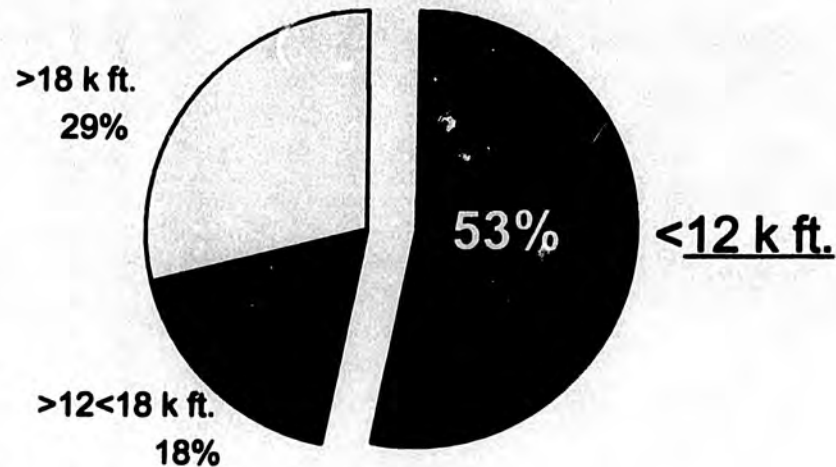


ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

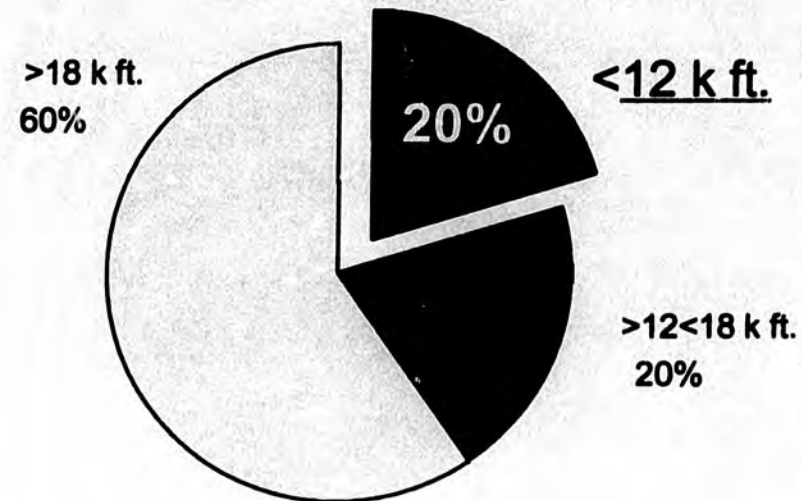
2484 SCOMM 106: HOUSE SPEC. COMM. TELECOMMUNICATIONS, 1997-98

MTA Specific Loop Demographics

Subscriber Loops



Subscriber Loop Cost



- 
Main Street Low Cost "Cherries" - There is an incentive to take 53% of the market while only absorbing 20% of the cost. Revenues on these lines are needed to offset the cost of providing service to marginal and outlying high cost customers.
- 
Marginal Customers - Only 18% of these loops are marginally close to covering their share of the cost.
- 
Outlying Area High Cost "Pits" - There is a disincentive to serve 29% of all outlying high cost loops since they generate 60% of the all loop costs.

How Can We Achieve the Public Interest Solution ?

Through the Alaska Public Utilities Commission

The Act and the Courts give state commissions the responsibility to:

- **Maintain or lift rural exemptions.**
- **Arbitrate terms and conditions for new entrants who wish to use the incumbent's network.**
- **Determine if economic support is to be shared.**

A Functional and Responsive Commission Is VITAL

- ◆ The public process works only if all parties have equal access
- ◆ Public policy has to be fair and indiscriminate
- ◆ Commission decisions must be responsive, fair, and timely
- ◆ As competitors enter new markets, regulation must be reduced equally for all providers
- ◆ Alaska's unique conditions and telecommunication network must always be considered

The APUC Must

- ◆ **Hire sufficient and qualified staff and consultants to meet the increased workload**
 - ◆ More Common Carrier Bureau staff
 - ◆ More Consumer Protection staff
 - ◆ Preference for local consultants
- ◆ **Reduce and Change Regulations**
 - ◆ Provide interim deregulation rules that treat all providers equally while markets transition to competition.
 - ◆ Allow competitive markets to self regulate
 - ◆ Tribunal of Last Resort vs Detail Regulation

(continued)

The APUC Must

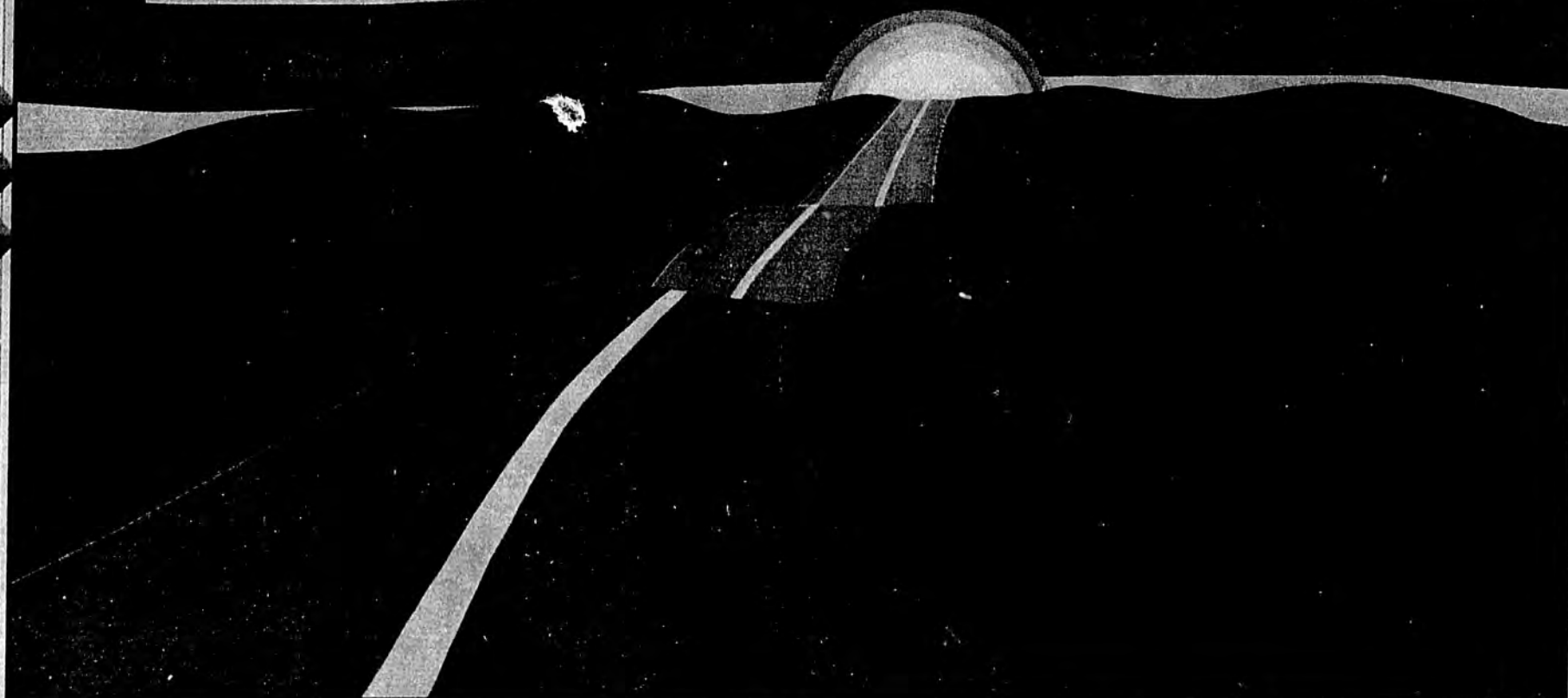
◆ Increase efficiency

- Kill the Paper Elephant- reduce the dependence on paper copies
- Expand electronic filing
- Expand use of Internet
- Expand use of e-mail
- Hire separate support staff for Commissioners

◆ Be Accountable

- Biennial Review by Legislature

Thank You



TelAlaska, Inc.

**House Special Committee on
Telecommunications**



House Special Committee on Telecommunications
Jack H Rhyner
December 12, 1997

My name is Jack Rhyner; I am the President and General Manager of TelAlaska, Inc. TelAlaska's address is 2121 Abbott Road, Anchorage, Alaska.

TelAlaska owns and operates Interior Telephone Company Inc. and Mukluk Telephone Company Inc.. TelAlaska's service areas range across the State from Little Diomedé Island to Port Lions on Kodiak Island and from Fort Yukon to Unalaska / Dutch Harbor. TelAlaska's service areas, even by Alaska standards, include some of the most remote, rugged and culturally diverse geographic areas in the United States. See figure 1.

Prior to the State's small earth station program, only those rural communities which had military White Alice sites had one telephone available for non military use. After the mid 1970s small earth station program, 100 more small communities had a single long distance connection. It wasn't until small local exchange carriers, like Interior and Mukluk, started providing service that telecommunications was universally available to the public and the remaining 175 outlying communities were connected to the rest of the world.

The development of Alaska has been, and will continue to be, closely associated with telecommunications. Given the size, climatic conditions, population distribution and terrain of Alaska, the ability of it's people to function effectively politically, economically and socially depends upon telecommunication.

To give you an insight on just how important reliable communication service is to rural economic development in these communities and how it has helped them grow, let me give you a little of the history of Unalaska. After WWII, Dutch Harbor became almost a ghost town with no economic base. There was a single telephone for a community of a few hundred people. In 1972 Interior Telephone started providing service to just 49

customers. Six years later, Interior had 400 customers and the port of Dutch Harbor generated \$92.7 million, more money than any other port in the U.S. Today, Unalaska is ranked third in the world for most fish product landed and Interior has 2,200 telephone customers. There is a dynamic rural economy providing thousands of jobs because four seafood processors have invested hundreds of millions of dollars in shore based plants. There simply is no question the development of this community, in large part, was dependent upon the existence of affordable, reliable telecommunications.

You may have read in the newspaper recently that the people in rural Alaska are forced to communicate by CB radio. Nothing could be further from the truth. Interior and Mukluk operate in rural high cost areas and provide single party service, digital touch tone dialing, numerous custom calling features, access to operator service, 911, and directory assistance. Upon request we are capable of providing digital voice and data service up to T-1 or 1.544 Mbs locally. All the services mentioned above are in compliance with the State Telecommunications Modernization Plan, approved by the Alaska Public Utilities Commission and adhered to by all the local exchange companies. In addition, in Unalaska, Interior provides equal access to multiple long distance carriers. The rural health clinic currently is connected via T-1 to the regional hospital in Anchorage. The clinic uses state-of-the-art radiology end user equipment to transport their x-ray films. TelAlaska provides local Internet access to the school and library, as well as a number of other customers in the community.

The express goal of the Telecommunications Act of 1996 was to accelerate private sector deployment of advanced telecommunication and information technologies and services to all Americans. Whereas Congress designated the opening of markets to competition as a primary means of striving for this goal, it also established the preservation and advancement of universal service as a core principle to guide the Commission's actions. It was not merely a mandate to open all markets to competition as some would have you believe. If Congress had believed that competition would fully develop in every market and that it was a panacea for everything, they would not have

felt it necessary to insert Section 254 in the Act, mandating that the FCC and the State Commissions maintain universal service. Competition is or should be a means to an end. It should be used to achieve some goal.

I certainly understand it is politically incorrect to suggest that competition isn't the answer to all the world's ills. It would be like arguing against motherhood, apple pie and the American way of life. However, I would suggest that motherhood before the age of 12 or after the age of 80 might not be appropriate. I do endorse competition as defined by popular belief, that is, competition which produces better service, more choices and lower prices.

You have or will hear statements proclaiming that "competition lowers costs," but this is nothing but unrealistic nonsense. Competition does not and can not reduce costs. The reality is that multiples of anything cost more than just one. Competition does not lower cost, competition moves price toward cost. In theory, when the price paid by the consumer is above the cost of providing the commodity or service, then competition may reduce that price. The problem with this theory when applied to the local telephone industry, is that no one has been paying anything close to what it actually costs to provide a telephone in their home or business. The difference between how much it costs and how much people pay is even more pronounced in rural high cost areas. See figure 2.

Figure 2, provides you with a graphic depiction of the sources of revenue telephone companies currently have to recover their total cost. As you can see, the revenues generated by local basic service covers only a portion of the total cost, especially for the rural company.

What I hope to convey to you in the short time I have is that competition, except through resale, may not be in the public interest in the rural high cost areas. The fact is, the markets we are talking about are unable to economically support even one carrier and keep rates for service affordable. Universal service support is needed to

counter the dual problem of high cost and the subsequent lack of ability to generate enough revenue within the area.

The social objective of universal service is based on the premise that everyone in the nation, no matter where they live, should have access to a telephone. This was the force that drove the construction of facilities in high cost rural areas. A system of revenue transfers, mandated by regulators, from low cost to high cost areas, now known as universal service funding is what makes service affordable. See figure 3.

If you subtract Anchorage Telephone Utility, the only non-rural local exchange carrier in Alaska, and GTE because it receives no universal service funding from the data on this sheet, you will find that the other local exchange carrier's have invested \$726 million dollars to serve 200,000 customers. To ensure rates for service remain affordable and the companies can recover their investment in the rural high cost areas, they receive \$40 million dollars in universal service support annually. As you can plainly see, it is very expensive to provide services in rural areas. It is impossible to generate enough revenue to pay for existing services from within the area itself at this time.

It is important you understand that the support which is currently in place is calculated based on the existing local exchange company's actual costs. The \$726 million dollars, the majority of which is debt financed, was invested in facilities built in compliance with Federal and State standards and regulation. No one built these facilities because they believed they were going to reap some obscene monopoly profit. Frankly, I'd have been better off to put my money into long term CDs. Most of these small businesses have very little margin, therefore, very little ability to cut any costs. The costs are fixed because the companies have already built the facilities to serve all of the people in the communities where they provide service. Also, because the companies are small, employees fill many different roles. Companies can't lay off only a part of a person because of some regulatory change. The loss of customers does not reduce costs. For example, in the very best year my company ever had, net revenue was just 9% and return on investment was only 3.3%. The loss of as little as 9% of total business in that

year would have made the company unprofitable. The point here is that the loss of a relatively small amount of business would cause drastic rate increases for the remaining customers. In a recent letter to FCC Chairman Kennard, Senator John McCain, Chairman of the Senate Committee on Commerce, Science, and Transportation said, "rate increases were not the intent of Congress or the FCC when Congress passed the Telecommunications Act of 1996."

Facilities based competition simply makes no sense in these markets. Again if you can not generate enough revenue within a defined market area to pay for the current state-of-the-art facilities which are in place and have not been paid for, why would anyone consider constructing more. It would be uneconomic duplication of facilities.

Does this mean that no competition will work in these markets? Competition which uses the existing facilities would appear to do the least amount of harm. Resale of existing services, available at an avoided cost discount would at least maintain the proper targeting of the existing universal service support. This is consistent with Section 251 (b) of the Act and the way in which the APUC allowed for competition in the interexchange market in Alaska.

There are a number of rule making dockets which both the FCC and the APUC must complete before we will have answers to how the diametrically opposed concepts of universal service and competition can work harmoniously. There will, of course, be the inevitable appeals to the courts on many rulings that the FCC and the APUC make. So, as we struggle through the implementation of the Telecom Act, please keep in mind that the statement "competition is in the public interest" is a legal prescription based on finding of fact, on a case by case basis. It is not merely a statement of belief.

Topics

- History of TelAlaska, Inc
- Rural Economic Development
- Advanced Services - State Modernization Plan
- Telecommunication Act Goals
- Facilities Based Competition in Rural Alaska
- Market Size
- Public Interest

TelAlaska, Inc.

■ 21 Service Areas:

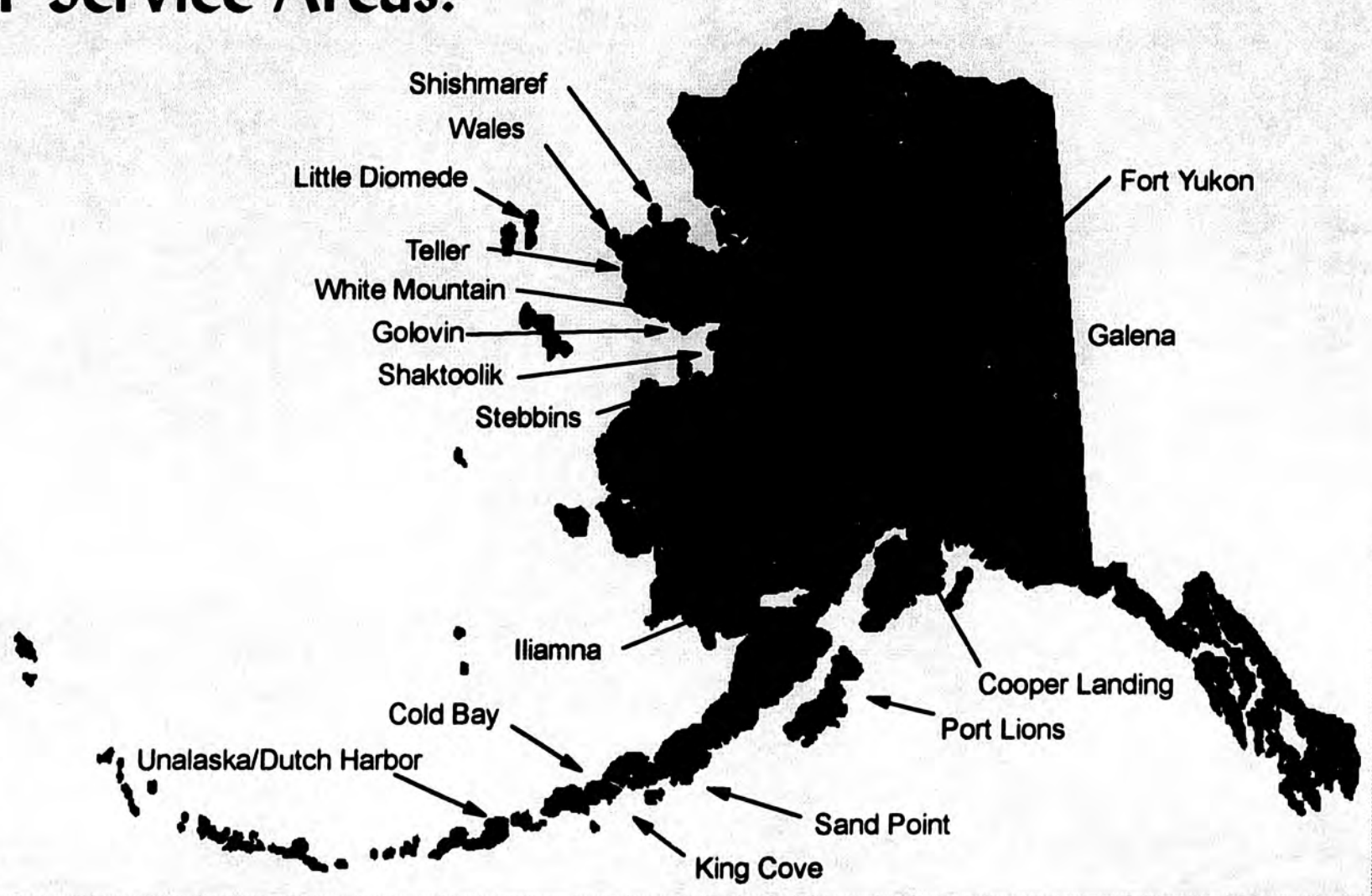


Figure 1

TelAlaska Access Lines

INTERIOR TELCO

COLD BAY	181
COOPER LANDING	272
FORT YUKON	302
GALENA	323
ILIAMNA	193
KING COVE	340
PORT LIONS	137
SAND POINT	436
UNALASKA	2220

Total 4,404

MUKLUK TELCO

COUNCIL (seasonal)	8
ELIM	99
GOLOVIN	78
KOYUK	107
LITTLE DIOMEDE	51
ST MICHAEL	116
SHAKTOOLIK	87
SHISHMAREF	178
STEBBINS	109
TELLER	159
WALES	76
WHITE MOUNTAIN	77

Total 1,145

Advanced Services and the State Telecommunications Modernization Plan

■ Advanced Services

TelAlaska Provides:

- ▲ Single party service
- ▲ Digital touch tone dialing
- ▲ Numerous custom calling features
- ▲ Access to operator service and directory assistance

▲ 911

- ▲ Upon request, digital voice and data service up to T-1 or 1.544 mbps locally.

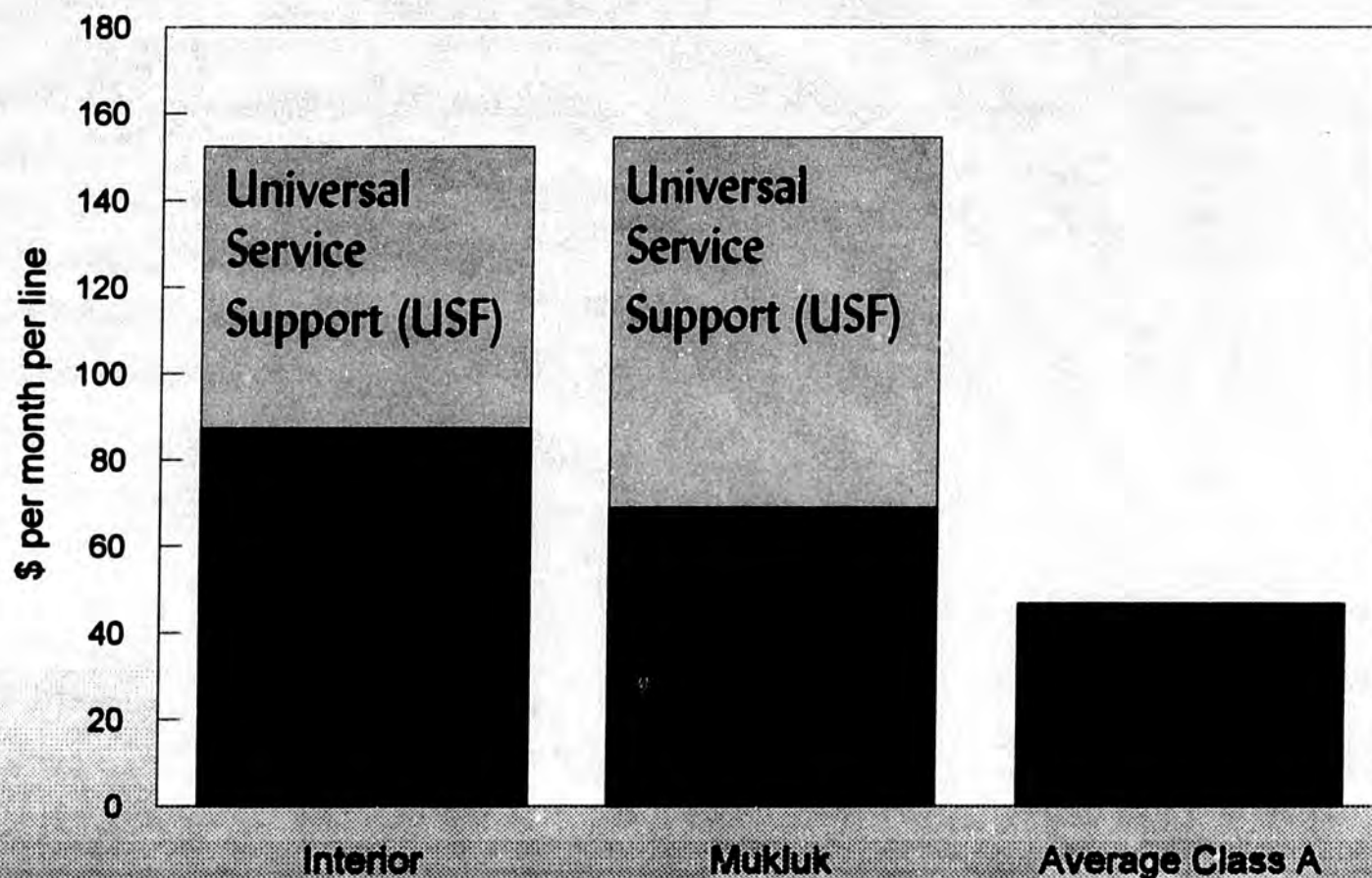
▲ Internet access

- Compliance with the Alaska State Telcom Modernization Plan

Telecommunications Act

- **Congressional intent of the Telcom Act**
 - ▲ **Accelerate private sector deployment of advanced Telecommunications & Information services**
 - ▲ **Open markets to competition**
 - ▲ **Maintain and advance Universal Service**
- **Congress mandated in Section 254 that the FCC and State Commissions maintain Universal Service**

Rural Telephone Company Cost Recovery



■ Other Intrastate (Toll)	■ Intrastate Access Charges
■ Interstate Support USF	■ Basic Local Exchange Service
■ Interstate Access Charges	■ Subscriber Line Charge

Figure 2

Alaskan ILEC's At A Glance

Incumbent Local Exchange Carrier	Investment	Employees	Subscribers	Exchanges
Anchorage Telephone Utility	309,781,324	622	151,499	4
Telephone Utilities of the Northland, Inc.	195,148,531	205	55,722	64
Matanuska Telephone Association, Inc.	193,500,000	246	41,908	11
Fairbanks Municipal Utilities System	108,961,247	156	33,659	1
Telephone Utilities of Alaska, Inc.	52,189,996	37	28,206	5
GTE Alaska Incorporated	27,852,000	70	19,805	13
Ketchikan Public Utilities Telephone Division	30,746,839	36	10,042	1
Copper Valley Telephone Cooperative, Inc.	27,082,697	35	5,056	6
United Utilities, Inc.	34,951,280	135	4,955	57
Interior Telephone Company, Inc.	25,505,530	9	4,404	9
Alaska Telephone Company	7,384,197	27	3,496	13
OTZ Telephone Cooperative, Inc.	9,010,369	26	2,905	12
Nushagak Telephone Cooperative, Inc.	5,604,927	8	2,137	3
Arctic Slope Telephone Association Cooperative	11,078,916	30	2,076	8
Cordova Telephone Cooperative, Inc.	7,540,347	11	1,853	1
Bristol Bay Telephone Cooperative., Inc.	5,268,593	20	1,744	6
Mukluk Telephone Company, Inc.	5,770,621	2	1,145	12
Bush-Tell, Inc.	2,500,000	13	798	10
Yukon Telephone Company, Inc.	2,222,426	7	426	3
North Country Telephone Company	280,240	2	170	1
Summit Telephone Company, Inc.	1,044,024	5	128	2
Bettles Telephone Company	331,400	2	68	2
Circle Utilities	Data not available			
Total ILECs 23	1,063,755,504	1,704	372,202	244

Figure 3

Small Markets

- Markets may be too small to support competition
 - ▲ Consider resale
 - ▲ Duplication of facilities is expensive
- Is competition always in the public interest?
 - ▲ Should be considered on a case-by-case basis

The State of the Alaskan Telecommunications Market

John R. Ayers
President, e.Net Limited

e.Net Limited

The Alaskan Market: Key Points

The Size and Scope of the Market Today
What the Market Needs to Grow and be
Healthy
What Influences are Necessary to Meet these
Needs

e.Net Limited

Size and Scope of the Market

TABLE 1

Service Category	Gross Revenue	Net Income
Local Exchange Carriers (combined)	\$256.3 million	\$35 million
Interexchange Carriers	\$120.5 million	\$26.8 million
Cable Television	\$75 million	NM
Wireless Services	\$45 million	\$4.0 million
Internet Services	\$15 million	NM
Other	\$10 million	\$1.0 million
Totals	\$821.8 million	\$66.8 million

Source: FCC

Size and Scope of the Market

Access Line Distribution

Number of Exchanges	Size Category	Total Access Lines	Percent of Total
116	1-99 lines	6,282	1.7%
88	100-999	21,631	5.8%
31	1000-9999	113,779	30.6%
5	10,000-99,999	79,011	21.2%
1	100,000+	151,499	40.7%
241		372,202	100%

Note: median exchange size is 105 access lines

Source: FCC

Size and Scope of the Market

	Number of Locations	Number of Access Lines	Percent of Total
1997	48	335,981	90.3%
1998	22	12,450	3.3%
Total	70	348,431	93.6%
Remaining	171	23,771	6.4%

Source: FCC, 1998

Size and Scope of the Market

Table 1. Cable Television By Subscriber

Provider	Number of Locations	Number of Subscribers	Percent of Total
GCI	26	101,000	88.2%
21 Others	35	13,500	12.8%
Total	61	114,500	100%

Note: DBS has limited application in Alaska due to geographic position relative to satellites, and the resulting high cost for antennas for access.

Source: FCC, 1998

Size and Scope of the Market

Service Provider	Number of Locations	Access Lines in Service Area	Percent of Total
GCI	26	304,431	81.8%
21 Others	35	40,747	10.9%
Not Served	180	27,024	7.3%
Total	241	372,202	100%

Market Health & Growth *Interexchange Markets*

Fair & Equal Regulatory Regime

- removal of tariff approval barriers in competitive service markets
- relax statutory requirements on pricing structures
- reduce barriers for smaller companies

Market Health & Growth

Interexchange Markets

Open Access to Infrastructure to Encourage Entrepreneurial Market Entry

- resist on-wholesale pricing structures from facilities-based carriers to allow competitive resale
- seek to prevent domination of essential facilities
- encourage niche market development

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Market Health & Growth

Local Exchange Markets

Promote Rational Competition

- encourage competition that doesn't harm rate affordability, service quality or reliability
- promote competition consistent with rural exemptions
- encourage competition for customers rather than subsidies

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What Influences are Necessary

Ensure the "Level Playing Field" Includes Consumers

Time is of the Essence for Regulatory Action to Accomplish Far-reaching Goals

Make Sufficient Resources Available to Agencies Responsible for Enactment of Telecommunications Reforms

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What Influences are Necessary

Provide Safeguards against Providers Gaining Undue Market Power

Expect the Eventual End of Subsidies to Providers to Offset Costs

© NCT Limited

**Presentation to
Alaska House Special
Committee on
Telecommunications
Dec. 11-12, 1997**

- Rep. Brian Porter, Chair
- Rep. Ethan Berkowitz
- Rep. Fred Dyson
- Rep. Ivan Ivan
- Rep. Jeannette James

ALASKA LECS: THE BASICS

David Fauske
General Manager
ASTAC

Arctic Slope Telephone Association Cooperative

An overview of the exchange
telephone companies serving rural
towns and villages

INTRODUCTION

- The Local Exchange Companies (LECs) are a subject of interest and public debate.
- The public interest is best served when factual information underlies public policy.
- Mis-information has clouded this already complex debate in Alaska.
- This presentation will present a factual overview of the rural Alaska LEC status.

MAIN POINTS

- Who are the LECs ?, who do they serve ?, where are they located ?
- What does a rural local exchange telephone company look like in the real world?
- What services can a rural Alaska LEC provide ? What are the limiting factors ?
- What is the telecommunications option for local exchange customers in Alaska ?

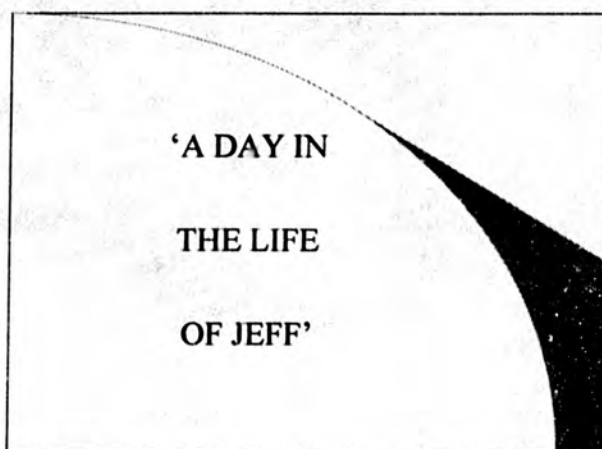
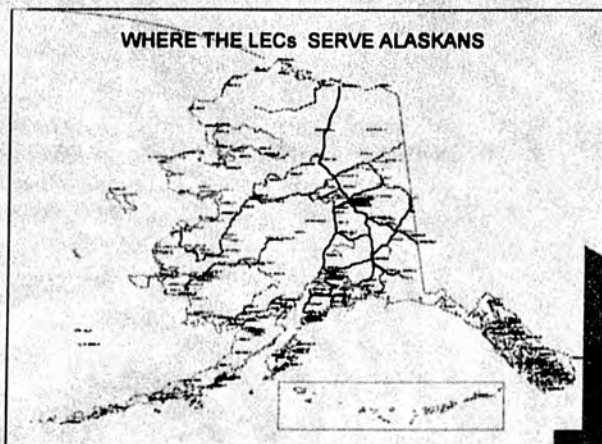
WHO ARE THE LECs ?

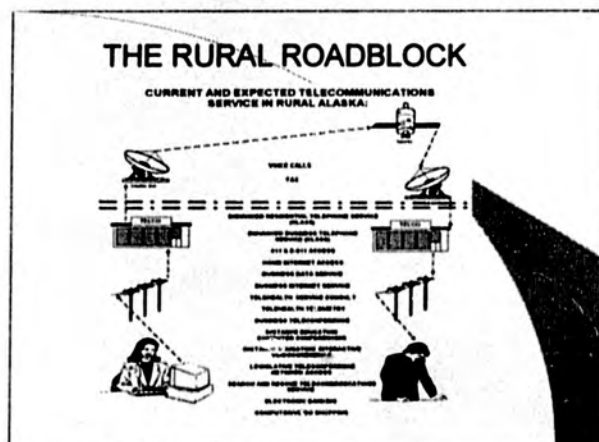
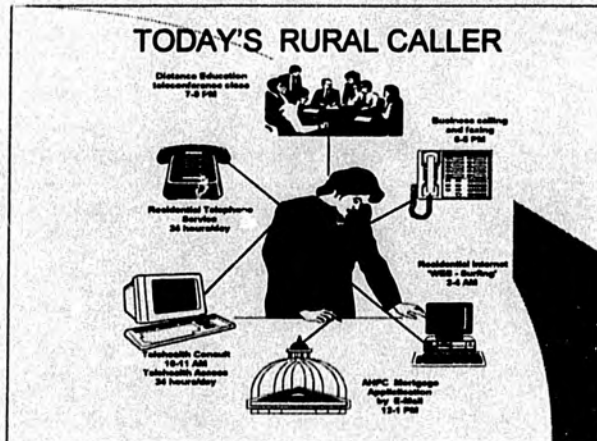
Alaska Power & Teleph.	Ketchikan Public Utilities
Arctic Slope Teleph. Co-op	Matanuska Teleph. Co-op
ATU Telecommunications	Nushagak Teleph. Co-op
Bristol Bay Teleph. Co-op	Kotzebue Teleph. Co-op
Bush-Tel, Inc.	Summit Teleph. Co-op
Copper Valley Teleph. Co-op	TelAlaska, Inc / Mukluks
Cordova Teleph. Co-op	United Utilities, Inc
PTI - Century Telephone	Yukon Telephone Company
(Fairbanks)	GTE-Alaska
(TUA)	Circle Telephone
(TUNI)	

THE LEC BUSINESS

COMPANY	LINES	COMPANY	LINES
APT	3,734	KPU	10,042
ASTAC	2,076	MTA	41,908
ATU	151,499	Nushagak	137
BBTC	1,744	OTZ	2
Bush-Tel	798	Summit	12
CVTC	5,056	TelAlaska	5,549
Cordova	1,853	United	4,955
PTI-Century	117,587	Yukon	426
GTE Alaska	19,805	Circle	30

APPROXIMATE TOTAL: 372,232
and PLANT INVENTORY: \$790,056,703





Village Digital Subscriber Loop (DSL)
Subscriber Equipment



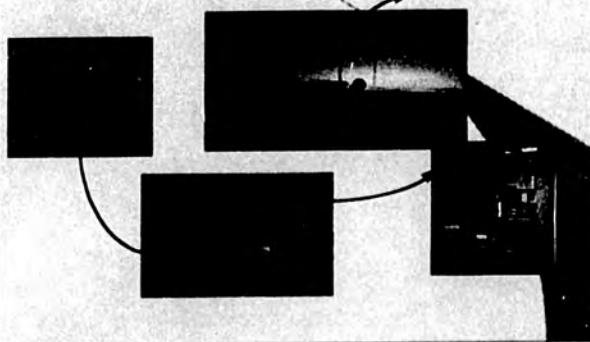
Village Digital Subscriber Loop (DSL)
Local Loop Wire Plant



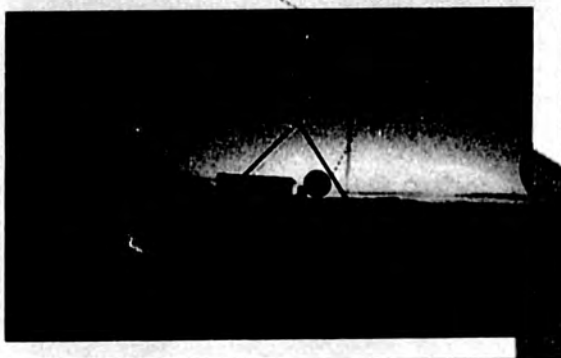
Village Digital Subscriber Loop (DSL)
End User Equipment



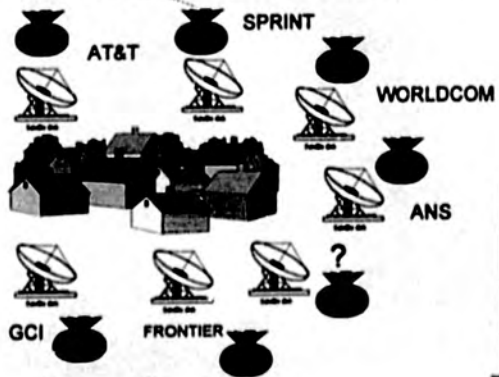
The village to the world..?

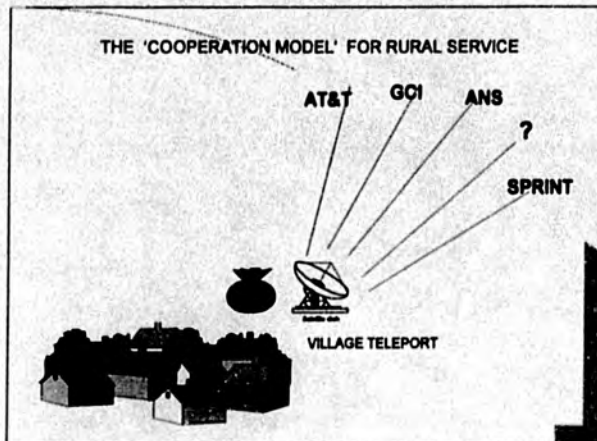


.....The rural telecom roadblock



THE 'COMPETITION MODEL' FOR RURAL SERVICE





Summary - 1

- Alaska's citizens, including rural residents, are provided with modern, multi-functional local telecommunications services by local exchange companies. (Alaska was the first and only, state to qualify--on its status quo--under the federal State Telecommunication Modernization Plan (STMP))

Summary - 2

- The technical limit to these services is at the front of the satellite earth station antenna. That is, the inter-exchange (IXC) portion of the network today is inadequate to the technical need and the already in-use or desired telecommunications applications of rural subscribers.

Summary - 3

- The myth that the local exchanges in rural Alaska need to be 'technically rescued' is an expensive, time and energy consuming diversion. It is a false option, a false dilemma, for Alaska society. It is self-serving marketeering by the myth makers.

Summary - 4

- The proper, economic and necessary path to the improvement of Alaska's telecommunications system is to add the most economical, efficient improvements to the segments that are deficient; and then to provide the maximum, practical choices of complete, reliable services to all of Alaska's end users of telecommunications.

Summary - 5

- State policy makers must first consider the competition faced by Alaska's entire economy, including its telecommunications structure, from the Pacific Rim and globally.
- A narrow, myopic focus on forcing urban 'local competition' models -- designed for huge 'RBOC' markets -- on our State, is so defeating for all but a very few investors, driven by market and subsidy capture goals.



AKPIRG

ALASKA PUBLIC INTEREST RESEARCH GROUP

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(907) 278-3661 FAX (907) 278-9300

Testimony Before the House Special Committee on Telecommunication

by Stephen Conn, Executive Director, Alaska Public Interest Research Group

December 11, 1997, 11:15-11:45 a.m.

I am Stephen Conn, Executive Director of Alaska Public Interest Research Group, the state's only citizen supported consumer advocacy group with 4,000 members statewide.

AkPIRG's interest and involvement in matters of telecommunications in Alaska is of long standing. During its more than 22 years of activity, AkPIRG's members mounted the Alaska Consumer Advocacy Program, pressed for a Citizens Utility Board and represented consumers in numerous administrative and legislative inquiries into telecommunications. In recent years, we worked on the Alaska 2001 inquiry and testified before two FCC commissioners on behalf of Alaska consumers. This is the second special committee on telecommunications before whom we have testified, the first chaired by former Representative Bill Hudson. We consistently look to the needs and interests of rural Alaska Native communities as well as urban consumers and held the first ever workshop on the future of telecommunications in rural Alaska at the 1996 convention of the Alaska Federation of Natives.

Because we communicate and work with the Consumer Federation of America on the national front and meet regularly to share ideas and experiences with consumer advocates from throughout the United States, we are able to place the Alaska experience within that national context.

In the brief time allowed today to open the eyes of your committee to the consumer's perspective, I will outline several points drawn from our experience with the telecommunications process in our state and elsewhere.

Policymakers should expressly declare that all consumers must have access to affordable telephone service appropriate to modern uses of telecommunications.

We in Alaska and consumer advocates throughout the United States have long recognized that Universal Service must be the guiding objective of change. We view universal service as so significant to the educational and economic opportunities and political participation that we advocated and the Alaska telephone providers endorsed our bold suggestion that the legislature explore whether universal service should be a right entrenched as a constitutional right within our state constitution, this in the Alaska 2001 advisory committee recommendations. We further suggested that the APUC and the legislature embark on a serious inquiry to determine what services should encompass that minimum content of Universal Service for both rural and urban residents.

In Alaska the threat that the gap between those that former Commerce Undersecretary Larry Irvin termed the "technologically underprivileged" and the rest of us will be transformed into a chasm is a real one. As you well understand, rural Alaska faces not only time lags in satellite delivery, and gaps in economic and educational access to the new technology, but basic gaps in its infrastructure that are entirely unknown in the rural regions of the lower 48. Although it is often overused in political discourse, our political leaders must consistently point out to the FCC and Congress that Alaska is indeed different when construction of the road to universal service is considered.

Will the need for a universal fund be met by federal subsidy alone? Is there a need for a state universal service fund? Who will contribute to that fund? How will consumer interests be met, especially those who are disadvantaged by location, education, age or economics? Who will ensure that there is no deterioration in reliability of customer service?

A far more extensive examination of Alaska's societal needs must be funded and carried to completion. However, preliminary data collected and used by the APUC in its filings makes a strong case for a state universal service fund. The burden of that fund must be borne by all players in the market. The payoff for our state will be cost efficient government, educational services and economic development.

Consumer advocates agree that competition often achieves improvement in the well being of consumers. However, the process that defines competition in the realm of telecommunications is already riddled with false semantic barriers, special categories of immunity which those who purport to want an open market raise in legal proceedings and press upon regulators to avoid contributions necessary for the common good. These barriers include patently false distinctions between "common carriers" and "private carriers" and equally specious distinctions between dominant and equally significant carriers who are not regulated. So-called private systems are being constructed within Alaska whose owners will likely disclaim shared responsibility for universal service obligations even though their systems are connected to those long supported by public funds. Your job is to cut away this thicket of trick distinctions to create a clear path for market competition and for consumer justice when universal service obligations are considered.

In a shared market economy, both universal service and universal competition must be freed from outdated and artificial distinctions created in the monopolistic regimes of yesteryear. Who should sustain universal service throughout Alaska: All carriers and service providers who wish to serve our market. Consumers urban and rural must support a system that is as significant as the postal system of yesteryear.

Cable systems, deregulated by federal law, must be seen for what they are: important vehicles for high density telecommunication and regulated for the benefit of consumers.

The battle for access to market share in Alaska's telecommunications industry is a political battle that uses "competition" and "consumers' interest" as its mantra, but that is littered with examples of special pleading, special exceptions and well greased with political contributions to those in a position to make critical decisions. When the fight between Alascom and AT and T was raging, the top political spenders on contributions and on lobbyists were in the telecommunications industry and not in the petroleum industry as Alaskans might have expected. We suggest that those who would sit on this or on any special committee on telecommunications either pledge to take no contributions from telecommunications representatives or put these contributions on the public record when they vote. Consumers can judge for themselves whether decisions about telecommunications have been guided by political donations or by Alaska's needs.

If members need an example from the recent past of a state law pressed forward against the interests of telephone consumers, the legislative restriction placed on the APUC to bar it from demanding that providers participate in the Federal Lifeline program resulted in only ATU's voluntary participation until recent inducements in the Federal Telecommunications law encouraged providers to offer the program to their customers. The program still suffers from low penetration. Until a comprehensive survey of market penetration is conducted by the APUC and guided by consumers, the benefits of that program are not likely to be achieved.

Policymakers must ensure that consumers have sufficient information to make wise decisions in a competitive market. Policymakers must ensure that regulatory agencies have the resources needed to educate consumers, handle consumer complaints and curb abusive practices.

A stronger connection between consumer advocacy and the regulatory process is absolutely necessary. The current designation of certain commissioners who must vote on decisions as consumer representatives and designation of an office public affairs person as the consumer ombudsman is outdated in a world where consumer concerns must receive independent and disinterested advocacy. These casual labels are as outdated in the new world of telecommunications as the false distinctions between common carriers and private carriers and dominant carriers and nondominant made earlier and made for reasons of narrow self-interest.

The same can be said for deregulation necessary for enhanced market competition. That deregulation cannot and should not signal an end to protection of consumers. In fact, the reverse is true: what regulation remains should focus on consumers' needs and not merely on special pleadings by service providers in the name of consumers who have no voice at the table.

Consumers watched as pay telephone rates increased after pay telephones were privatized. They watched cable rates rise after companies were purchased and the market was deregulated while competition remained expensive or entirely illusive. Ralph Nader has pointed out that billing practices that are not geared to minutes and seconds actually used, cost consumers billions. For all of this and more, independent consumer advocates are needed, funded from the same source as the Alaska Public Utilities Commission or by special legislative appropriation to assure Alaska consumers that their interests are given equal regard to self-serving interests of service providers in a regulatory process that consumers (not service providers) underwrite with every utility bill they pay. No observer of the political process that has lead to the current state of telecommunications can conclude that providers and consumers interests were given equal regard- not even in the construction of the agenda that has guided this morning's proceedings.

At the national level, there is a counter attack against Universal Service. Senator Stevens worked hard to create bridgeheads for service in rural Alaska by affording special subsidies to medical and educational facilities as well as libraries. But attacks on cross subsidization to what opponents call "our country cousins" could impact both urban and rural Alaska. At the state legislative level, we hope that the legislature and governor recognize that the power cost equalization issue - core subsidies to rural electricity- is linked directly to access to telecommunications in rural Alaska.

Alaska's consumers are not naive. They already have discovered glitches in the new local competition between providers and patent lies about reduced costs where cable and

pay phones are concerned. They know full well that a political process that speaks of competition and consumer interest may be guided by an agenda defined by lobbyists for the major players and a flow of campaign contributions that is not in favor of market competition or the Alaska consumer.

In the end only consumer advocates with no second agenda will target anomalies in the evolving process and shine the halogen glare of publicity on special deals and special favors sought by service providers as they scramble for special access, competition and consumers be damned.

Thank you.

CONN

**Report to the
Alaska Public Utilities Commission**

by the

**Alaska 2001 Advisory Committee
Lt. Governor Fran Ulmer, Chair**

March 1996

I. SUMMARY OF RECOMMENDATIONS

COMPETITION AND REGULATION

- 1. The APUC should conduct an investigation of the Alaska telecommunications market structure to determine how to accommodate and take advantage of potential competition in the remaining telecommunications markets wherever possible in a manner that promotes the public interest.**
- 2. The commission's regulations should be amended to provide for an orderly transition to competitive markets in a manner that is fair to both consumers and providers.**
- 3. The APUC annual report to the legislature should include a discussion of changes during the past year to classifications of competitive markets and recommended legislative action.**
- 4. The APUC report each year should include a discussion of the quality of service in all markets in Alaska and Commission actions to monitor and maintain service standards, as well as an analysis of new product offerings, price performance in competitive markets, and their impact on state universal service goals, along with recommended legislative action.**

UNIVERSAL SERVICE

1. While universal service has been an established public policy and societal goal for many years, it has no explicit, written definition. The APUC or the Alaska Legislature should hold public hearings in order to explicitly define universal service. The definition should incorporate the following principles:

- * universal service is an evolving concept,**
- * quality services should be provided at just, reasonable, and affordable rates,**
- * the State of Alaska should seek to achieve subscribership levels in rural communities comparable to those in urban areas.**
- * consumers in rural and high cost areas should have access to telecommunications and information services, including interexchange services, that are comparable to those services provided in urban areas,**
- * consumers in rural and high cost areas should have access to the benefits of advanced telecommunications and information services for health care, education, libraries, economic development, and other public purposes,**
- * public libraries, elementary and secondary schools and classrooms should have access to advanced telecommunications services**
- * the services encompassed within carriers' universal service obligations should include those which, through the operation of market choices, are subscribed**

- * to by a majority of residential customers in the United States, the operational definition of universal service will remain a dynamic concept revisited at prescribed intervals by the APUC and the Alaska state legislature,
- * universal service is necessary for citizens to achieve full political and economic participation in society. Given the significance of universal service, any legislative hearing should address whether the citizens of Alaska desire a state constitutional amendment.

2. In addition to the principles in recommendation #1, the definition of universal service should include the following as the initial services which should be encompassed within carriers' universal service obligations: single party service, touch tone dialing, 911 emergency service where available, 411 (information), 611 (maintenance and repair), white page listings, data transmission over voice grade analog lines using a modem¹, and access to optional² digital services such as switched 56 kilobit and ISDN.

3. The APUC should establish a minimum service quality standard for basic service data transmission. This standard should: 1) be reviewed and changed periodically; 2) be an end to end standard that applies to both local and interexchange service; 3) accommodate the most amount of band width feasible; and 4) recognize the needs of Alaskans to communicate as adequately as those in the lower 48.

4. The APUC's State Telecommunications Modernization Plan (STMP), being developed in conjunction with Rural Utilities Service requirements, should give consideration to recommendations 1, 2, and 3.

5. The APUC should conduct an investigation to determine whether Alaska telephone companies and consumers are receiving the full, rational benefits of federal and state universal service cost support mechanisms. To the extent that telephone companies are not participating in available programs, or are not utilizing the benefits of the current programs to reduce prices to consumers, or are not utilizing available or existing programs to increase subscribership, the APUC should investigate the reasons and recommend possible solutions. In addition, as the FCC makes changes to universal service support

¹The Universal Service Task Force proposed that voice grade circuits be capable of transmitting data at a minimum of 9600 kbps. The initial staff drafting team (see footnote 4, following) proposed to the Advisory Committee that this standard should be set to allow data transmission over voice analog lines using a modem capable of speeds of 30 kbps and that this standard be an end-to-end standard that applies to both long distance and local exchange service. However, the Advisory Committee was unable to reach consensus on this issue. The reasons for and against these standards are discussed on pages 55-56.

²By optional we mean that these services would not be part of the basic service package at this time, but rather would be universally available at cost-based, market rates.

Testimony to the State House and Senate Committee on Telecommunications
December 12, 1997

Yukon-Kuskokwim Health Corporation
PO Box 528
Bethel, AK 99559

Rebecca Grandusky
Chief Information Officer
Ph: 907/543-6075
Fx: 907/543-6006
Em: rebecca_grandusky@ddc-alaska.org

Health care providers today are extremely dependent on good telecommunications. In the Delta, we have been using radio, telephone and fax to deliver cost effective health care services to a population of 30,000 beginning in the 60's to the present day. Over 50 % of the Delta population qualifies for medical assistance, but less than 40 % receive this assistance. In many instances YKHC provides the health service with no additional reimbursement. Physicians have overcome great odds to assist health aides in making diagnoses from remote locations including Bethel, Anchorage and Seattle. Without the state and federal funds designated to telecommunications, the cost of health care would escalate at an even faster rate.

YKHC is committed to providing village-based Preventative health teams in villages throughout the state within the next three years. These teams will be recruited from the village and trained utilizing distance delivery combined with Bethel-based training. Bethel-based providers (physicians and physician practioners) will be accessible for consultation. The teams will be tasked with decreasing infectious disease rates, improving child immunization rates, promoting improved sanitation and delivering disease prevention and health promotion concepts to the village residents. The transmission of data, images and educational materials via satellite is essential to YKHC for providing these services cost effectively. Without ARCS, SIP and WEB access, the cost to support these professionals would increase greatly and the cost to state provided health care would also increase proportionally.

***Testimony to the State House and Senate Committee on Telecommunications
December 12, 1997***

**Yukon-Kuskokwim Health Corporation
PO Box 528
Bethel, AK 99559**

**Curt Madison
Village Operations Distance Delivery Technology Coordinator
Ph: 907/543-6168
Fx: 907/543-6143
Em: curt_madison@ddc-alaska.org**

Health care in rural Alaska, like health care anywhere in Alaska, can be greatly aided by telecommunications. Telemedicine's sexy, glamorous, headline grabbing images include exotic consultations between specialists around the world or acute, life-saving emergencies. However, here in the Delta we are more interested in using telecommunications to alter the less spotlighted normal day to day operation of a community. We want to make whole village area networks that allow all the village entities to work together. We have robust programs functioning now in our communities that will get an additional boost from affordable telecommunication connectivity. We are not asking for funding, we only want the freedom to design the best delivery system.

We want to use telecommunications to bring the health providers, the health aides, into a peer network. We want to use telecommunications to bring better access to education right into the village where people live. And we want to use telecommunications to give access to more information to people in the villages of the Delta as they find issues they need to research. Each of these uses will reduce the dependence of rural Alaska on State funds. And each of these uses will encourage village residents to be information providers to the rest of the state. We cannot afford to neglect our telecommunication resources.

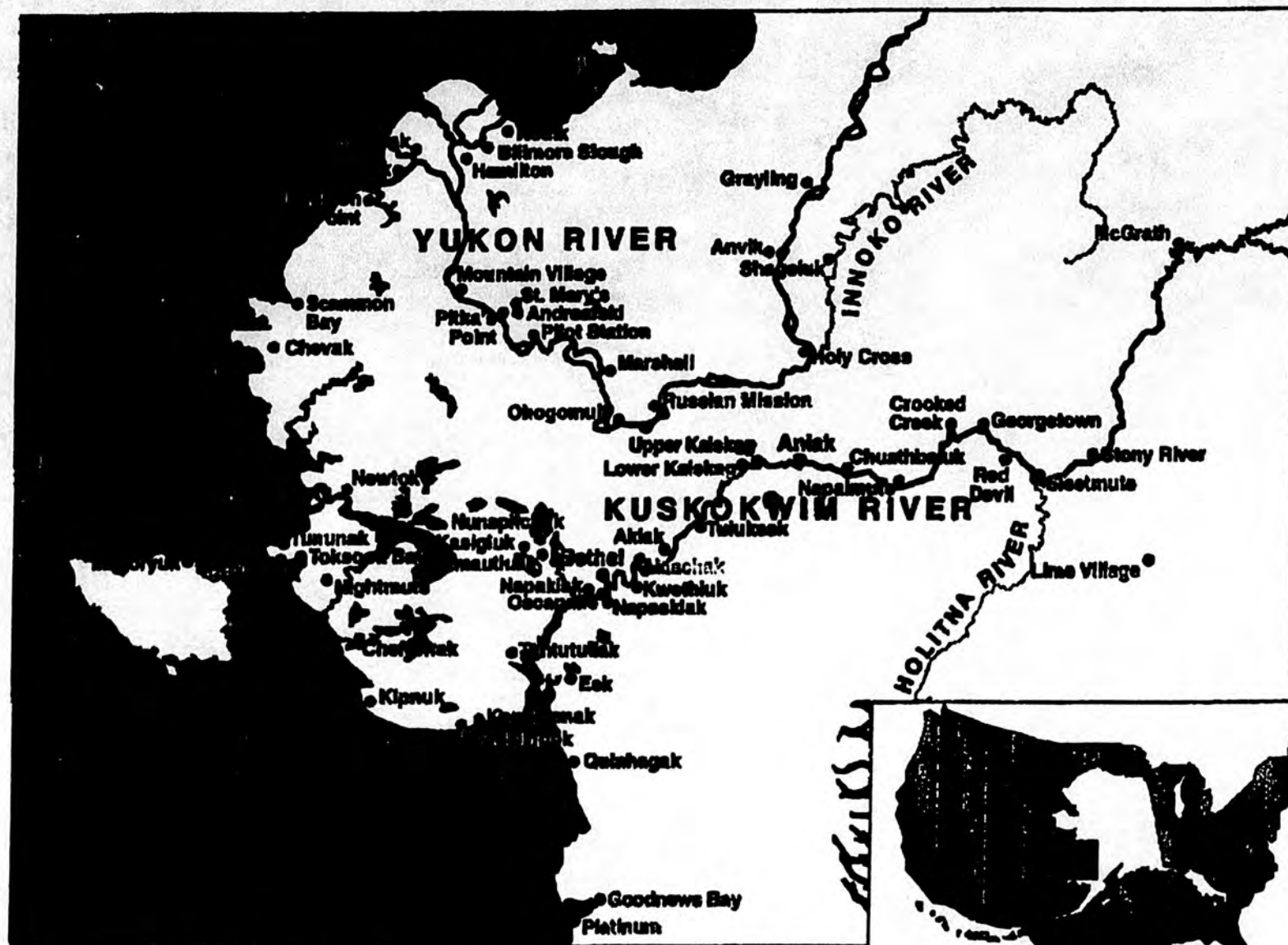
Key telecommunication resources we utilize include data transfers that can operate on poor telephone lines in harsh conditions more similar to a Third World country than to the rest of the United States, as well as, a leading edge innovative use of digital satellite transponders. When internet access arrives in the delta we will be moving in the right direction. But right now the only way we can get full motion video to our villages, and the only way we can include all our residents in a State-wide dialogue is through the broadcast capabilities of ARCS.

Chairman Porter, thank you for allowing us to address this hearing. As you consider means to wisely use State legislative resources in the form of laws regulations and appropriations, we are confident that interest in telecommunications now will leverage into large investments in human resources of the Delta later. Whether it is economic development as natural resource extraction or ecotourist destinations, a healthy knowledgeable self-sufficient population in the Delta is a net gain for all of Alaska.



YUKON-KUSKOKWIM HEALTH CORPORATION

Region Map





Yukon-Kuskokwim Health Corporation

"Fostering Native Self-Determination in Primary Care, Prevention and Health Promotion"

**** WELCOME TO THE YUKON KUSKOKWIM HEALTH CORPORATION ****

On behalf of the Yukon Kuskokwim Health Corporation Board of Directors and employees, I would like to welcome you to YKHC.

The Mission Statement of the Yukon Kuskokwim Health Corporation states:

"OUR MISSION is to achieve the greatest possible improvement in the health status of the people of the Yukon-Kuskokwim Delta region.

We are committed to the development of culturally relevant programs for primary care, prevention, and health promotion in a setting that fosters Native Self-Determination in the control and management of health care delivery."

Please join us in our efforts to meet the goals and objectives of the Corporate statement.

Thank you.

Sincerely,

GENE PELTOLA
PRESIDENT/CHIEF EXECUTIVE OFFICER

Distance Delivery Consortium

*Promoting distance education and
communication in Rural Alaska*



P.O. Box 2401 • Bethel, Alaska 99569 • (907) 543-4089 • (907) 543-5720 FAX

General Information

The Distance Delivery Consortium (DDC) is a distinctive partnership formed in 1990, to promote effective distance delivered education and telecommunications in rural Alaska. The Bethel-based DDC is composed of several public, private, medical, and educational institutions within the Yukon-Kuskokwim Delta; each having diverse education, training and telecommunications needs. In the past, many of these needs have been difficult to address due to the vast distances and associated travel costs within the region.

The DDC was formed to promote inter agency cooperation in order to share personnel, equipment, facilities and expertise. Through this cooperative effort agencies have been able to develop state-of-the-art telecommunications infrastructure and foster cost effective distance learning experiences for their respective end-user groups.

Since 1994 there have been many successful projects. A prime example is the shared use of satellite television dishes located in forty-six community schools. These satellite capable sites allow all community members to access the growing number of course offerings and video conference efforts delivered by the member agencies. The DDC has delivered more than 300 hours of live educational television via satellite through the studios of KYUK, Bethel. Several major inter-school district courses have been broadcast including teacher in-service training on topics such as fetal alcohol syndrome, gender equity, and sexual abuse reporting laws for educators. LKSD and the Alaska Writing Consortium have offered several semester-long university courses for teachers by satellite. The Alaska Army National Guard completed training sessions to 21 villages saving thousands of dollars in travel costs. The Yukon Kuskokwim Health Corporation will continue to offer Community Health Aide Training by satellite. The Kuskokwim campus of the University of Alaska, Fairbanks is offering accredited instructional television (ITV) and computer / on-line courses through the DDC. The DDC also offers Internet access through a user-friendly electronic mail system (FirstClass) to all its members for an annual nominal fee.

Because a robust telecommunication system is critical to distance education, the DDC continues efforts to extend the information highway to rural Alaska. Since 1994, the consortium has secured over \$2,000,000 in grants and matching funds to support telecommunications infrastructure projects and develop new distance education programs. This support has been garnered from Federal, State and Public sources and through Member Agencies.

The DDC is officially represented by an executive board composed of member agency representatives who direct a full-time coordinator, Martin Leonard III. The DDC coordinator serves to secure grant funding for future efforts as specified in a long range plan, coordinate the dissemination of distance education offerings and information to members and provide expertise on technical matters.

Members

1. Bethel Broadcasting Inc. (KYUK TV/AM)
2. Lower Kuskokwim School District (26 Schools)
3. Lower Yukon School District (11 Schools)
4. Yukon-Kuskokwim Health Corporation (52 Villages)
5. Yupik School District (3 Schools)
6. University of Alaska, Kuskokwim Branch (52 Villages)
7. Kashunamuk School District
8. Rural Cap Parent Child Program (6 Villages)
9. St. Mary's School District
10. City of Bethel

Associate Members/Advisory Members

1. United States Fish & Wildlife Service

Corporate Members

1. AT&T Telecom
2. United Utilities, Inc.
3. GCI
4. Association of Village Council Presidents, Inc.
5. Bethel Native Corporation

Community Service Members

1. Tundra Women's Coalition
2. Bethel Chamber of Commerce
3. Bethel Community Services
4. Bethel Family Clinic
5. Orutsanuk Native Council
6. Bethel Prenatal Home
7. Bethel Group Homes

Supporters

1. Alaska Army National Guard (AANG), Bethel Region

**For additional information contact the coordinator, at (907) 543-4089 or send E-mail to
Martin_Leonard@ddc-alaska.org**

Martin Leonard
Distance Delivery Consortium
Box 2401
Bethel, Alaska 99559

December 12, 1997

Testimony to the House and Senate Telecommunications Committee

Mr. Chairman...The professionals testifying before you, within this group, are executive representatives of the Distance Delivery Consortium (DDC). This group is the most active community-based organization in our state and is extremely devoted to bringing cost effective telecommunications infrastructure to the rural communities of the Yukon Kuskokwim Delta. We occupy seats on the governance board of the Satellite Interconnect Project (SIP) and are one of the founding agencies of Alaska's Educational Channel - Alaska III.

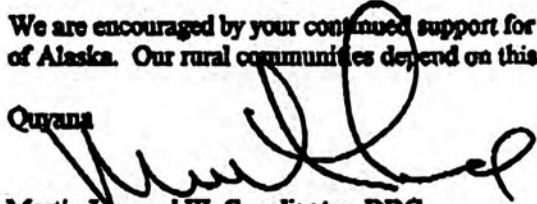
The partnerships we've developed have facilitated cooperative efforts between five rural school districts, regional health and social service organizations, city and tribal governments, public radio and TV stations, the higher education community as well as with the industry folks before you. By sharing human, technology, financial and fund development resources, these organizations have been able to address many of the unique telecommunications needs of SW Alaska. It is with your assistance and support, working through these true community partnerships like the DDC, that we can all bring to fruition a state infrastructure that is for the benefit all Alaskans.

You should be congratulated for your support for innovative initiatives directed at bringing valuable infrastructure and information resources to rural Alaska. In the Satellite Interconnect Project, the state has developed a technically advanced system, capable of delivering more service to rural communities, under the same cost structure - much more for less!

Alaska is once again a leader in the field of telecommunications and information resource technology. With that leadership role comes the responsibility to ensure that these resources are accessible to all regions of the state and validated through innovative uses like distance education and telemedicine, - we are doing just that here in the YK Delta.

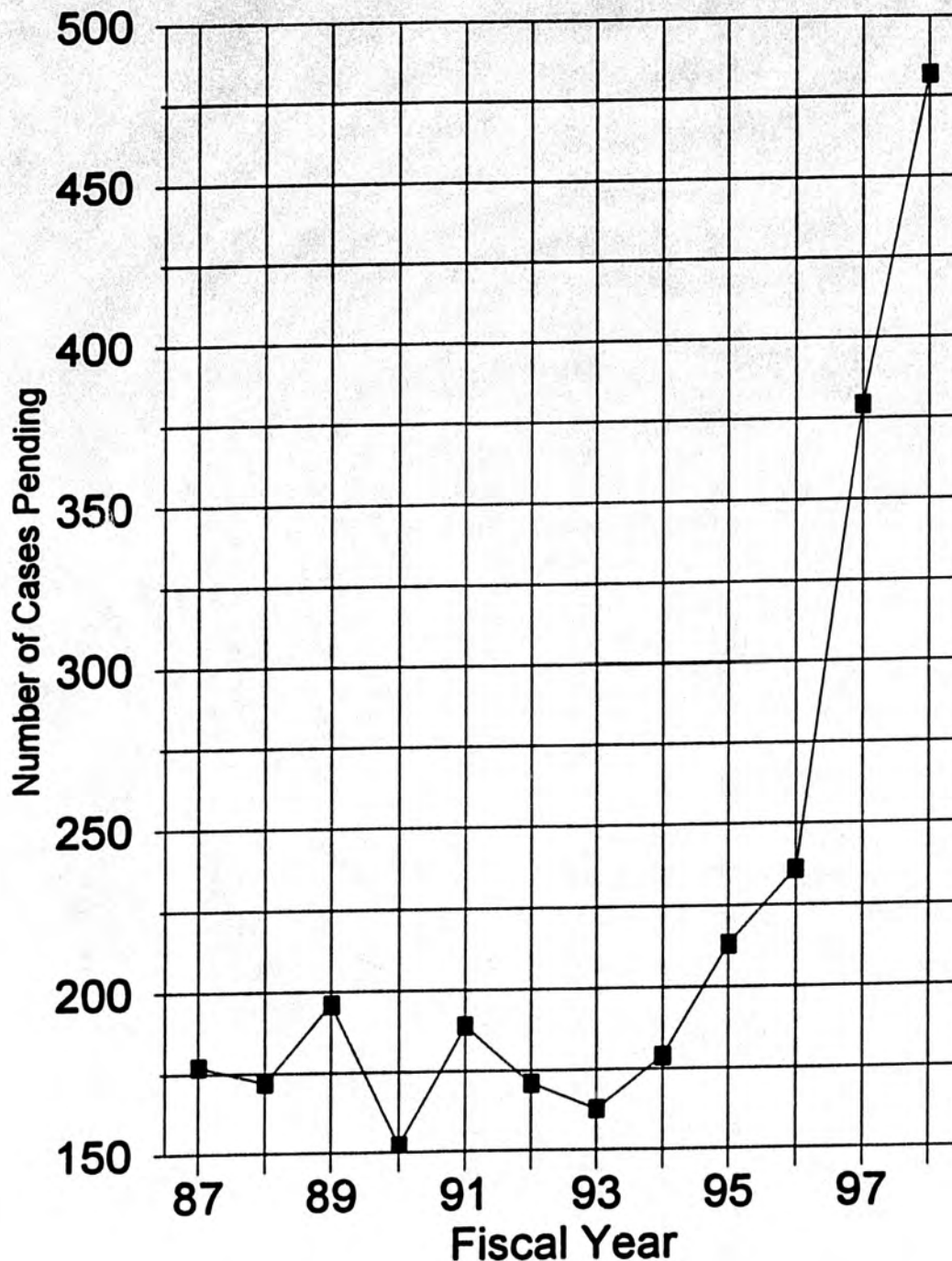
We are encouraged by your continued support for state-wide telecommunications resources for the people of Alaska. Our rural communities depend on this infrastructure. You have our support in this effort.

Quyaná


Martin Leonard III, Coordinator, DDC

APUC Formal Caseload

Doubled in 16 mos; Tripled last 5 yrs.



IMPLEMENTATION OF THE TELECOMMUNICATIONS ACT OF 1996

Alaska Public Utilities Commission

House Special Committee on Telecommunications

December 12, 1997

INTRODUCTION

Mr. Chairman, Rep. James, Rep. Berkowitz, Rep. Ivan, thank you for inviting the Alaska Public Utilities Commission to make a presentation at the Telecommunications hearing today.

The chairman asked me to convey his regrets at being unable to be here today. And believe me, no one regrets his absence more than I do.

But regulators do not expect to be hugged very often by their customers. If they were, it would probably be a warning sign. The most that we can hope for is the grudging respect of regulated entities.

I would like to do three things this morning: 1, make some brief remarks about the commission; No. 2, summarize the commissions progress in carrying out its responsibilities under the federal telecommunications act 1996; and most importantly No. 3 responding to some of the questions raised by earlier presentations and to your questions.

The telecommunications industry in Alaska and nationally is in a period of dramatic change. The comprehensive rewrite of the federal telecommunications act of 1934 by Congress nearly two years ago was the first significant change in federal congressional telecommunications policy in 60 years. The act declared a national policy of competition in all aspects of the telecommunications industry. Since the long distance market nationally was already opened to competition, the primary focus was on deregulating the local exchange markets.

The act provided protection from competition in small rural markets, but directed state public utility commissions to remove that protection, unless it would be "unduly economically burdensome", technically infeasible or disruptive of the universal service support mechanisms to do so. For the past three days the commission has been holding hearings on the first request by a competitor (GCI) to remove the rural exemption held by PTI.

The Commission needs more resources to handle its new responsibilities in a timely and effective manner. Within one month of the passage of the telecommunications act the commission filed a supplemental budget cost

for 400,000 dollars. No action was taken on the request in 1996. However, during the special session the Legislature did approve the Commission's request to be allowed to spend any carryover balance to begin implementing its new responsibilities under the Telecommunications Act. We hired a new telecommunications specialist and continued a contract with a nationally recognized economics consulting firm.

I. Telecom Act Statement of Purpose

A. To provide for a pro-competitive, de-regulatory national policy framework designed to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition, and for other purposes.

II. FCC statement of the Act's Goal.

A. The goal of this new law is to let anyone enter any communications business -- to let any communications business compete in any market against any other. [FCC homepage]

III. Another overriding goal of the Act that many believe to be as important as the competitive goal is Universal Service.

IV. Congress relies on state commissions -- to a very great extent -- to implement its pro-competitive policies. Main Tools provided by the Act for promoting competition (removal of barriers to entry & requiring interconnection).

A. Removal of Barriers to Entry

B. Interconnection

1. The rules are fairly detailed and include obligations for such things as resale of services, number portability, access to poles, conduits and rights-of-ways, etc. This state must enforce these rules through oversight of interconnection agreements -- including, if necessary, mediation and arbitration of any disputes.

C. Sometimes in tension with the Act's pro-competitive policies is the goal of maintaining and enhancing universal service. Here again Congress has established fairly specific rules that require further implementation -- some by the Federal Communications Commission and some by state commissions.

- D. Congress has established some fairly detail procedures for implementing local exchange competition and maintaining and enhancing universal service, the Act's road map is not complete. In some cases -- for example rules for local exchange market structure -- a good deal of discretion has been left to the states -- provided state rules do not conflict with federal rules. The Commission also acknowledges the need for interexchange market structure rules which is largely ignored by the Telecommunications Act.
- E. In other cases of a missing Congressional road map, the job of drafting rules has been left to the FCC but the work is still in progress. In the case of access charges -- local competition has required some immediate, interim adjustments to the states existing rules that may well have to be further revised again once the federal rulemakings are complete.

V. The Commission has initiated five major rulemakings as a result of the Telecom Act regarding private pay telephones, directory assistance, access charge reform, universal service, and market structure for local exchange carriers.

- A. Access charge reform NOI (R-97-5) and Universal Service (R-97-6) initiated as combined Order August 1997 to solicit comments regarding how to ensure Alaska system complies with requirements of the Act. And whether to implement state USF.

1. For example the Act requires that support be explicit -- the current Alaska system provides Universal Service support through separations, pooling and rate averaging, and bulk bill weighting system.

- B. Initial comments have been received and are being reviewed.

VI. Market structure rules for local exchange competition NOI initiated November 1997 to solicit comments regarding rules necessary to create a level playing field (questions of market power, dominance and pricing flexibility) , local exchange carrier provision of IXC service, and arbitration pricing standards.

A. Comments originally due Jan 5 – many parties have requested an extension until Jan 12

B. When the Commission voted to initiate this NOI also acknowledged need to revisit IXC market structure – spun off IXC issues into separate NOI to be completed in near future – will address wholesale tariff (resources)

C. LEC provision of IXC service is addressed in this NOI

VII. Transitional market structure rules for Anchorage market based on current IXC model.

A. The Commission voted to issue regulations for comment at its November 19 Public Meeting and expects to issue the Order shortly with the goal of a 6 month turnaround.

VIII. Other Issues

A. With limited review IXC tariffs are currently allowed to go into effect upon 30 days notice to the Commission – not approved

1. reviewed for discriminatory treatment
2. rates must be geographically averaged

B. LEC notice requirements could be addressed by Commission – statute and regulations allow Commission discretion

C. Define advocacy and advisor process

D. IXC wholesale rates

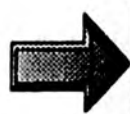


United Utilities, Inc.

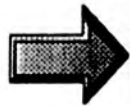
**Presentation to the House
Telecommunications Committee
December 11, 1997**



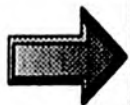
TOPICS



**Barriers to Entry to Long Distance
Markets**



Universal Service

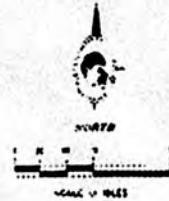


Low Income Households



UNITED UTILITIES, INC.

Yukon-Kuskokwim Delta Service Area

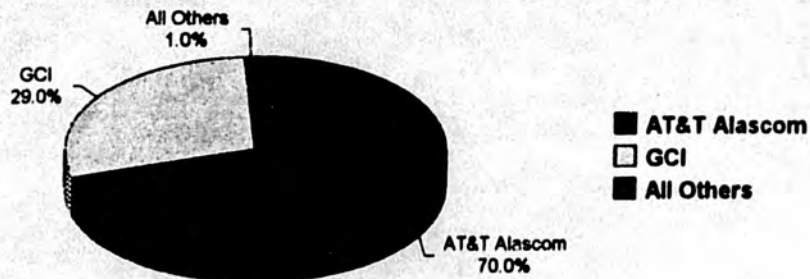


Barriers to Entry

- Local Exchange Companies entering the Long Distance Market are facing barriers to entry that do not exist for AT&T Alascom and GCI when entering local exchange markets.



Alaskan Long Distance Market



Source: Alaska Exchange Carriers Association

1994 Annual Reported Revenue to APUC

AT&T Alascom \$333 million

GCI \$117 million

Alaskan Long Distance Market Entry Options

- Construct Facilities
- Purchase Bundled Wholesale Service from AT&T Alascom or GCI
- Resell AT&T Alascom's or GCI's Retail Offerings
- Combinations of Above

Ability to Negotiate Interconnection to Compete to Provide Local Exchange Service

- Each local exchange carrier has the duty to interconnect with the facilities and equipment of other telecommunications carriers (Section 251)
- Duty to negotiate in good faith (Section 251)
- Formal arbitration procedures to resolve disputes (Section 252)
 - from 135th to 160th day can petition APUC to arbitrate open issues
 - APUC has 90 days to approve or reject a negotiated agreement or 30 days for an agreement adopted by arbitration
 - FCC will pre-empt APUC if APUC fails to act



Options For Entry Into Alaskan Local Exchange Markets

- Install Facilities and Interconnect with Local Exchange Carrier
- Purchase Unbundled Network Elements*
 - Local Loops
 - Switching capability
 - Transmission facilities
 - Databases, signaling systems, etc.
- Resale - Local exchange carriers are required to provide service for resale at wholesale rates*
- Combination of Above

*A rural telephone company can maintain an exemption from these provisions when a competitor's request is unduly economically burdensome, technically not feasible, or not consistent with universal service (the Act, Section 251 (f)(1)(a))

Entry Options Into Long Distance Markets are More Restrictive than Entry Into Local Exchange Markets

- Resale of long distance retail offerings is not available at wholesale rates
- Facilities wholesale tariffs are not unbundled
- Lack of process with clearly defined time lines to resolve disputes



Unicom Complaint Against AT&T Alascom*

- 12/13/95 Unicom requests AT&T Alascom provide call detail records
- 4/19/96 AT&T Alascom nonresponsive, Unicom files complaint with APUC
- 5/22/96 APUC initiates investigation
- 8/ 5/96 Unicom files motion for conference to require negotiation of interconnection agreement, to amend complaint and to postpone equal access balloting in Bethel and Togiak
- 9/20/96 APUC bench order denying motion for conference and denying motion to postpone equal access balloting
- 10/25/96 Superior Court denies Unicom's request for injunction and stay of equal access balloting
- 3/ 3/97 APUC requests additional information on what the scope of the proceedings should be and holds petitions to intervene in abeyance
- 4/14/97 Comments and Reply Comments filed with APUC
- 12/11/97 APUC has, 598 days after Unicom filed complaint, not scheduled a hearing, acted on motion to compel discovery, or acted on petitions to intervene**

* Schedule does not include all actions/items

** Within this same time frame both AT&T Alascom and GCI were able to negotiate and have the APUC arbitrate interconnection agreements to provide local exchange services in Anchorage. In fact, both IXCs are now providing local exchange services.

Universal Service

- How will Universal Service be funded?
- How is Universal Service defined?
- Universal Service issues "the Devil is in the Details"
- Low income households



Funding of Universal Service

■ SPECIFIC AND PREDICTABLE SUPPORT MECHANISMS

There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service (Section 254(b)(5))

■ EQUITABLE AND NONDISCRIMINATORY CONTRIBUTIONS

All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service (Section 254 (b)(4))



FCC Definition of Universal Service

- Voice Grade Access to Public Switched Network
- Single Party Access
- Access to Emergency Services
- Access to Operator Services
- Access to Long Distance Services
- Access to Directory Assistance
- Toll blocking and limitation services for low income households*
- Access to Enhanced Emergency Services*

*to the extent carriers are capable of providing these services



Universal Service Issues "the Devil in the Details"

- What costs will continue to be recoverable via local exchange access charges?
- How do you define what costs should be funded with universal service funds?
- How do you provide for "efficient" use of universal service funds? Should universal service funds be used to:
 - a. duplicate facilities and services in high cost areas, or to
 - b. create uneconomic incentives to compete?



State Authority

1. The State has the authority to determine how regulated telecommunications providers costs are to be recovered.
Instate costs can be recovered from:
 - a. Access charges
 - b. State Universal Service fund
 - c. Customer charges
 - d. Charges to all telecommunications providers
2. The APUC is required to determine whether, for an area served by a rural telephone company, it is in the public interest to require that the rural telephone company share universal service funds with competitors*

*carriers seeking to serve rural communities are entitled to interconnect with other carriers (the Act-Section 251). They are not entitled to receive subsidies or universal service funds to duplicate facilities and services.



Low Income Households

- "... low-income consumers should have access to telecommunications services at rates that are just, reasonable, and affordable..."*

*the Act-Section 254(b)(3)



Telephone Penetration Rates by Housing Units Versus Household Income Levels by US Borough or Census Areas for State of Alaska

	% Housing Units without Phones	% Households with Annual Income less than \$20,000
Urban		
Anchorage	3.4	18.4
Fairbanks	6.5	23.8
Total Urban	4.2	19.7
Rural		
Wade Hampton	47.2	48.6
Yukon-Koyuk	38.8	44.1
Lake & Peninsula	32.8	41.3
NW Arctic	32.4	30.4
Bethel	30.5	41.4
Nome	27.2	37.5
Haines	25.5	23.9
Other	10.3	19.8
Total Rural	14.1	23.0
Total Statewide	8.3	21.1

Source: Statistical analysis by United Utilities, Inc., of 1990 US Census data and data provided by the Alaska Department of Labor, Research & Analysis, State Data Center

FCC Lifeline Program

1. For qualified low income households the FCC funds \$3.50 per month per household.
2. The FCC will fund an additional \$1.75 per month if the state approves the support.
3. The FCC will also provide an additional \$1.75 per month should the state provide support of \$3.50 per month.
4. Assuming state maximizes federal support, low income households would receive \$10.50 per month.
5. Approximately 42,000 households in Alaska qualify. Total State funding requirement estimated at \$1.8 million. Total available federal funding estimated at \$3.5 million.
6. Request to maximize federal support for low income households pending at APUC. (United Utilities Comments, September 22, 1997, APUC Docket R-97-6)

**THE FOLLOWING DOCUMENT HAS NOT
BEEN FILMED BUT IS AVAILABLE IN THE
ORIGINAL FILE.**

PAM PHLET

Alaska Telephone Association

1997-1998

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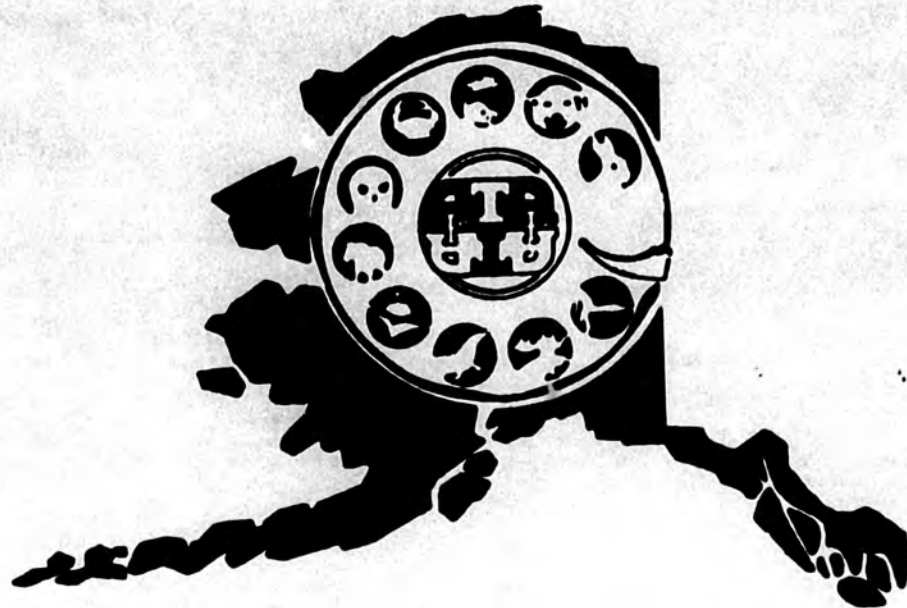
House Special Committee on Telecommunications

Jim Rowe

Alaska Telephone Association



The Alaska Telephone Association



Object: [T]o advocate for uniformity and efficiency in accounting, maintenance and construction for supporting the continuence of telecommunications services to the public....

The Alaska Telephone Association

Active Members

Alaska Power & Telephone Company

Alaska Telephone Company

Bettles Telephone Company

North Country Telephone Company

Arctic Slope Telephone Association Cooperative

ATU Telecommunications

Bristol Bay Telephone Cooperative, Inc.

Bush-Tell, Inc.

Century Telephone Company

PTIC (formerly FMUS)

Telephone Utilities of Alaska, Inc.

Telephone Utilities of the Northland, Inc.

Copper Valley Telephone Cooperative, Inc.

Cordova Telephone Cooperative

GTE Alaska Inc.

Ketchikan Public Utilities, Telephone Division

Matanuska Telephone Association Nushagak

Telephone Cooperative, Inc.

OTZ Telephone Cooperative, Inc.

Summit Telephone Company, Inc.

TelAlaska, Inc.

Interior Telephone Company, Inc.

Mukluk Telephone Company, Inc.

United Utilities, Inc.

Yukon Telephone Company, Inc.

TELECOMMUNICATIONS ACT OF 1996

Section 254. UNIVERSAL SERVICE

(b) UNIVERSAL SERVICE PRINCIPLES

(1) QUALITY AND RATES. Quality services should be available at just reasonable and affordable rates.

(2) ACCESS IN RURAL AND HIGH COST AREAS. 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 rates charged for similar services in urban areas.

TELECOMMUNICATIONS ACT OF 1996

Section 102. ELIGIBLE TELECOMMUNICATIONS CARRIERS

(e) PROVISION OF UNIVERSAL SERVICE

(1) ELIGIBLE TELECOMMUNICATIONS CARRIERS. A common carrier designated as an eligible telecommunications carrier under paragraph (2) or (3) shall be eligible to receive universal service support....

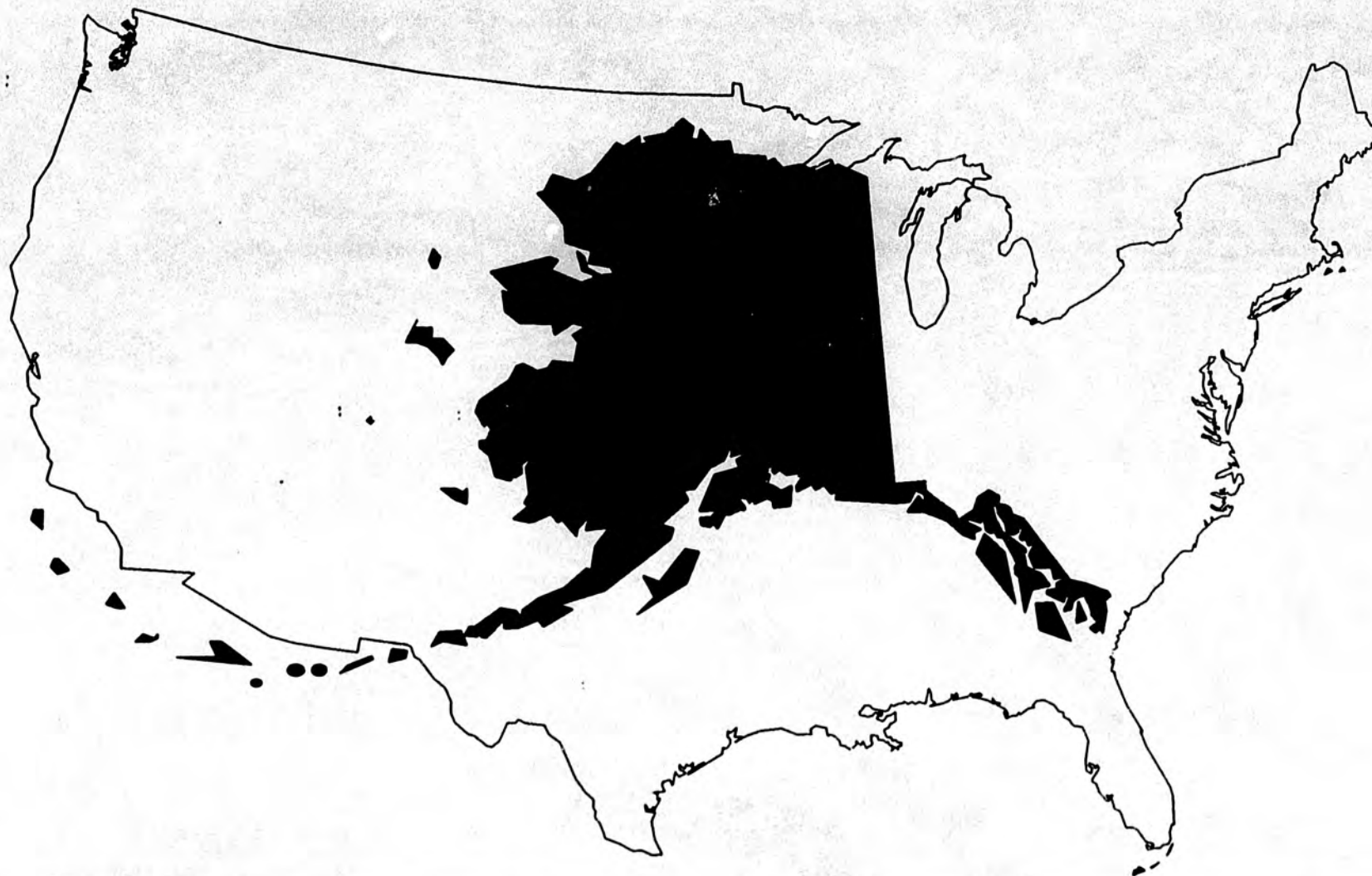
(2) DESIGNATION OF ELIGIBLE TELECOMMUNICATIONS CARRIERS. A State commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (1) as an eligible telecommunications carrier for a service area designated by a State commission. Upon request and consistent with the public interest, convenience, and necessity, the State commission may, and in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the State commission, so long as each additional requesting carrier meets the requirements of paragraph (1). Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest.

TELECOMMUNICATIONS ACT OF 1996

Section 253. REMOVAL OF BARRIERS TO ENTRY

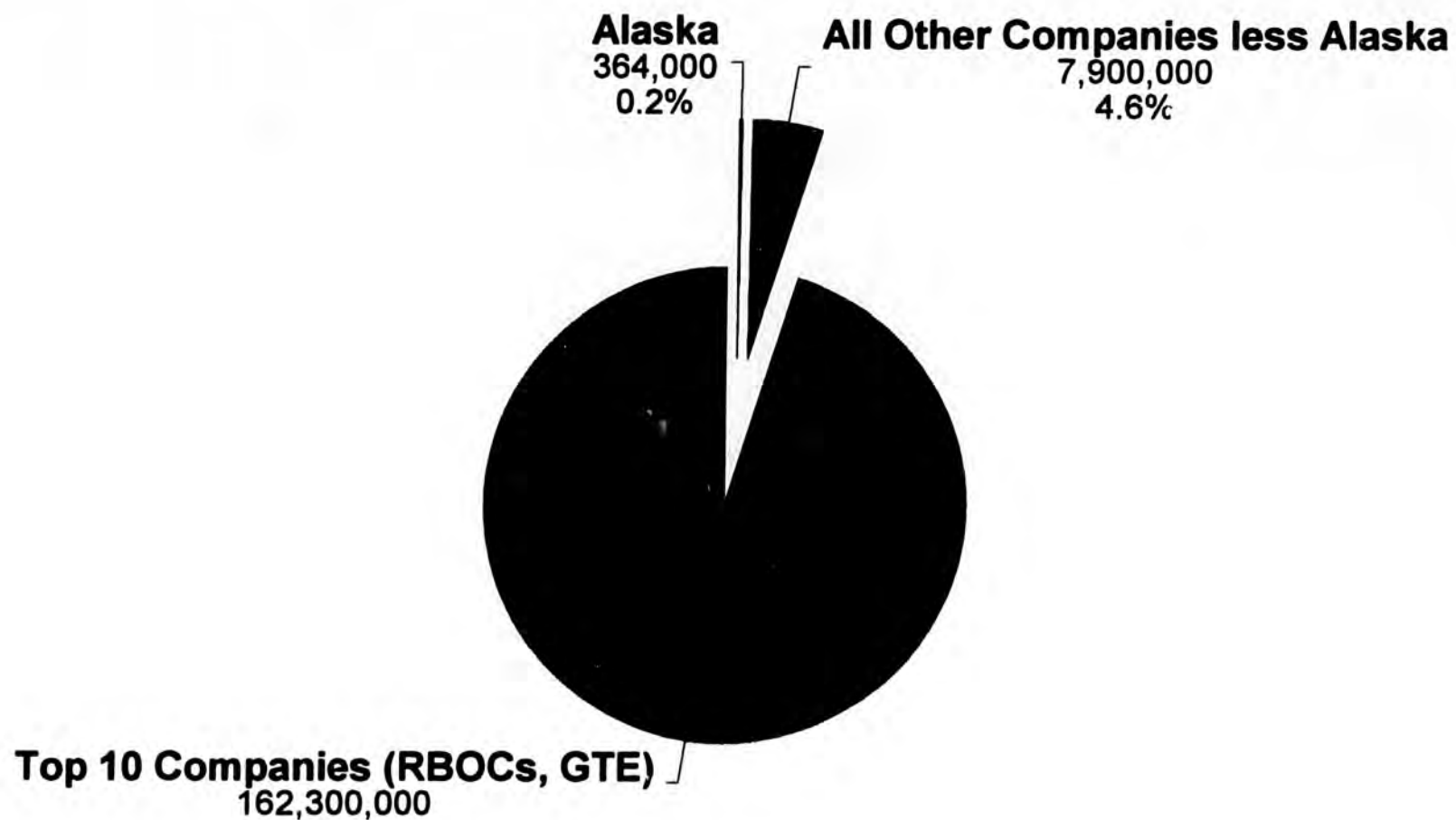
(B) STATE REGULATORY AUTHORITY. Nothing in this section shall affect the ability of a State to impose, on a competitively neutral basis and consistent with section 254, requirements necessary to preserve and advance universal service, protect the public safety and welfare, ensure the continued quality of telecommunications services, and safeguard the rights of consumers.

Alaska Telephone Association



Access Lines - All Companies

1996 Data



Alaska State Legislature -- 1996

COMPETITION. The commission shall provide for competition in local exchange telephone service in a timely manner and shall adopt regulations that eliminate inappropriate impediments to entry for local exchange carriers fit, willing, and able to provide service.

SALOMON BROTHERS

SAYS

BUY

**GENERAL COMMUNICATION, INC. --
DOMINATING ALASKAN COMMUNICATIONS**

Salomon Brothers, September 16, 1997

...GCI has 55% of the business long distance and 41% of the residential long distance.... [p.6]

...GCI already has majority share of the top-100 business accounts in long distance, which represent 33% of the local market and through its cable, has a majority of Alaska's households as customers. GCI can bundle and sell its local services to this base. [p.5]

GENERAL COMMUNICATION, INC. -- DOMINATING ALASKAN COMMUNICATIONS

Salomon Brothers, September 16, 1997

[P]roviding a bundled offering will enable GCI to increase customer retention rates, especially given that GCI's aggressive salesforce is going up against LECs that literally have no salespeople. [p.5]

ATU...does not pose a real threat to GCI whose cost base as a facilities-based long distance operator is lower than ATU's cost as a reseller. [p.6]