

HB

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File with HB277

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PMS HOUSE COMMERCE COMMITTEE

JUN

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TELEGRAM

FOR ALASKA COMMUNICATIONS, INC.

PHONE: 586-6440

UNEAU, ALASKA 99801

WOULD LIKE TO EXPRESS STRONG SUPPORT FOR BILL 277 CREATING

TELECOMMUNICATIONS AUTHORITY. NEED IS GREAT FOR BETTER

LD SERVICE AND INTER CONNECTS FOR PUBLIC RADIO

LEO LUTCHANSKY JR SECRETARY BOARD OF DIRECTORS NUSHAGAK

TELEPHONE COPPERATIVE AND MGR DILLINGHAM SCHOOL PUBLIC RADIO

MEMO TO
LEGISLATORS

Page two

would raise the rates for local utilities' customers. This will not be the case, as RCA will continue to be the long-distance carrier--not the State. Unless RCA chooses to raise its tolls to the local utilities for interconnecting for long-distance service, it is expected that rates will continue at the same level or less than presently charged for interconnection. There is no reason why, if the State owns earth stations, that rates on the local levels should go up.

Hopefully this will clarify some of the issues surrounding the bills to create a Telecommunications Authority. If you have any further questions or would like any additional information regarding this legislation, please call: 465-3550.

File

For the record, I am Marvin Weatherly, Director of the Governor's Office of Telecommunications. I am very pleased to be invited to testify on the proposed legislation to create a Telecommunications Authority. On behalf of the Administration, the Governor's Office of Telecommunications supports this concept, and feels this approach to tackling the great problems of communications is equal to the task.

The one reservation the Administration has with regard to the way the bill reads is the section concerning methods of choosing the Board of Directors. Under the bill language, the Board members would be appointed by the Governor, but would not serve at his pleasure. The Administration is keenly aware of the serious responsibility of communications planning, planning presently done by his Office of Telecommunications. The Federal Communications Commission recognizes the Governor's Office of Telecommunications as the official spokesman for the State of Alaska in major communications applications and policy matters. The Governor feels that without closer ties with the Board of Directors, that is, having the Board serve at his discretion, he could not maintain the close contact and communication necessary to fully carry out his responsibility in this important area. It is felt by this office that such a change in the bill would not hinder in any way the operation and purpose of the Authority, and would actually enhance its effectiveness by allowing continual input from and liaison with the Governor's office. With this small change, the Administration is prepared to fully support the Telecommunications Authority.

We envision the reasons for the immediate creation of the Telecommunications Authority as two: First, creating a funding method by which the State can totally finance the purchase of up to 150 small earth stations to bring emergency-medical and basic telephone communications to every community of 25 or more people in Alaska;

Second, providing a structure under which all the various aspects of communications planning and implementation of the State could be coordinated and carried out. The first reason, the funding mechanism, addresses an immediate, pressing situation. The second, the organizational structure, serves an on-going, long-range function.

I will expand on each of these points separately, but since they're two sides of the same coin, much of the rationale applies to both reasons for the Authority.

First, the funding mechanism. Why get into the communications hardware procurement business anyway?

If the State does not proceed with its stated course of action--to purchase by competitive bid, 100 to 150 earth stations--the process would be left for the common carrier. To allow that at this time would be, in effect, completely turning over the reins of control, policy and planning to the carrier. The carrier would be the complete decision-maker with regard to cost, location and future expansion of Alaska's communications system.

In reviewing the record of the carrier in the State so far, the Administration feels confident it speaks for the people of Alaska in saying we must keep our communications options open--we must not allow our communications future to be left to the discretion of the carrier. The credibility of the carrier is seriously questionable in view of their past and present performance within the State, particularly with respect to the terms of the ACS purchase agreement. Also, the future planning efforts of RCA with respect to the State's needs as outlined by the Governor's Office of Telecommunications, still reflect the best interests of RCA Globcom and its stockholders--not the

people of Alaska.

The fact that these differences still persist, despite nearly three months of almost daily discussions and negotiations with the carrier, casts severe doubt on the carrier's willingness or desire to meet the requirements of the public interest of Alaskans.

Significatn areas in which the carrier falls short include:

- not optimizing the planned satellite for Alaska, but for the Lower 48.
- not disclosing vital financial data to allow separations agreements with local utilities, or monitoring of activities by the Governor's Office of Telecommunications or the APUC;
- not adjusting its filing before the FCC to reflect recent agreements to meet State concerns;
- not fulfilling the basic terms of its original purchase agreement when it bought the Alaska Communications System from the Air Force, thus becoming a common carrier for Alaska;
- not obtaining the lowest unit price on quantities of earth stations for a total system, due to planning for system not tailored to expressed State desires;
- not planning for a total, integrated communications system for all of

Alaska due to the philosophy stated by RCA Alascom President, Steve Heller that the Bush is a loser to serve.

This a brief overview of the major areas of concern to satisfactorily assume all operation and planning of the State's communications system. Based on the poor past performance of the carrier in some areas, and the resultant credibility problem

present RCA proposals, the State has taken a course of action which will ensure all Alaskans a freedom of choice in their communications system future.

By going out to competitive bid for 100 - 150 small earth stations, with specifications written for Alaska's particular needs, the State will be assured of the best stations for the best cost. Hardware companies have told us that the cost will be about 25% less for buying lots of 100 earth stations, than the price is for buying lots of 20 earth stations, for which the carrier has received bids. The Telecommunications Authority would allow the State to take advantage of the 25% lower cost because the Authority could borrow the total amount of the 100 or more earth station purchase price. We estimate this price to be somewhere in the ballpark of \$5 million. Without full funding, it is doubtful the State could get the cost reduction.

This issue of giving Alaskans a choice brings to the second major purpose for creating an Authority, that of establishing an organizational structure for communications planning.

Presently, a hodge-podge system exists for what little planning actually goes on within State and federal government agencies, private business organizations and individuals. Much of what planning there is, goes on independently of all other planning, and often is devoid of up-to-date technical knowledge of either equipment or systems. Almost any way you put it, the importance of communications cannot be overstated.

Therefore, we are supporting the Authority as an umbrella structure under which communications planning for all areas and needs of the State can be coordinated. We

envision incorporation of the Division of Communications, now under Public Works, into the Authority; this step is a natural one since we're already working closely with Division engineers and technicians on providing better and more integrated communications for State agencies. The move is agreeable to the Administration, Public Works commissioner Harris and to the Division personnel.

The Authority would assume the leadership and guidance in communications planning, with specific sections dealing with plans and policy, research and engineering, communications economics and monitoring and evaluation of ongoing communications services. Skills and expertise of the Authority would both supplement and complement the talents and responsibilities of the Alaska Public Utilities Commission. The Alaska Educational Broadcasting Commission would also be a strong supporter and ally of the communications planning function of the Authority, looking toward the long-range goal of multiple communications services--specifically broadcasting--to all areas of the State. The Authority could provide technical, systems or economic information and assistance to any and all entities, government or private, involved with incorporating a sophisticated telecommunications tool into their particular activities.

Never before in this country has there been the opportunity to approach communications in the way we can now in Alaska. In fact, the very fact that we've lagged so far behind the rest of the country is what allows us to jump into the 21st century in communications.

Because we're not locked in by an existing system which has grown up over decades, we have the opportunity of starting almost from scratch to build a comprehensive communications system to meet all the varied needs of Alaskans;

Because we're not locked into a traditional type of equipment, we have the opportunity to incorporate the most modern developments in communications technology and equipment--using the satellite as a focal point;

And finally, because we're not locked in by traditional thinking and operating methods, we have the unique opportunity to develop a whole

new philosophy of communications. In the past, communications systems have grown up on an incremental basis--string more wire, build onto what's already there, plan as you go. Increment by increment was the traditional approach. But now, in Alaska we can start with the ^{overall} picture: Where the people are, where the needs for what services exist, and what the foreseeable requirements for the future will be. For the first time in American communications history, we can plan the total system from the top down. We can start with today's technology, systems and programming to determine the goals and direct the development of our communications system.

Creation of the Telecommunications Authority will, we feel, help ensure that Alaska uses this unique opportunity to build and plan its fully modern communications system to serve all its people.

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RCAALASCOM AHG

TO: THE HONORABLE SENATOR KERTULLA 2509
CHAIRMAN, COMMERCE COMMITTEE
ALASKA STATE LEGISLATURE
JUNEAU, ALASKA

MARCH 25, 1975

RE: SENATE BILL #277 AND HOUSE BILL #317

THE SUBJECT LEGISLATIVE BILLS PROPOSE AN ACT CREATING THE ALASKA TELECOMMUNICATIONS AUTHORITY. RCA ALASCOM IS ADVISED THAT THESE BILLS WERE INTRODUCED ON OR ABOUT MARCH 14, AND THAT CONTINUED PUBLIC HEARINGS ARE BEING HELD BEFORE THE COMMERCE COMMITTEE ON TUESDAY, MARCH 25 AT 2:00 P.M.

RCA ALASCOM HAS ATTEMPTED TO REVIEW THE CONSIDERABLE DETAIL CONTAINED IN SENATE BILL 277, WHICH WE UNDERSTAND HAS ALSO BEEN INTRODUCED IN THE HOUSE OF REPRESENTATIVES AS HOUSE BILL 317 IN EXACTLY THE SAME LANGUAGE, AND IT IS APPARENT FROM EVEN THIS LIMITED REVIEW THAT RCA ALASCOM MUST VOICE ITS STRONGEST AND UNEQUIVOCAL OBJECTION TO THE PASSAGE OF ANY SUCH LEGISLATION AS PROPOSED IN S.B. 277.

RCA ALASCOM HAS THE DUTY TO MAKE ITS VIEWS AND EVALUATION OF THE PUBLIC INTEREST KNOWN TO THE APPROPRIATE STATE AUTHORITIES. THIS EVALUATION IS BASED ON RCA'S EXTENSIVE EXPERIENCE IN TELECOMMUNICATIONS AND SPACE TECHNOLOGY AND IN THE OPERATION AND MANAGEMENT OF COMPLEX SATELLITE AND TERRESTRIAL SYSTEMS. I REQUEST THAT YOU ACCEPT THIS TELEGRAM AS RCA ALASCOM'S STATEMENT OF POSITION, AND THAT YOU MAKE IT A PART OF THE RECORD OF THE HEARINGS ON THIS LEGISLATION. THIS PARTICULARLY IMPORTANT IN VIEW OF THE EARLIER HEARING OF YOUR COMMITTEE ON FRIDAY, MARCH 21, AT WHICH I APPEARED AND PRESENTED STATEMENTS RELATIVE TO THE PROPOSED LEGISLATION. AFTER REVIEWING THE REMARKS I MADE AT THAT HEARING, IT APPEARS THAT A CLARIFICATION OF THE RCA ALASCOM POSITION IS NECESSARY IN ORDER TO AVOID ANY POSSIBLE MISUNDERSTANDING OF MISINTERPRETATION OF MY REMARKS.

THE POSITION OF RCA ALASCOM IS AS STATED IN THE DOCUMENT PRESENTED TO THE COMMITTEE DURING MY APPEARANCE ON 3/21/75 TITLED ALASKA COMMUNICATIONS FOR THE LOCAL COMMUNITY DATED 3/20/75 CONSISTED OF THREE PARTS. THAT DOCUMENT ESTABLISHES FOR THE RECORD THAT RCA ALASCOM IS NOT IN FAVOR OF STATE OWNERSHIP OF A TELECOMMUNICATIONS SYSTEM OR OF THE PUSH TELEPHONE PARTS STATIONS. THIS IS THE POSITION THAT RCA ALASCOM TOOK IN A MEETING WITH GOVERNOR HARRISON ON TUESDAY, MARCH 20, AND THIS IS THE POSITION THAT RCA ALASCOM TAKES WITH RESPECT TO THIS PROPOSED LEGISLATION IN S.B. 277.

~~I WANT TO STRESS THAT RCA ALASCOM, AS THE LONG LINES CARRIER~~
~~IN THE STATE OF ALASKA~~

IN VIEW OF THE EARLIER HEARING OF YOUR COMMITTEE ON FRIDAY, MARCH 21, AT WHICH I APPEARED AND PRESENTED STATEMENTS RELATIVE TO THE PROPOSED LEGISLATION. AFTER REVIEWING THE REMARKS I MADE AT THAT HEARING, IT APPEARS THAT A CLARIFICATION OF THE RCA ALASCOM POSITION IS NECESSARY IN ORDER TO AVOID ANY POSSIBLE MISUNDERSTANDING OF MISINTERPRETATION OF MY REMARKS.

THE POSITION OF RCA ALASCOM IS AS STATED IN THE DOCUMENT PRESENTED TO THE COMMITTEE DURING MY APPEARANCE ON 3/21/75 TITLED ALASKA COMMUNICATIONS FOR THE RURAL COMMUNITY DATED 3/20/75 CONSISTING OF NINE PAGES. THAT DOCUMENT ESTABLISHES FOR THE RECORD THAT RCA ALASCOM IS NOT IN FAVOR OF STATE OWNERSHIP OF A TELECOMMUNICATIONS SYSTEM OR OF THE BUSH TELEPHONE EARTH STATIONS. THIS IS THE POSITION THAT RCA ALASCOM TOOK IN A MEETING WITH GOVERNOR HAMMOND ON THURSDAY, MARCH 20, AND THIS IS THE POSITION THAT RCA ALASCOM TAKES WITH RESPECT TO THIS PROPOSED LEGISLATION IN S.B. 277.

I WANT TO STRESS THAT RCA ALASCOM, AS THE LONG-LINES CARRIER IN THE STATE OF ALASKA, AND AS SUCCESSOR TO THE ALASKA COMMUNICATIONS SYSTEM NOW HAS THE LONG-LINES RESPONSIBILITY FOR PROVIDING MODERN, EFFICIENT AND ECONOMICAL SERVICE TO ALL THE PEOPLE OF ALASKA AND HAS ASSUMED PARTICULAR RESPONSIBILITY FOR SERVING THE REMOTE VILLAGES, AS QUICKLY AS THE MEANS OF SERVICING THEM ARE DECIDED. RCA ALASCOM BELIEVES THAT WORKING TOGETHER WITH THE LOCAL EXCHANGE UTILITIES WILL PROVIDE ALL ALASKANS THE MOST EFFICIENT TELECOMMUNICATIONS SERVICES TO MEET STATE-WIDE AND INTERSTATE SERVICE REQUIREMENTS AT REASONABLE RATES UNDER THE EXISTING SCHEME OF STATE AND FEDERAL REGULATIONS. UNDER THESE CIRCUMSTANCES, I MUST STATE AS STRONGLY AS I CAN THAT RCA ALASCOM CANNOT FAVOR OR SUPPORT STATE OWNERSHIP OF A TELECOMMUNICATIONS SYSTEM WHICH WOULD DUPLICATE ITS FACILITIES, DIVIDE RESPONSIBILITY, PRESENT DIFFICULT AND COSTLY PROBLEMS OF INTERCONNECTION AND FRAGMENT THE REVENUES NEEDED TO SUPPORT SERVICE TO SUCH VILLAGES AND SPARSELY POPULATED AREAS.

ACCORDINGLY, RCA ALASCOM MUST EMPHASIZE THAT THE PROPOSAL THAT THE STATE OF ALASKA ACQUIRE, CONSTRUCT, AND MAINTAIN DOMESTIC COMMUNICATIONS SATELLITES, SATELLITE EARTH STATIONS, TRANSLATOR SYSTEMS AND A STATE-WIDE PUBLIC SERVICE COMMUNICATION NETWORK WOULD, IN FACT, BE COUNTER-PRODUCTIVE. RATHER THAN BRINGING HIGH QUALITY ECONOMICAL SERVICES TO THE REMOTE VILLAGES, IT WOULD GIVE RISE TO COMPLEX TECHNICAL AND FINANCIAL PROBLEMS, COULD DELAY RATHER THAN EXPEDITE MUCH NEEDED SERVICE TO REMOTE AREAS AND IMPOSE UNNECESSARY COST UPON ALL USERS IN ALASKA.

IN SUM, THE PROPOSED LEGISLATION IS CONTRARY TO THE PUBLIC INTEREST.

SINCERELY,

STEPHEN D HELLER
PRESIDENT
RCA ALASKA COMMUNICATIONS, INC.

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