

Alaska Telephone Association

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BY ELECTRONIC FILING

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

Re: *Connect America Fund, High-Cost Universal Service Support,*
WC Docket Nos. 10-90, 05-337

Dear Ms. Dortch:

The Alaska Telephone Association (“ATA”) understands that the Wireline Competition Bureau is in the final stages of its work to adopt the Connect America Cost Model (“CAM”) version 4.1 in basically its present form. CAM v 4.1 will then be used as the basis for estimating the cost of deploying voice and broadband services meeting the requirements established in the above-referenced docket for price cap carriers nationwide.¹ If that CAM version 4.1 in fact represents a close-to-final version of the CAM, the ATA strongly urges the Bureau to recognize that its model substantially understates the costs of delivering the required voice and broadband services in Alaska. It is therefore a wholly inadequate basis for determining either CAF Phase II support levels or deployment obligations.

As but one glaring example, both General Communication, Inc. (“GCI”) and Alaska Communications Systems (“Alaska Communications”) have shown that the CAM’s middle mile architecture and assumptions diverge greatly from Alaska’s reality.² Multiple parties have concluded, based on engineering analysis, that the true cost of deploying middle mile transport necessary to support broadband services in

¹ Public Notice, WC Docket No. 10-90, “Wireline Competition Bureau Announces Availability of Version 4.1 of the Connect America Fund Phase II Cost Model,” DA 14-394 (rel. Mar. 21, 2014).

² See, e.g., *Connect America Fund*, WC Docket No. 10-90, Letter from Richard R. Cameron, Counsel for ACS (filed Mar. 28, 2014), at 2 (“CAM 4.1 grossly understates the cost of constructing middle mile transport facilities in the Alaskan Bush.”) (“ACS CAM 4.1 Comments”); *Connect America Fund*, WC Docket No. 10-90, Letter from John T. Nakahata, Counsel to GCI (filed Jan. 16, 2014), at 3-4 (“the CACM does not adequately model middle mile deployment outside of areas interconnected by roads.”).

unserved areas of the Alaskan Bush runs well into the hundreds of millions of dollars, far outstripping the CAM 4.1 projections. These include:

- ACS, which has estimated that the cost would run “well into the hundreds of millions of dollars to deploy fiber optic middle mile transport facilities to reach the 30 Bush communities currently included in CAF Phase II.”³
- GCI, which has estimated that the cost of delivering 768 kbps downlink and 256 kbps uplink mobile wireless broadband to certain areas of Alaska not receiving that level of service would reach a five-year net present value cost of \$596 million; roughly half of that figure represents the five-year costs of backhaul, and does not include the cost of deploying any new terrestrial fiber or microwave facilities in the Alaskan Bush.⁴ In addition, GCI required some \$88 million in federal Broadband Initiatives Program grants and subsidized loans to construct its initial TERRA-SW fiber-microwave facility.
- The Alaska Statewide Broadband Task Force, which estimates the cost of bringing broadband to all Alaskans, most of which is for middle mile facilities, to be well in excess of one billion dollars.⁵
- Quintillion Networks, which, in connection with the Arctic Fibre project that will link northern Alaska with Asia and Europe via a polar undersea fiber route, has estimated that it will spend approximately \$140 million to deploy terrestrial fiber spurs in the Alaska Bush to reach six communities that are not connected to fiber today.⁶

In light of these figures, it is plain that the middle mile cost estimates produced by the CAM 4.1 CQMM module for Alaska are unreasonably low. The CAM shows middle mile investment allocated to voice and broadband services of less than \$300 million of capital investment for the entire state of Alaska, including, as ACS has indicated, just \$5.6 million in supported middle mile investment to serve 30 Bush communities included in its illustrative CAF Phase II results of CAM 4.0 and 4.1.⁷ These figures are far removed from the consensus reality for the state.

³ ACS CAM 4.1 Comments, at 3.

⁴ *Connect America Fund*, WC Docket No. 10-90, Letter from John T. Nakahata, Counsel to GCI (filed Feb. 15, 2013), Attachment, William P. Zarakas and Giulia McHenry, The Brattle Group “Alaska Mobile Broadband Cost Model”, at 5. The \$596 million net present value cost excluded the cost of undersea cable.

⁵ Alaska Statewide Broadband Task Force, A Blueprint for Alaska’s Broadband Future (rel. Aug. 7, 2013), at 32 (available at: <http://www.alaska.edu/files/oit/bbtaskforce/2013-08-AK-Broadband-Task-Force-Report%7CA-Blueprint-for-Alaska%27s-Broadband-Future.pdf>).

⁶ ACS CAM 4.1 Comments, at 2.

⁷ *Id.*

Middle mile costs are only one example of the broad problems with the CAM not reflecting the real costs of doing business in Alaska, i.e., other elements of the CAM, including the cost of deploying the necessary local plant, fails to reflect reality. The CAM simply does not reflect the costs of delivering the required voice and broadband services in Alaska.

Given these shortcomings, the ATA urges the Bureau to recognize that CAM version 4.1, as currently constructed, is unsuitable for determining costs of voice and broadband deployment in Alaska, and should not be used to determine CAF Phase II support amounts of deployment obligations for any carrier in Alaska.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Rowe", with a long horizontal flourish extending to the right.

Copy to:

Daniel Alvarez
Rebekah Goodheart
Priscilla Delgado Argeris
Nicholas Degani
Amy Bender
Jonathan Chambers
Carol Matthey
Steve Rosenberg