

Alaska News

Telecoms plan big expansion of broadband in rural Alaska, with federal help

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GCI's TERRA network is one of the largest microwave networks in the nation and serves more than 40,000 people in rural Alaska. (GCI photo)

Telecom providers across Alaska are embarking this year on projects to improve high-speed internet access for tens of thousands of rural customers in the next decade as part of agreements to keep millions of dollars in federal subsidies from disappearing.

In attaching new strings to the subsidies, the Federal Communications Commission hopes to bring more and better service to a state whose rural areas have the lowest rate of access to high-speed broadband in the nation.

About 67 percent of rural Alaskans, or 168,000 people, still lack access to the technology, according to a **report** by the FCC in 2016.

One set of subsidy agreements, called the **Alaska Plan**, has providers committed to bringing high-speed internet to 133,788 rural mobile users and 111,302 rural households, businesses and other locations by 2026.

On the wireless side, providers must deploy mobile service of 4G LTE or better to at least 85 percent of the rural Alaska population, according to a statement released in August 2016 by the Alaska Telephone Association.

(4G is the goal speed for LTE, Long Term Evolution, the technology used to pursue those speeds now and into the future.)

Alaska Plan projects range from laying hundreds of miles of fiber-optic cable in areas served by the Matanuska Telephone Association to wireless upgrades for customers of OTZ, the telecom cooperative in Kotzebue.

In exchange for expanding rural service, GCI, Alaska's largest telecommunications provider, and subsidiary United Utilities will **receive** close to \$60 million each year for the next decade.

More than a dozen smaller regional telecoms will split another \$100 million annually.

A separate **agreement** with carrier ACS will freeze existing subsidies at \$20 million per year.

In return, the company committed to provide 31,571 rural locations with download speeds of up to 10 megabits per second and upload speeds of up to 1 mbps. The company has until October 2018 to report where exactly it will provide those new internet services.

Telecoms that fail to provide the services they promised by the end of the 10-year subsidy period can be required to return the money and make additional payments. Oversight will include a mix of self-reporting, the possibility of audits, and **drive-testing**, which measures network performance and coverage as experienced by a user.

The subsidies are part of the federal **High Cost Program**, which compensates eligible telecom companies for charging below-market rates in rural parts of the U.S. The more than \$4 billion program allows rural customers to pay rates reasonably comparable to the nearest urban areas.

The FCC began cutting high-cost program payments to Alaska in 2012, after the commission adopted a new model for calculating how to distribute rural telecom assistance nationwide.

Doug Neal, CEO of OTZ, said the model was designed by the FCC to eradicate small regional telecom companies like his because "we were difficult to work with on an individual basis."

The possibility of shutting down was very real for OTZ and its counterparts across the state. High-cost support makes up between 25 percent and 45 percent of revenue for smaller regional telecom companies in Alaska, said Christine O'Connor of the Alaska Telephone Association, or ATA.

Losses estimated at \$40 million over a three-year period hit industry revenues hard enough lenders stopped corresponding with some of Alaska's smaller regional players.

"There was no doubt about it. There was a threat," said Larry Snipes, CEO and general manager of Bush-Tell, which serves six villages. "They were going to cut high-cost support and that would mean a lot of phone companies here closing their doors."

But state telecom providers and Alaska's congressional delegation successfully pressured the commission to largely reinstate the subsidies, arguing the commission was unfairly ignoring the tougher-than-average environment telecoms face in Alaska, with its limited construction season, low population density and sprawling, often roadless landscape.

The agreements to improve broadband service were part of the compromise.

Rare disagreement among commissioners

The **FCC**, which regulates U.S. communications by radio, satellite, wire, television and cable, shifted its focus in 2011 from subsidizing telephone and other voice services to prioritizing broadband.

The state's broadband deficiencies are well known among the five FCC commissioners who voted on the Alaska Plan and the ACS agreement. All the commissioners, including former chairman **Tom Wheeler**, have visited Alaska to learn more about why deploying telecom services is so difficult here.

Their divergent views on how best to bring broadband to more Alaskans led to a fairly unusual split vote, 3-2, on the Alaska Plan. Even more remarkable, the two commissioners who voted against it, **Mignon Clyburn** and **Ajit Pai**, are from opposite parties.

Pai, a Republican who was recently appointed FCC chair, and **Clyburn**, a Democrat, argued the subsidies, totaling close to \$1.7 billion over a decade, will create or perpetuate major flaws in rural Alaska broadband coverage.

The two objected to the lack of a requirement for companies to build out the "middle mile," the system of microwave towers and fiber-optic lines that are key to bridging long distances between small communities and the greater broadband network. By Pai's count, 47,000 Alaskans will miss out on high-speed internet as a result.

"We had a once-in-a-generation opportunity to solve Alaska's middle-mile problem," **Pai wrote in a dissenting statement** on the Alaska Plan. "Rather than address the real flaws in the

Alaska Plan, the FCC has told tens of thousands of rural Alaskans to wait another ten years for another shot at digital opportunities."

But O'Connor said that focusing subsidies on the middle mile would divert money from what's known as the "last mile," the final connection between a network provider's local facility and, say, a house or office building.

"Our strategy was to say, look, the construction of middle mile is progressing," she said. "The FCC commissioners that did support the plan recognized the practicality of doing so, and said 'We can't have the local phone companies going dark while we try to get more middle mile.' "

Clyburn and Pai also noted that contrary to FCC principles, the Alaska Plan subsidizes carriers competing in the same markets.

"Just what is the cost to the American consumer of continuing to support overlap in these areas? About \$35 million a year!" Clyburn wrote.

But choosing which telecom to subsidize in a particular market can be difficult.

"How do you do this without picking a winner and a loser, and turning off the loser?" O'Connor said.

Pai's ascendancy to the FCC chair is not expected to alter any aspects of the Alaska Plan, according to commission sources and representatives of the industry in Alaska.

Clyburn remains the lone Democrat on the commission. The seats of her two former colleagues remain unfilled.

"If the chairman wanted to reopen this, the whole proceeding would have to start over," said O'Connor of the ATA. "I'm not expecting that."

The commission unanimously approved the ACS plan in October 2016. Clyburn and Michael O'Rielly, a Republican commissioner, had minor objections, but ultimately voted yes for ACS after having already approved subsidies for the rest of Alaska's telecom industry.

Throughout the negotiations, Alaska telecom executives flew to Washington, D.C., to meet with commissioners and their staffs. Alaska's congressional delegation also played a role in reviving the subsidies by applying pressure on Wheeler and others at the FCC.

"At a minimum we request you set aside the current high-cost funding currently going to Alaska," Sens. Lisa Murkowski and Dan Sullivan, and Rep. Don Young, all Republicans, wrote in a [2015 letter to Wheeler](#). "It is our expectation that remote Alaska does not get lost in the ... discussion."

About this Author**Jeannette Lee Falsey**

Jeannette Lee Falsey joined Alaska Dispatch News as a business reporter in 2015. She has worked as a staff writer for The Associated Press and as a researcher for the federal government's Alaska gasline office in Anchorage and Washington, D.C..



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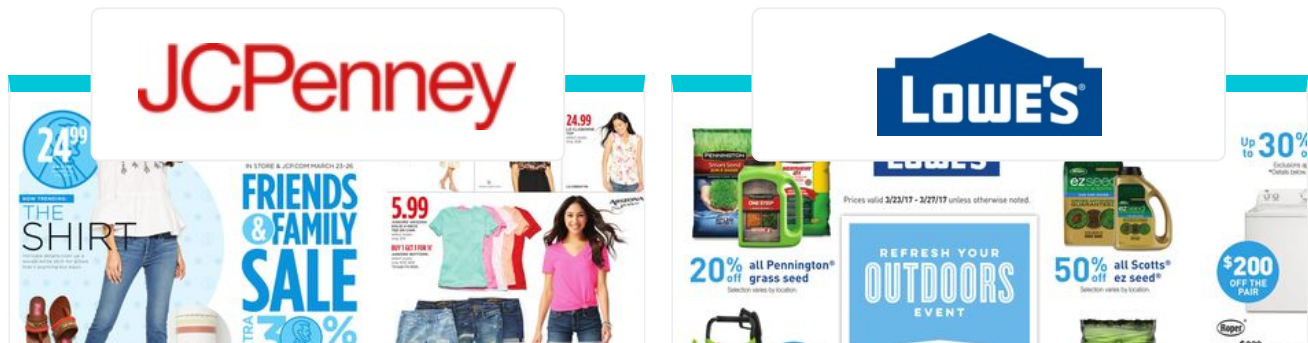
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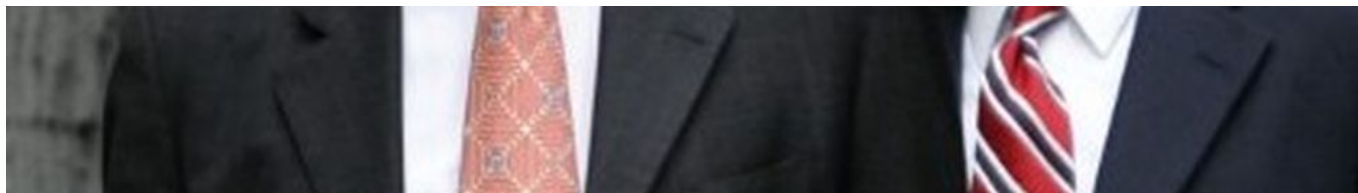
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