

SB 277



Juneau & Douglas Telephone Company

A Member of Continental Telephone System

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Members of the Senate Commerce Committee - Senate Bill 277

The following comments are submitted to the Senate Commerce Committee now conducting hearings on Senate Bill 277 "An act creating the Alaska Telecommunications Authority."

Senate Bill 277 appears to solicit competition by state-subsidized ASHA-type organization, politically controlled and unregulated by any state or federal regulatory agency.

Can this authority "cream-skin," i.e., take "good" customers away from regulated utilities, but leave them with everybody else?

Senate Bill 277 would have a devastating impact on privately owned utilities, which already have an eroding base of customers (because of interconnect) and would put telephone utility revenues in serious jeopardy.

Telephone utility revenues are not the only ones that would be adversely affected. The impact on local communities, where telecommunications authority provides service, would experience a loss in tax base.



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Senate Bill 277, Section 44.53.060, states the authority has the general power to:

- (1) Acquire, construct, operate, and maintain domestic communication satellites, satellite earth stations, translator systems and a statewide public service telecommunications network.

This language is not entirely clear, but presumably means authority to provide to the public, not just state agencies, any kind of service, local or long-line facilities. This raises possibility of a public, tax-subsidized carrier wiring into any phase of the state-wide network at any time, without any prior approval by the Alaska Public Utilities Commission. This makes planning by private utilities, particularly budget planning, futile and fraught with difficulty.

Several questions need to be resolved in regards to bonds

- (1) Has bond market been surveyed?
- (2) Would revenues be sufficient to support or would tax subsidies be required?
- (3) If so, how much?
- (4) Would rates be below cost in order to subsidize, as with some ASHA programs?

Clearly such an authority would discourage private utilities from risking capital, such as large-scale construction programs, where possibility exists of entry by authority into competition for utilities customers. There is no certainty that this would not occur.



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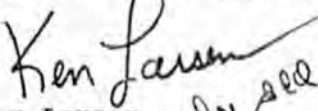
Section 44.53.120 says authority can acquire stock of company owning telecommunications facilities. Does this mean Authority will require or need authority to condemn private facilities in order to take them over?

In regards to Senate Bill 277, the following is suggested:

- (1) Limits on authority to protect existing utilities and assure continuation of investment and construction.
- (2) A review of the possible impact on both private and municipally-owned utilities in their future borrowing, with all-powerful authority able to compete. This must be protected against.
- (3) People should not be at the mercy of another ACS-type un-regulated system. This was one of the reasons for the sale of ACS to the private section. Private companies may need to improve (we can concede this), but government ownership was clearly considered a failure. How would state ASHA-type organizations be the solution? Before a bill, we recommend a thorough state-wide survey into needs, existing facilities, problems and proposed solutions by private enterprise---also a close look at how Authority operation would impact private utility operation, revenue, and financing.

Sincerely,

JUNEAU & DOUGLAS TELEPHONE COMPANY
GLACIER STATE TELEPHONE COMPANY


Ken Larsen
Alaska State Manager