Before the

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
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

REPLY COMMENTS OF GENERAL COMMUNICATION, INC.

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REPLY COMMENTS OF GENERAL COMMUNICATION, INC.

INTRODUCTION & SUMMARY

General Communication, Inc. (“GCI”) files these reply comments regarding the Federal Communication Commission’s (“FCC” or “Commission”) *Connect America Fund Notice of Proposed Rulemaking* (“CAF NPRM”).[1] Alaskan commenters all recognize the unique needs of Alaska and the negative implications that would result from the reductions in high-cost support proposed in the CAF NPRM. Any such reductions instituted prior to a long-term replacement mechanism would not only prevent network deployment in the hardest-to-serve areas such as

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1 *Connect America Fund, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Lifeline and Link-Up, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, A National Broadband Plan for our Future*, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 (rel. Feb. 9, 2011) (“*CAF NPRM*”).

Alaska, but also strand investment in some areas where networks have already been deployed. Other commenters share GCI's concerns, particularly as related to rural and wireless broadband availability and the negative implications of a single-provider-support construct for investment, innovation, and future upgrades on telecommunications networks in the nation's most rural areas.

GCI shares the Commission's goal of bringing universal broadband to Alaska and other hard-to-serve areas of the country. Alaska's experience shows that broadband is necessary to bring modern medicine and education to isolated, remote communities, and to give the people of those areas opportunities for economic development. However, the Connect America Fund ("CAF") as proposed will not accomplish this goal, and in fact, the precipitous withdrawal of high-cost support from Alaska that would occur prior to long-term CAF implementation (assuming that the long-term program itself were designed to meet the unique challenges of service throughout the state) has the potential to stop and even roll back the progress that GCI and other carriers have made in bringing both 20th and 21st Century telecommunications to Alaskans.

It is essential that the Commission ensure that support continues for existing networks in Alaska, and that any CAF support not only initial capital costs for last-mile broadband-capable networks, but also ongoing maintenance, operations, and upgrade costs for both last-mile and middle-mile facilities. As part of that solution, the Commission should implement an expanded Tribal Lands exception to any interim high-cost fund changes. In addition, the Commission must not proceed with a CAF that would support only one carrier in an area, whether through a right of first refusal or other ILEC-centric mechanism; doing so would harm both public safety and competition, and condemn rural Alaska to a future without the life-saving and life-enhancing benefits of mobile service – in contravention of Section 254's objective of comparable rural and urban access to telecommunications services.

The Commission needs to ensure that its 21st Century universal service fund will reflect the technology choices and preferences that consumers in urban areas are making. Nationwide surveys show that wireless is becoming the indispensable voice-capable network, supplanting wireline. Today, if the country were to shift to having only a single voice-capable network nationwide, twice as many adults would lose telephone service if wireless networks were shut down, versus a wireline network shut-down. As the Commission has said, "One of the most important opportunities afforded by mobile telephony is the potential for the American public to have access to emergency services personnel during times of crisis, wherever they may be."[2] That access will not happen if there is no wireless network in a rural area because the FCC decides to support only a wireline network in a high-cost area. "In fact, it is estimated that 70

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2 *Wireless E911 Location Accuracy Requirements*, Second Report and Order, FCC 10-176, ¶ 1 (rel. Sept. 23, 2010); *see also* Separate Statement of Chairman Julius Genachowski, *Proposed Extension of Part 4 of the Commission's Rules Regarding Outage Reporting to Interconnected Voice Over Internet Protocol Service Providers and Broadband Internet Service Providers*, PS Docket No. 11-82, FCC 11-74 ("When disaster strikes, the public must be able to make emergency calls to summon help, particularly those facing life-threatening situations."); Separate Statement of Commissioner Michael Copps, *Developing a Framework for Next Generation 911 Deployment, Notice of Inquiry; FCC 10-200, PS Docket No. 10-255* ("[W]e can all agree that the safety of the American public must always be our top priority."); Separate Statement of Commissioner Robert M. McDowell, *Proposed Extension of Part 4 of the Commission's Rules Regarding Outage Reporting to Interconnected Voice Over Internet Protocol Service Providers and Broadband Internet Service Providers*, *PS Docket No. 11-82*, FCC 11-74 ("My colleagues and I agree on the vital importance placed on voice calls to 9-1-1. All Americans rightly expect their emergency calls to go through, even though most may not understand the technologies involved, how the systems operate or their regulatory treatment."); Prepared Welcoming Remarks of FCC Commissioner Mignon L. Clyburn at NENA's "9-1-1 Comes to Washington Conference" Washington, DC (rel. Mar. 29, 2011) ("Commissioner Clyburn NENA Comments") ("One of the top priorities for any government -- federal, State, or local -- should be to ensure the safety of our citizens.")

percent of the 9-1-1 calls made last year, were from cell phones," as Commissioner Clyburn recently noted.[3]

Finally, the Commission should recognize Alaska's solution for intercarrier compensation in the state, and not penalize Alaska for developing and implementing its own forward-looking and tailored reforms.

I. ALASKA WILL NEED SUBSTANTIAL UNIVERSAL SERVICE SUPPORT TO BRING 21ST CENTURY COMMUNICATIONS TO RURAL ALASKA

A. Alaska is Uniquely Large, Sparsely Populated, and Lacking in Supporting Physical Infrastructure

It is widely-recognized that Alaska is unique in the United States with respect to geography, demographics, physical infrastructure and climate. Through time, Alaskan commenters including GCI have repeatedly stressed the impact that these features have on the provision of both basic and advanced telecommunications services in Alaska. The Regulatory Commission of Alaska ("RCA"), along with other Alaskan commenters in the CAF NPRM proceeding continued to stress this theme, which is as relevant to broadband as it is to other telecommunications services. As the RCA aptly and succinctly stated, in Alaska, "the vast distances between cities and towns, the geography, the lack of roads, the low population, and extreme arctic weather conditions make the deployment and provisioning of telecommunications services extremely challenging and expensive."[4]

[3] Commissioner Clyburn NENA Comments.

[4] Comments of the Regulatory Commission of Alaska, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 7 (filed Apr. 18, 2011) ("RCA Comments"); *See also* Comments of Alaska Communications Systems Group, Inc., WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 3-6 (filed Apr. 18, 2011) ("ACS Comments"); Comments of The Alaska Telephone Association, WC Docket Nos. 10-90, 07-135, 05-337, CC Docket Nos. 01-92, and GN Docket No. 09-51 at 6, 9 (filed Apr. 18, 2011) ("ATA Comments").

In no small part because of these factors, implementation of the changes to the high-cost support mechanisms as proposed would have a particularly devastating effect on Alaska and the availability of affordable and modern telecommunications in its rural areas in particular. As part of its comments in response to the CAF NPRM, the State Members of the Federal State Joint Board on Universal Service ("Joint Board") analyzed the state-by-state impacts of the proposed reforms on consumers. The following chart demonstrates the unacceptable effects that some of the proposed high-cost reforms would have on consumers in Alaska.[5]

Proposed Reform	Expected Rate Changes in Alaska	Alaska's Ranking
Eliminate corporate operations expenses from calculation	$5+ increase for more than 75% of subscribers	Not stated
Add LSS cost per line to HCL cost per line; use result as input for HCL distribution rules	$12.11 average local rate increase $5+ increase for more than 50% of subscribers	Highest state average rate increase
Concurrently reduce intrastate access rates to interstate access rates, eliminate corporate expenses, and reduce HCL support percentages	$30.91 average local rate increase	Highest state average rate increase

B. The Commission Should Take Care That it Does Not Inadvertently Terminate High-Cost Support to Areas In Which Networks, and Wireless Networks in Particular, Are Still Developing

Due to the challenging environment in which Alaskan telecommunications providers operate, despite hundreds of millions of dollars in investments, Alaskans still do not have universal access to even late 20th Century telecommunications. This fact is true particularly with

5 *See* Comments by State Members of the Federal State Joint Board on Universal Service, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 105-108 (filed May 2, 2011) ("Joint Board Comments").

respect to wireless service, both in rural, and to a lesser extent, urban areas.[6] The telecommunications networks have been highly dependent on high-cost Universal Service Fund ("USF") support in addition to private investment. The Commission should recognize the importance of USF and not inadvertently terminate such support where modern telecommunications networks are still developing and lagging behind the Lower 48.

As currently proposed, the CAF NPRM's proposals would effectively withdraw high-cost support in Alaska in the interim period before the implementation of the CAF. This withdrawal would lead to devastating effects on the current and future availability of wireless service in particular in Alaska. By all estimates, the interim proposals would eliminate the substantial majority of high-cost support presently flowing to Alaska. GCI emphatically agrees with Alaska Communications Systems ("ACS") that, "[w]hile the FCC's goals as reflected in its NPRM – including the ultimate deployment of ubiquitous broadband access – are clearly laudable, they should not be pursued at the expense of the successful delivery of basic and evolving advanced services by competing providers for the benefit of Alaska's residential, business and institutional customers."[7]

The RCA shares carriers' concerns. "Many of the FCC's proposals would have serious consequences for both existing voice services and deployment of broadband capable networks in Alaska….The proposed first phase of the CAF [] will have the unintended consequence of denying Alaskans critical broadband support,"[8] and "[p]roposals to phase out high cost support to competitive ETCs and replace it with the proposed CAF support will jeopardize wireless

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6 For instance, GCI plans to introduce HSPA and HSPA+ service this summer in Anchorage, Fairbanks, and Juneau.

7 ACS Comments at 7.

8 RCA Comments at 3, 8.

deployment in Alaska."[9] ACS similarly stressed the negative implications of a sudden and dramatic withdrawal of high-cost USF support, stating that, "[s]ubstantially curtailing or phasing out existing federal support mechanisms and intercarrier compensation would have disastrous impacts in Alaska….Elimination or even significant reduction of USF support places all rural services in jeopardy."[10]

Rural carriers outside of Alaska also highlighted the importance of maintaining existing and developing networks, particularly in rural areas which may not yet have achieved even universal early 21st Century telecommunications. GCI agrees that, "[a]lthough broadband and other IP-enabled services represent the future of telecommunications, the Commission should not lose sight of the reality that narrowband voice service remains an indispensable service, particularly for rural America. It will be many years before broadband service becomes a ubiquitous replacement for voice service in high-cost areas."[11]

High-cost support will remain critical in rural areas in particular to support the maintenance of existing wireless networks, much less upgrades to next-generation networks. As the Rural Telecommunications Group ("RTG") stated, "[w]ithout ongoing rural high cost support, many rural wireless carriers will be unable to afford to continue providing wireless service to their rural customers."[12] US Cellular similarly stated that unless the Commission makes changes to the CAF as proposed, including synchronizing the phase-down of high-cost

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9 *Id.* at 17.

10 ACS Comments at 2, 10.

11 Comments of the Rural Cellular Association, WC Docket Nos. 10-90, 07-135, 05-337, CC Docket Nos. 01-92, and GN Docket No. 09-51 at 20 (filed Apr. 18, 2011) ("Rural Cellular Association Comments").

12 Comments of the Rural Telecommunications Group, WC Docket Nos. 10-90, 07-135, 05-337, CC Docket Nos. 01-92, and GN Docket No. 09-51 at i (filed Apr. 18, 2011) ("RTG Comments").

support with new support mechanisms, "the proposed phase-down will slow or stall altogether the efforts of wireless carriers to bring their mobile broadband networks to rural and high-cost areas."[13]

II. THE COMMISSION SHOULD PLACE ALASKA ON A DIFFERENT UNIVERSAL SERVICE TRANSITION PATH THAN THE REST OF THE COUNTRY, INCLUDING IMPLEMENTING AN EXPANDED TRIBAL LANDS EXCEPTION TO ANY INTERIM HIGH-COST CHANGES

The Tribal Lands exception to the CETC cap has played a critical role in the development of Alaska's telecommunications infrastructure. GCI is in the midst of a statewide rural wireless deployment to extremely small rural communities outside the road system that would not have occurred without CETC support. The deployment would have to halt if the FCC eliminated CETC support in Alaska. Therefore, GCI again urges the Commission to place Alaska on a different USF transition path from the Lower 48, including imposing an expanded Tribal Lands exception that would maintain high-cost support during any interim period before CAF implementation. Such an exception would allow GCI and other providers in Alaska to continue their efforts to maintain and extend telecommunications service in Alaska.

Because of the proven success of the Tribal Lands exception and the dire consequences of withdrawal of legacy high-cost support in the interim period, Alaskan regulators and carriers are united in their support for an expanded Tribal Lands exception. The RCA, "urge[s] the FCC to continue to include Alaska in any special circumstances that are adopted for Tribal Lands, and remote and insular areas under the CAF."[14] The Alaska Telephone Association ("ATA"), "wholeheartedly" supports the GCI proposal, "that carriers serving Tribal Lands and Alaska

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[13] Comments of United States Cellular Corp., WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 7 (filed Apr. 18, 2011) ("US Cellular Comments").

[14] RCA Comments at 8.

Native Lands should be exempted from any reduction in competitive ETC support."[15] Finally, "ACS strongly urges the FCC to continue the special focus that it has afforded to Tribal Lands in the past, for example, with regards to CETC support….Existing levels of support for legacy networks should be continued on Tribal Lands."[16]

Other commenters – both Native and non-Native – similarly recognize the unique circumstances of Alaska and Tribal Lands, and support a continuation of the Commission's Tribal Lands policy. No commenters specifically argue against the continuation of that policy. The National Tribal Telecommunications Association supports, "[g]iving Tribal lands a carve-out from any cuts on USF support."[17] The National Cable and Telecommunications Association ("NCTA") also advocated for the Commission's giving special recognition to Tribal Lands. "Consistent with its prior recognition of the need for high-cost support in tribal areas and Alaska Native regions, the Commission should exempt providers serving these areas from the reductions in high-cost support."[18] Smith Bagley, Inc. also, "supports GCI's proposal that existing high-cost support to CETCs should not be phased down on Tribal lands."[19]

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[15] ATA Comments at 12; *see also id.* at 10-13.

[16] ACS Comments at 13.

[17] Comments of National Tribal Telecommunications Association, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 29 (filed Apr. 18, 2011) ("NTTA Comments").

[18] Comments of the National Cable and Telecommunications Association, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 7, n.20 (filed Apr. 18, 2011) ("NCTA Comments").

[19] Comments of Smith Bagley, Inc., WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 9 (filed Apr. 18, 2011); *see also id.* at 6 ("SBI requests the Commission to confer special status on Tribal lands, and the citizens therein who have been traditionally unserved and underserved for generations, to ensure that they receive high-quality advanced services from the service provider that they choose, consistent with Section 254(b)(3) of the Act. SBI urges the Commission to take no action that would threaten the ability of carriers operating on Tribal lands to continue to provide basic voice services.")

To introduce further fiscal discipline, the Commission could freeze existing CETC USF support per line on Tribal Lands. This proposal would provide stability for continued deployment and operations, but protect the fund against increases in CETC support per line during the interim period. The only fund growth for CETCs that would occur would be as a result of increased subscription in undersubscribed areas, which is a goal that the Commission should continue to promote on Tribal Lands. ACS in its comments also recognized and, "endorse[d] the concept of freezing per-line support for both wireline and wireless carriers on Tribal Lands as a reasonable compromise to balance both universal service objectives and the concerns about containing the growth of the Fund."[20]

GCI proposes that any per-line support cap be imposed only under the "hold harmless" exclusion to the interim CAF plan, and not under any new program designed to provide increased targeted support to a particular portion of Tribal Lands, *e.g.*, through a Tribal Lands bidding credit. It would be premature to determine that one should be set-off against another until the nature of any new mechanism is defined more clearly.

The Commission could also address significant outliers. For instance, it may make sense for the Commission to phase down all high-cost support (both ILEC and CETC) in areas that are presently among the "Top Ten" in per-line support, although the level to which that support should be phased down would likely be different in the Lower 48 than in non-contiguous areas.

III. ANY LONG TERM CONNECT AMERICA FUND MUST ADDRESS HIGH MIDDLE MILE AND OPERATING COSTS, ALONG WITH LAST MILE AND INITIAL CAPITAL COSTS

Both in Alaska and in other high-cost areas, the Commission must address middle mile and continuing high operating costs for both middle-mile and last-mile networks, in addition to

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[20] ACS Comments at 13.

supporting initial capital costs for last-mile networks. As referenced *supra*, "[t]he unique challenges Alaska's service providers face lead to especially high costs for *both* capital expenditures and operating costs."[21] Thus, both capital and operating expenses support is necessary to bridge the terrestrial middle-mile gap in rural Alaska, and will be essential to meeting the Commission's and the National Broadband Plan's ("NBP") objectives.

A. Support for Middle Mile is Critical to Meeting Alaska's Broadband Challenge

GCI shares the RCA's belief that, "the lack of affordable middle mile facilities is a key reason broadband deployment is not generally available in the remaining three quarters of the state."[22] ACS echoed the RCA's and GCI's view, noting that, "[m]ost of Alaska lacks adequate middle-mile and long-haul backbone facilities. It is unlikely that these facilities will be in place any time soon, yet they remain essential to facilitate any meaningful expansion of affordable broadband in the near term."[23]

Capital support for last-mile networks alone will not meet the broadband challenge in Alaska. Without adequate middle-mile networks, last-mile networks will never be able to deliver broadband services, as defined by the Commission. Level 3, an Internet backbone provider, summed up the problem, stating that,

> middle-mile facilities [] are essential for rural broadband deployment. Just as water will flow only as fast as it can get through the thinnest part of the pipe, rural consumers will not have actual wireless throughput of 4 Mbps download and 1 Mbps upload if there is inadequate capacity between the last-mile network and the connection to the Internet backbone.[24]

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[21] RCA Comments at 7 (emphasis in original).

[22] *Id.* at 24.

[23] ACS Comments at 11.

[24] Comments of Level 3 Communications LLC, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 21 (filed Apr. 18, 2011) ("Level 3 Comments").

Yet, capital support for that critical middle-mile component is missing from the CAF as proposed. As ACS stated, "A major impediment to broadband deployment in Alaska – the availability, adequacy and affordability of middle-mile and long-haul transport facilities – does not appear to be satisfactorily addressed by the FCC's proposed policies."[25] Thus, GCI joins ACS and again, "urge[s] the FCC to include middle mile funding in the CAF program"[26] to support deployment where needed and where no other available mechanism has been sufficient to stimulate or support deployment.[27]

B. Continuing Support for Operations and Maintenance Costs is Equally Critical

Providers of wireless networks in rural areas must meet and overcome the challenge of not just high initial construction costs for both middle-mile and last-mile facilities, but also high costs for ongoing operations and maintenance, capital maintenance, and, ultimately over time, network upgrades for low-population-density areas.[28] Network upgrades in particular are capital-intensive, yet necessary to keep pace with rapidly-changing technology. These needs would be best addressed through an ongoing flow of funds, rather than a one-time grant program as proposed in the CAF NPRM. GCI agrees with ACS's statement that, "most of Alaska will require significant ongoing operating support for broadband networks, beyond the one-time

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25 ACS Comments at 2.

26 RCA Comments at 24; *see also* Level 3 Comments at 22 ("To succeed at cost-effectively delivering broadband to unserved or underserved rural and high cost areas, the new Connect America Fund will need to address support not only for last mile network deployments in those areas, but also support for the necessary middle-mile facilities.")

27 GCI notes that where middle mile infrastructure exists or is underway, USF support to school and rural health care provider anchor tenants is a critical form of necessary ongoing support. Were any interruption in the E-rate and/or Rural Health Care programs to occur, or significant change in funding approaches to be adopted, the need for middle-mile support from the high-cost fund or alternative mechanism would be even more acute.

28 The same is true of competitive wireline providers, though their occurrence is less common.

infusion of capital for initial build-out."[29] GCI also agrees with the RCA's warning that, "the phase one CAF's provision to fund only construction costs may discourage potential Alaska bidders."[30]

Alaska is not alone in recognizing the need for ongoing support, particularly for rural areas that by nature have high per-line maintenance and operations costs. For instance, RTG argues that,

> [p]ermanent, ongoing support is vital to the provision of mobile broadband in high-cost rural areas. A 'one-time' injection of funding through the Commission's proposed Phase I CAF fast track program is helpful, but the proposal to ultimately phase out support does not take into account the ongoing costs of capital upgrades needed to provide essential mobile services in high-cost regions of the country. Additionally, projects undertaken using funding from programs that provide one-time support for broadband infrastructure, such as the FCC's proposed mobility fund or President Obama's wireless innovation initiative, will require ongoing support to be successful.[31]

Deployment of rural networks also requires large sums of private capital in addition to public funding. The Commission should enact policies that encourage, rather than discourage, such private investments. Not only do private investments lead to improved networks and availability of advanced telecommunications services – including broadband – but those investments also impose fiscal discipline on entities that are pursuing private investments to supplement USF and other implicit subsidies to fund capital projects.

Yet, obtaining private investment requires a predictable flow of funds, rather than a one-time grant, as proposed in the CAF NPRM. Indeed, "[a]ny negative change to the Commission's

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29 ACS Comments at 12.

30 RCA Comments at 9; *see also* ATA Comments at 10-11.

31 RTG Comments at 10; *see also* Comments of CenturyLink, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 19 (filed Apr. 18, 2011) ("CenturyLink Comments") ("With fewer customers to spread these costs across, providers in rural areas face significantly higher maintenance and operations expenses per line than carriers operating in more densely-populated areas.")

regulatory structure - including significant reductions in [] current federal high-cost support - will undermine the already dubious business case for broadband deployment in [unserved] areas….Stability in current USF funding is therefore a critical component in ongoing broadband investment."[32]

IV. IN ALASKA AND OTHER RURAL AREAS, LIMITING OR BIASING CAF SUPPORT TO ILECS THROUGH A RIGHT OF FIRST REFUSAL OR AN ILEC-CENTRIC ONE-NETWORK SUPPORT REGIME WOULD HARM PUBLIC SAFETY AND UNDERMINE 21ST CENTURY BROADBAND DEPLOYMENT

The CAF NPRM's proposed Right of First Refusals ("ROFR") for ILECs -- or any other ILEC-centric one-network support regime -- would be disastrous for rural ETCs like GCI and the customers they serve, would turn back the clock on rural broadband deployment, and more importantly, would harm public safety. In the CAF NPRM, the Commission appears to assume that a ROFR system would result in wireless carriers' continuing to serve rural areas, and that public safety needs – most notably, the ability for people to dial 911 during an emergency when they are not near a wireline phone – would be met. This assumption is not true in Alaska or in other rural areas where there would be no basic or broadband-capable wireless service without substantial USF support.

ACS (like GCI, an Alaska ETC), argues strongly that, "[t]here simply is no viable business case in Alaska for competitive networks, or even a single network in the vast majority of locations in the state, in the absence of federal support. Without multiple provider support, competitive service in most Alaska locations is simply out of the question."[33] "[A]t a minimum, strict application of a 'single supported entity' policy would result in the end of competition in rural Alaska. Worse, depending on how this policy is implemented, it could result in the

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32 CenturyLink Comments at 19.

33 ACS Comments at 8.

potential for all providers in very high-cost Alaska communities to seek withdrawal from these markets."[34]

The RCA – which must take into account the impact on not only ETCs, but also ILECs and statewide serve generally – also objects to the CAF NPRM's proposal to limit support to one broadband provider and "supports the FCC's proposal to create an exception within the rules for competitive ETCs to continue receiving support if they can certify they meet specified criteria."[35] The RCA also notes that "[s]ustainable voice and broadband in Alaska may require CAF support to more than one provider."[36]

The Commission cannot and should not ignore the transformation of wireless into the fundamental voice communications network for consumers. According to the National Center for Health Statistics, 42.6 percent of all adults receive all or almost all of their calls on their cell phones.[37] Indeed, the percentage of adults in wireless-only households (24.9 percent) is double that of adults in wireline-only households (10.9 percent) – a reversal from the first half of 2007.[38] In other words, if the Commission had to choose today to shut down either the wireline or wireless last-mile network nationwide, twice as many consumers would lose their only telephone service if the Commission were to shut down the wireless network as opposed to the wireline network. The percentage of adults in wireless-only households is higher among low-income

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34 *Id.* at 10.

35 RCA Comments at 18.

36 *Id.*

37 Blumberg, SJ, Luke JV, Wireless Substitution: Early Release of Estimates from the national Health Interview Survey, January – June 2010 at Table 2 (wireless only) and Table 4 (wireless-mostly) (December 2010) *available at*: http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201012_tables.htm#table1.

38 *Id*. at Table 1b. For January –June 2007, 12.6 percent of adults were in wireless-only households, and 20.8 percent of adults were in wireline-only households. *Id*. The number of phoneless households has been relatively constant.

consumers (39.3 percent), adults aged 25-29 (51.3 percent), among renters (47.1 percent), and particularly among adults living only with unrelated roommates (69.4 percent).[39]

Concern about the impact of a ROFR or other ILEC-centric, single-provider regime is not limited to Alaska. Rural, wireless and other non-traditional carriers, including cable companies, strongly disagree with such an approach. RTG shares GCI's concern about public safety, stating that, "[w]ithout ongoing support for wireless carriers to build out remote rural areas, residents and urban travelers in these areas will be without even the most basic access to emergency services."[40]

Beyond safety, there are significant competitive concerns about a single-provider approach. For instance, the Rural Cellular Association asks that the Commission, "emphatically reject any right of first refusal for incumbent LECs. A right of first refusal would be grossly anticompetitive and would simply preserve legacy inefficiencies and ensure higher costs and diminished innovation. It is directly contrary to the Commission's announced principles for reform."[41]

CTIA argues:

> [g]iving the wireline incumbent the option of becoming the only CAF recipient in its service area would flatly contradict the policies of competitive and technological neutrality. How can a mechanism be competitively neutral if only one company can participate? How can a mechanism be technologically neutral if only one provider is entitled to participate? Particularly if the Commission adopts its proposals to fund only one recipient of CAF support in a given service area, granting ILECs a right of first refusal ("ROFR") would lock in the ILEC's monopoly by indefinitely hindering competitive alternatives, whether cable, satellite, or terrestrial wireless.[42]

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[39] *Id.* at Table 2g, 2b, 2j, 2f.

[40] RTG Comments at 7.

[41] Rural Cellular Association Comments at 18.

[42] Comments of CTIA, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 24 (filed Apr. 18, 2011).

Sprint Nextel states that

> giving incumbent LECs a right of first refusal would remove the discipline of bidding, eliminate the incumbent LECs' incentive to provide service efficiently by basing the support on the carriers' 'costs,' and effectively preclude consumers from subscribing to supported services from providers that have adopted platforms and technologies different from those used by the incumbent LEC.[43]

Finally, Time Warner Cable ("TWC")

> emphatically opposes the proposal to give rights of first refusal to ILECs. Such an approach would grant subsidies to LECs regardless of whether another carrier or an alternative technology would make better use of scarce funds. Indeed, creating a right of first refusal for incumbent providers would elevate the interests of particular competitors over those of consumers.[44]

Implementing a preference that would discriminate against wireless carriers also runs contrary to the trend of Americans obtaining broadband service via wireless carriers in addition to or instead of traditional fixed wired broadband providers. According to June 2010 data from the Organisation for Economic Co-operation and Development's ("OECD") Directorate for Science, Technology and Industry, in the U.S. there were 27.1 fixed (wired) broadband

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[43] Comments of Sprint Nextel, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 41 (filed Apr. 18, 2011).

[44] Comments of Time Warner Cable, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 30-31 (filed Apr. 18, 2011) ("TWC Comments"); *see also* US Cellular Comments at 16 ("the ROFR approach would guarantee support to the incumbents (so long as they continued to meet program requirements), while, at the same time, competitive ETCs would not be given any comparable opportunity to secure ongoing CAF support during or after the phase-down of their existing capped high-cost support." (citation omitted)); Comments of T-Mobile, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 16 (filed Apr. 18, 2011) ("T-Mobile Comments") ("There is no basis to provide blatant favoritism to ILECs through a 'right of first refusal' for broadband and voice support through the long-term CAF."); Comments of Verizon and Verizon Wireless, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 65 (Apr. 18, 2011) ("Providing ILECs with a special opportunity to turn down funding, for example, could fail to take into account the potential benefits of new competition from intermodal providers and legitimate consumer preferences for different technologies, particularly in unserved areas.")

subscriptions per 100 inhabitants, and 44.4 terrestrial mobile wireless broadband subscriptions per 100 inhabitants.[45] Clearly Americans are choosing wireless broadband as either a supplement to, or a substitute for, traditional fixed wired service. This trend is likely to continue with the launch of more advanced 3G and 4G wireless services.

By contrast, commenters supporting the ROFR proposal and/or an ILEC-centric one-network support limitation do not address the important public safety benefits of wireless networks, nor do they reconcile loss or non-deployment of wireless service in rural areas with Section 254's Universal Service objective of providing rural access to services that are reasonably comparable to urban areas.[46]

GCI also agrees with AT&T that, "the Commission should condition all CAF funding on the state's agreement to eliminate [carrier of last resort] COLR and other legacy service obligations that effectively require providers to continue offering POTS and long distance service and thereby inhibit the widespread availability and adoption of broadband services."[47] COLR is an ill-defined concept that varies from state to state, and generally applies (if at all) only to ILEC operations. In Alaska, the primary duty of the COLR historically has been to

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[45] *See* OECD Broadband Portal, Fixed and wireless broadband subscriptions per 100 inhabitants (June 2010) *available at* http://www.oecd.org/document/54/0,3343,en_2649_34225_38690102_1_1_1_1,00.html.

[46] *See* 47 U.S.C. 254(b)(3) ("Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.")

[47] Comments of AT&T, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 61 (filed Apr. 18, 2011).

extend wireline lines subject to the terms of its line extension tariff.[48] While the obligation to serve can be part of the CAF requirement, being a COLR should not itself be a precondition to eligibility for CAF support.

V. INTERCARRIER COMPENSATION REFORM FOR ALASKA SHOULD TAKE INTO ACCOUNT ALASKA'S UNIQUE MARKET STRUCTURE AND CURRENT REFORMS

The Commission must also take into account Alaska's unique market structure and current state of reform when considering implementing intercarrier compensation reform in Alaska. As GCI stated in its initial comments in this proceeding, Alaska has a unique market structure. Alaska constitutes a single MTA, was never part of a Bell Operating Company, and has never had a system of access tandems. Instead, IXCs have interconnected directly with local end offices and, in some cases, remote switches. Except with respect to traffic heading to and from some wireless carriers, transit services, as they have developed in the Lower 48, basically do not exist in Alaska.

The following chart based on the Joint Board's analysis demonstrates the negative effects that the proposed interconnection reforms would have on Alaskan consumers.[49]

Proposed Reform	Expected Rate Changes in Alaska	Alaska's Ranking
Reduce intrastate access rates to interstate access rates	$16.29 average local rate increase $42.93 90th percentile rate increase $30+ increase for more than 10% of subscribers	Highest state average rate increase Highest 90th percentile rate increase

48 *See, e.g.,* Comments of General Communication, Inc., GN Docket Nos. 09-47, 09-51, 09-137 at 10-11 (filed Dec. 7, 2009).

49 *See* Joint Board Comments at 102-105.

Reduce intrastate all access rates to reciprocal compensation rates	$25.15 average local rate increase $30+ increase for more than 10% of subscribers	Highest state average rate increase
Eliminate all intercarrier compensation under "bill and keep" regime	$31.54 average local rate increase $30+ increase for more than 25% of subscribers	Highest state average rate increase

In addition, intercarrier compensation reform is already underway in Alaska. The RCA's Alaska-specific and forward-thinking reform should not be disrupted and supplanted by reform targeted at a Lower 48 marketplace. As the RCA noted, its recent reforms to the intrastate access charge system make it, "unreasonable to expect Alaska consumers to absorb further increases to rates or USF contribution factors that will assuredly result from the FCC's proposed USF and ICC reforms."[50] Furthermore, "[t]he proposed ICC compensation replacement calculation penalizes states that have reformed their intrastate access charge regime."[51] Alaskan carriers and residents should not be penalized like that.

CONCLUSION

In conclusion, while the Commission's goals with respect to the CAF and support for ubiquitous broadband are commendable, the Commission must place Alaska and Tribal Lands on a different CAF path in order to both protect the existing telecommunications infrastructure and move towards the realization of the Commission's and the NBP's broadband goals. Those goals will not be realized without ongoing adequate support for all aspects of network construction,

50 RCA Comments at 27.

51 *Id.* at 28; *see also* Comments of the Michigan Public Service Commission ("MPSC"), WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, and GN Docket No. 09-51 at 9 (filed Apr. 18, 2011) (MPSC, "respectfully requests that the FCC not penalize those forward thinking states that have begun the process of intrastate access reform ahead of the FCC taking definitive action on intercarrier compensation reform.")

maintenance, operations and upgrades, including middle mile. The Commission must also ensure that citizens receive the public safety and other competitive benefits that come from a multiple-provider USF regime. Finally, the Commission must recognize Alaska's unique interconnection regime, and allow Alaska's tailored reform regime to stand.

Respectfully submitted,

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