such a definition. The Commission should not, however, adopt the Alaska Rural Coalition’s proposal to consider support outside of the high cost support mechanism, such as rural health care support or e-rate, when determining whether a provider is “subsidized.”⁹ Under that proposal, GCI’s wireless service in Anchorage would be considered “subsidized,” even after

⁶ See ARC Comments at 18-19 (small carrier credits); Comments of the Rural Telecommunications Group, Inc., at 14, WC Docket No. 10-90, WT Docket No. 10-208 (filed Dec. 21, 2012)(small carrier credits); Comments of USA Coalition, at 15-16, WC Docket No. 10-90, WT Docket No. 10-208 (filed Dec. 21, 2012)(small business credits); Comments of the Blooston Rural Carriers, at 6-7, WC Docket No. 10-90, WT Docket No. 10-208 (filed Dec. 21, 2012)(“Blooston Comments”).

⁷ See GCI Comments at 12.

⁸ See Comments of AT&T, at 4 & n.4, WC Docket No. 10-90, WT Docket No. 10-208 (filed Dec. 21, 2012).

⁹ See ARC Comments at 6.

phase out of CETC support outside of Remote Alaska, simply because GCI provides e-rate service to some Anchorage schools.

B. Eligibility for Carriers that Will Seek ETC Designations in Areas with no Wireless ETCs.

The Blooston Rural Carriers suggest that the Commission permit carriers that file for an ETC designation within a particular window be eligible to participate so long as the ETC designation is granted prior to the start of actual bidding.¹⁰ While this proposal is probably more than is necessary, the Commission should consider such an exemption for areas for which there is no wireless ETC designated and no wireless service being provided. In those areas, the market has clearly demonstrated that there is no business case for wireless operations. The Commission should thus allow for bidding contingent upon obtaining ETC designations for those areas. Otherwise, a carrier may have to commit to providing service that it would only provide if it is awarded support through the auction.

C. The Commission Should Consider Whether Bidding Based on Cost Per Square Mile Could Have Unintended Consequences.

The Alaska Rural Coalition suggests using costs per square mile, rather than costs per road mile. While GCI is sympathetic to the concern that the Alaska Rural Coalition is seeking to address—the lack of roads outside of the areas in Alaska with access to the National Highway System—the use of costs per square mile could have unintended consequences. Alaska has some census blocks that are extremely large but nearly empty. Such a formula may divert support from neighboring census blocks with greater population, providing support for extremely sparsely populated areas, but not for the core of villages where most Alaskans in these areas live.

¹⁰ See Blooston Comments at 12.

The Commission should carefully examine the results of different bidding units before it settles on one.

D. The Commission Should Permit Demonstration of Compliance with Public Interest Requirements through Propagation Models.

Atlantic Tele-Network, Inc. (“ATN”) suggests that the Commission should permit demonstration of compliance through propagation models rather than only through drive testing.¹¹ GCI supports this proposal. Drive testing is costly and difficult, especially in areas such as Alaska in which there are few roads, or where many of the “roads” are seasonal trails. ATN’s proposal would reduce compliance costs.

VI. CONCLUSION

The Commission should defer further delineation of the Mobility Fund Phase II structure until it has further information on the implementation of Phase I, and until it has developed a cost model to determine whether the support it has set aside for Mobility Fund Phase II will be sufficient. If not, the Commission should seriously consider augmenting that support, particularly given the important public safety role played by mobile services.

¹¹ See Comments of Atlantic Tele-Network, at 16, WC Docket No. 10-90, WT Docket No. 10-208 (filed Dec. 21, 2012).

Moreover, if the Commission uses a reverse auction to distribute Mobility Fund Phase II, it should only utilize bidding credits focused on the nature of the areas to be served, and it should eschew bidding credits based on the nature of the ETC.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John T. Nakahata", is written over a solid horizontal line.

John T. Nakahata
WILTSHIRE & GRANNIS LLP
1200 Eighteenth Street, N.W.
Washington, D.C. 20036
(202) 730-1300

Counsel for General Communication, Inc.

Tina Pidgeon
Chris Nierman
GENERAL COMMUNICATION, INC.
1350 I Street, N.W., Suite 1260
Washington, D.C. 20005
(202) 457-8815

January 7, 2013