

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

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1 more and I don't have the name of the gentleman from MCI,
2 but if he --

3 MS. GAREY: Actually, it's not a gentleman.
4 That's maybe why you don't have it.

5 CHAIRMAN HUDSON: That's right. Welcome to
6 our committee. Thank you.

7 MS. GAREY: Thank you, Mr. Chairman, no
8 problem. My name is Gail Garey and I am from MCI, a long
9 distance telecommunications provider and we deliver a
10 wide array of products and services, voice data and
11 message -- messaging services and for the record, we are
12 a minority, do have a minority interest in GCI, and I'm
13 here on behalf of MCI today to encourage the task force
14 to support the Joint Board's efforts to create a market
15 structure, a new market structure for the provision of
16 interstate telecommunications service in Alaska, a market
17 structure which is going to allow for and will encourage
18 the development of competition.

19 I think MCI generally agrees with the
20 tentative recommendations that have been put forth by the
21 Joint Board. We filed comments and we filed comments on
22 the recommendation, as well as on some of the suggestions
23 of the parties, and as you've heard a lot of testimony
24 here today, it's not a new issue. Lots of people have
25 had the opportunity to comment. There's lots of

1 information out there to -- to read, but I think one of
2 the things I want to reinforce and emphasize is one of
3 the comments made earlier today by John Katz, that is any
4 further delay is only going to harm consumers, and MCI
5 believes that it's going to harm consumers and one of the
6 reasons is it's going to deprive consumers of the
7 benefits of the competitive telecommunications market.

8 I think you only have to look at what's
9 happened in the long distance market in some of the other
10 markets outside of Alaska to get an idea of what I might
11 be talking about, as well as what is possible. I think
12 the advent of competition, there's no question that it's
13 produced an array of new products and services, new
14 calling plans, it's encouraged technological innovation.
15 It's been a catalyst for the development of hundreds of
16 new businesses, new jobs associated with those types of
17 businesses, and it's also resulted in substantial rate
18 reductions for all classes of customers.

19 I think, you know, you look at the market in
20 the lower 48 or in the long distance market and sure,
21 AT&T has lots of markets here and that's what's going to
22 happen to any monopoly provider once you introduce
23 competition, but what we're seeing is they're certainly
24 not losing any sort of revenue and the fact is the
25 stimulation is definitely increasing the pie and

1 encouraging a lot more use of those systems.

2 I think since the break-up of the Bell
3 System, interstate long distance rates have fallen about
4 35 percent while on the contrary, you've seen the
5 consumer price index rise by about 38 percent. You know
6 again, I think as Commissioner Knowles pointed out,
7 before competition we didn't have a whole lot of services
8 or different choices in terms of services or much beyond
9 a black rotary dial telephone and a lot has changed since
10 then. MCI alone has 60 different types of products and
11 offerings, more than that, actually, and I think you know
12 when you look at the State of Alaska you've certainly
13 benefited from competition since GCI was allowed into the
14 market and rates for calls within the state have declined
15 by 25 percent. You've seen a lot more increase in terms
16 of customer service and also, an upgrade in the network
17 that is going to be an automatic result of competition in
18 terms of the actual infrastructure that's in place.

19 I think it's history, Chair Hudson, in terms
20 of answering some of your questions about some
21 assurances, history confirms that a pro competitive
22 public policy is going to be the best catalyst for
23 satisfying the public demand for new reasonably priced
24 services and for the development of a state of an art
25 network.

1 Again, in the lower 48, it wasn't the
2 government promising AT&T billions of dollars that got
3 them to accelerate the development of digital technology.
4 It was MCI and Sprint laying thousands of miles of
5 fiberoptic cable that actually then got AT&T to speed up
6 the development of a network modernization plan.

7 I think competition was also the best
8 medicine for encouraging the appropriate investments in
9 the telecommunications infrastructure. I think again,
10 it's been mentioned today and I guess I'd agree with
11 this, that the current joint service arrangement between
12 AT&T and Alascom does just the opposite, that it does
13 indeed provide little reason for Alascom to control its
14 costs and it, to some degree I think it might even create
15 the incentive for inappropriate investments. If you're
16 not subject to a totally competitive marketplace you
17 don't have to be quite as focused on what your costs or
18 what kind of investments you're making.

19 Alascom will benefit definitely in the
20 future from a modern telecommunications infrastructure.
21 Telecommunications is a growing global market, and I
22 think when you look at the future it's ubiquitous
23 seamless network of networks that's powerful, has a
24 multitude of different types of services that are going
25 to be offered over it and that you can be connected to

1 encourage competition, because further delay is only
2 going to harm consumers. Thank you.

3 CHAIRMAN HUDSON: Thank you, Dana.

4 MS. GAREY: Gail.

5 CHAIRMAN HUDSON: Gail.

6 MR. BOUCHER: Gail, I ask the same question.

7 We talk about the gee whiz and bells and whistles. I
8 keep getting inundated with this stuff. I haven't even
9 caught up with my 64K Apple, much less my new Newton but
10 we just buy them because they're the in thing. Will you
11 please tell me what technology the State of Alaska does
12 not have today that MCI could bring into this state
13 tomorrow if we had it and that people wanted it? What
14 sort of -- what technology is not being provided?

15 MS. GAREY: Mr. Chairman, I think one of the
16 things that has been mentioned is the ability for a
17 digital -- a digital network all across the state. I
18 don't think that probably everyone in the state has the
19 benefits that you do, and again, it's MCI's philosophy
20 and one of believing that competition is going to
21 encourage the development of a proper infrastructure and
22 once you get competition and you've got demand, which is
23 obviously what's going to drive this whole thing, you're
24 going to I think be surprised at what -- at what is out
25 there and what could be out there.

1 from anywhere in the world. No matter where you are
2 you're going to be able to access this multitude of
3 different services and providers and that's what MCI's
4 interest is, is one of being able to serve our customers
5 no matter where they are. All of those services that are
6 available over those networks and the potential services
7 that are going to be available are going to be a benefit
8 to your constituents and it's really just the imagination
9 at this point that puts a limit what goes may or may not
10 be.

11 I think services, just to mention a few such
12 as the electronic transfer of health records, I mean it
13 took digital facilities in order to be able to do that.
14 Got some distance learning that's going on but being able
15 to provide that on a ubiquitous basis all across is going
16 to be able to help solve of some of the problems you're
17 looking at and also just access to various libraries,
18 being able to access the records or things from the
19 library no matter where you're from are also some of the
20 services that are out there.

21 So I guess just in conclusion, to end where
22 I started, is that I do just want to encourage the task
23 force to support the Joint Board's efforts in terms of
24 ending the joint service arrangement and to begin the
25 transition to a marketplace that is actually going to

1 MR. BOUCHER: I read Wired Magazine and
2 there isn't much that's out there that I haven't tinkered
3 around with or what have you. How are you going to
4 provide a digital network for the State of Alaska?

5 MS. GAREY: Mr. Chairman, I think, you know
6 we've heard some testimony in terms of certainly from GCI
7 with the various types of earth stations that are
8 possible that aren't employed.

9 MR. BOUCHER: It isn't working in Canada.
10 It's still in the test -- beta test stage.

11 MS. GAREY: I think what is proven is that
12 digital technology does provide for a lot of different
13 services that aren't currently available today.

14 MR. BOUCHER: Mr. Chairman, I would agree
15 with that. I mean everybody's going to go down the
16 digital highway but there's going to be different
17 vehicles driven down that and if I sound a little -- I've
18 listened to this bells and whistles thing for a long time
19 and I don't see that. Competition I agree with. It's
20 great and probably in hindsight it's good, but I don't
21 see technology alone as a solution to the problems of the
22 State of Alaska, and I think that Representative Brown
23 here -- besides, she's currently working on distant
24 delivery of education, and I think we're as much up to
25 date as anybody in Kansas City, although people hop off

1 the plane in here in town and I think they think that
2 we're still sending semaphore and Morse code, but anyhow,
3 I specifically have not heard anybody, Mr. Chairman, say
4 what technology that is in place and proven that is going
5 to be in place. If they can show me how it would reduce
6 costs, I'll be a hundred percent for it, but so far, I've
7 seen mostly bells and whistles.

8 CHAIRMAN HUDSON: Representative Brown.

9 REPRESENTATIVE BROWN: Well, just to comment
10 briefly on that, I think in my mind the service that is
11 not uniformly provided across Alaska would be just for
12 faster transmission speeds that will enable some of these
13 services to take place and that's really, you know, what
14 we're talking about and plain old telephone service and
15 universal service as we've known it does not enable
16 distance delivery, does not necessarily enable access to
17 Internet and other things that education, some people in
18 education would desire to bring into the schools. So
19 that's just one element.

20 I personally believe that this is -- we're
21 not really talking bells and whistles so much as we are
22 trying to make a high speed network widely available and
23 more widely available than it is today.

24 CHAIRMAN HUDSON: Gail, did you have
25 anything? The only thing I'd like to just indicate, I've

1 been around for a long period of time and I can remember
2 when we didn't have telephones in many of the villages.
3 I can remember going in White Mountain when they opened
4 the first telephone there as a commissioner, myself, and
5 seeing the line up of people for just that one single
6 instrument. I can tell you that competition is a
7 wonderful thing, but competition isn't what put that
8 system in there. It was a recognition on the part of the
9 State of Alaska that they were going to have to get out
10 there and in some cases underwrite the major construction
11 and development, and I think that's the thing that we
12 have to keep in mind. We've turned the corner now. The
13 State is much more sophisticated. We have most of the
14 basic networks out there that can be built upon and
15 obviously competition is going to be one of the things
16 that I hope at any rate will drive the price down and I'm
17 interested not just in the next four or five years but
18 the next 15, 20 and 30 years, and I'm particularly
19 interested in rural Alaska.

20 I know that there'd be no problem whatsoever
21 in competition, you know, moving in a spirited manner to
22 try to take care of the urban areas of the State of
23 Alaska but the very things that Representative Brown has
24 been talking about and distance delivery of education and
25 nursing services, you know, so that you got a victim

1 down, you can actually have a doctor observe the victim
2 and things of this nature, in my way of thinking is the
3 wave of the future for Alaska and I hope that competi-
4 tion, you know -- and we want to guide that competition.
5 We want to facilitate it, but I believe a little bit like
6 the oil industry in Alaska, because the fact we own this
7 percentage with all the oil derived from the North Slope,
8 we're partners and I think the State of Alaska is going
9 to have to continue to be a partner in the development of
10 all of this electronic technology and to guide it and
11 shape it and that's the reason we're holding this
12 hearing.

13 Representative Porter?

14 REPRESENTATIVE PORTER: Gail, or fella,
15 whatever the name is.

16 MS. GAREY: Gail.

17 REPRESENTATIVE PORTER: Let me ask, I
18 recognize you're asking the task force to support the
19 joint proposal and if you could enhance one feature of
20 it, which feature would you enhance.

21 MS. GAREY: Mr. Chairman, I think from MCI's
22 perspective, again we're reasonably satisfied with the
23 tentative recommendation. I think one of the things that
24 we'll be looking for would be a closer look at Alascom's
25 costs or in conjunction with perhaps the move from the

1 transition from the subsidy to this Alaskan fund, the
2 idea of looking at Alascom's costs and doing somewhat of
3 an audit to make sure that kind of what's in there is
4 reasonable and that Alascom is as efficient as possible
5 so that we can kind of help move this market into one of
6 encouraging competition as soon as possible, helping you
7 know I guess Alascom to become a better competitor, also.

8 REPRESENTATIVE PORTER: Thank you.

9 CHAIRMAN HUDSON: All right. Thank you very
10 much, Gail. Next, and then we're going to be moving to
11 the public comment side, Jack Rhyner. And I believe,
12 Jack, you're the last one that I have signed up from
13 industry point of view to testify before us. If you
14 would, sir, welcome to the committee.

15 MR. RHYNER: Thank you.

16 CHAIRMAN HUDSON: Turn the air conditioning
17 on. It's cooler in this town than Juneau, in case you
18 guys didn't know that. It's really nice down there.
19 Jack, please.

20 MR. RHYNER: Good afternoon. My name is
21 Jack Rhyner. I'm the President and General Manager of
22 Telaska. It's a company that owns and operates two local
23 exchange companies in the State of Alaska, Interior
24 Telephone and Muckluck Telephone. I'm here today as the
25 Representative of the Alaska Telephone Association and

1 I'll keep my comments very brief.

2 The ATA has commented on the two proposals
3 that we've been discussing. First of all, on the ATA
4 proposal, the consumer benefit for AT&T, the consumer
5 benefit plan, our comment on that was that the filing is
6 deficient. It's not a complete filing before the FCC and
7 they haven't made the -- any filing here at the APUC. So
8 while we hear their assertions and their assurances, we
9 have no way of checking what it is that they really want
10 to do.

11 The second thing that we commented on was
12 the tentative recommendation by the Joint Board. We have
13 a number of concerns where the tentative recommendation
14 is concerned. Number one, the write down or the
15 accelerated cost recovery, we're not convinced that that
16 will really play a significant part in controlling
17 Alascom's costs in the future. So if it doesn't
18 accomplish that, we're not sure that that will stop rates
19 from getting higher as you move through that whole
20 transitional period and more of those costs are heaped on
21 the intrastate side. That's our concern there.

22 And the other concern that we had in the
23 T.R. is that it basically removes all incentives for
24 Alascom to upgrade their network or install any new
25 technologies and it definitely does inhibit AT&T's

1 investment in their own network, at least through the
2 seven year transition of the T.R.

3 So those were our concerns and we'll be
4 happy to provide you with a copy of the comments that we
5 filed with the FCC.

6 CHAIRMAN HUDSON: Thank you very much. We
7 would like that, for the record, then. Are there any
8 questions for Mr. Rhyner? Representative Brown.

9 REPRESENTATIVE BROWN: Thank you. Could you
10 elaborate on why this proposal removes the incentive for
11 Alascom to continue to upgrade its facilities?

12 MR. RHYNER: Okay. The object of the
13 accelerated cost recovery is to lower the total amount of
14 the rate base and if the exercise is to move your rate
15 base towards zero so you don't have the expense of return
16 on rate base, then you don't really have an incentive to
17 welcome an additional investment during that period.

18 REPRESENTATIVE BROWN: I'm not sure I
19 understand that, but --

20 CHAIRMAN HUDSON: Okay. I was hoping you
21 would understand that. Yes, Representative Finkelstein.

22 REPRESENTATIVE FINKELSTEIN: Just to try to
23 understand, because I don't understand the answer either,
24 isn't that -- isn't the -- what you're describing just
25 for the past investment; right? That's how they're going

1 to try to pay off the past investment. That doesn't
2 preclude future investment, future investment, and I
3 think the point being made is it depends on who's going
4 to be hearing carrying those services but anyone who will
5 be carrying them will make their own decisions on future
6 investments; isn't that the different here?

7 MR. RHYNER: That's correct, but if you're
8 continuing to make those investments and you expect a
9 return on it, how are you going to be reducing costs at
10 the same time?

11 REPRESENTATIVE FINKELSTEIN: Say it -- if
12 you continue to make your -- what I need your help in
13 understanding is that the reduction is from past
14 investments; isn't that correct? Whatever carries out
15 there that's carrying these services that's going to make
16 the decision on these new investments is going to make
17 that irregardless, right, regardless of what goes on with
18 the pay-off of the tax investments, and it may be this
19 carrier it may be another carrier but whoever it is is
20 going to have whatever degree of incentive based on the,
21 you know, profitability of those future investments? I
22 guess I can't understand -- this is a question, because
23 I'm having a hard time understanding the answer to a
24 question that deals with past investments when the issue
25 is really future investments.

1 MR. RHYNER: Well, as I understand the plan,
2 the idea on the accelerated cost recovery is to lower the
3 rate base, okay, and the object there is to -- to lower
4 the cost of return on rate base. If you're making
5 additional investments at the same time you're trying to
6 lower that -- that dollar value of that rate base when
7 you're not really lowering the total dollar for your four
8 rate bases, and if you're entitled to a return on that
9 rate base, that's the cost component that we're trying
10 to -- that we're dealing with here and trying to reduce.
11 So if that's where you're trying to go, it's lowering
12 that number, then where's the incentive to increase it at
13 the same time?

14 REPRESENTATIVE FINKELSTEIN: So I
15 understand, Mr. Chairman, it affects, you know, in the
16 overall decisions on spending, but this assumes of course
17 that it's the existing carrier; right?

18 MR. RHYNER: Correct.

19 REPRESENTATIVE FINKELSTEIN: If we see some
20 of the proposals that have been made today for various
21 changes, then, of course that wouldn't be the case;
22 right?

23 MR. RHYNER: Right.

24 CHAIRMAN HUDSON: All right. Representative
25 Brown, you have a question?

1 REPRESENTATIVE BROWN: Along that same line,
2 did you also say that you think that it removed -- that
3 there is not an incentive for AT&T either to make new
4 investments under the tentative proposals?

5 MR. RHYNER: It inhibits them making those
6 investments and that's what Mr. Wilcox testified to
7 during that transitional period, and we agree with that.

8 REPRESENTATIVE BROWN: So do you see a
9 solution to that problem?

10 MR. RHYNER: Well, I guess as they said, I
11 think shortening the transition would -- would help that.

12 REPRESENTATIVE BROWN: Thank you.

13 CHAIRMAN HUDSON: All right, Jack. Thank
14 you very much. And I think what we're going to do now is
15 take about a five minute stretch here and we'll start
16 back up with public testimony and then we're going to
17 conclude with a panel where we're going to bring the four
18 majors to the table and see if we can maybe get some
19 final questions out and at that point in time, that'll
20 conclude our -- our committee activities, task force
21 activities here today. So give us about five minutes
22 here. When you hear the gavel, time to come back.

23 (At about 3:34 p.m. - brief recess and at
24 about 3:48 p.m. proceedings reconvened)

25 CHAIRMAN HUDSON: I'm going to ask to remind

1 all people who are speakers, those who testify and those
2 of us around the table here to be sure and use our
3 microphones, people in the audience cannot hear all of
4 the testimony, so we'll try to comply with that, that
5 would be good.

6 At this phase of the hearing, we're going to
7 go into the public testimony and we have quite a few,
8 about 10, 10 or 11 members of the public that would like
9 to testify. So I would ask that if you could please come
10 forward and everyone if you would give us your name, if
11 there's an affiliation, I'd like to know who you're with
12 or who you represent. If you represent yourself, that's
13 fine, and then if you would, keep your comments or your
14 testimony under three minutes, and if it looks like
15 you're getting a little long-winded, don't be offended if
16 I -- if I ask you very politely to finish it up here.
17 And I'm going to take them in the order that it was
18 handed to me here, and the first one I'd ask is Steve
19 Conn. Steve, if you would step forward, please.

20 MR. CONN: Do I mess with the mike in any
21 way? It's fine as it is?

22 CHAIRMAN HUDSON: If you would, turn the
23 mike switch on and speak directly into it.

24 MR. CONN: I think it's on. Steve Conn
25 here. Thank you very much, Representative Hudson and

1 members o the task force for allowing me to testify. I
2 am the Executive Director of Alaska Public Interest
3 Research Group. We have about 4,000 contributors
4 statewide. We've been involved in consumer issues for
5 about 20 years.

6 My testimony is to deal a the subject
7 complementary to the one that I've been hearing so much
8 about today but I think it will serve a major purpose as
9 evinced by the committee in its comments to the industry
10 representatives, involved in extremely well thought out
11 and very educational, I might say, and that is to say
12 AKPIRG is currently working to -- to achieve a passage of
13 the legislature of a citizens utility board. The
14 citizens utility board, I think, is a -- it would be
15 independent of AKPIRG and it would be independently
16 staffed, independently funded and would chart its own
17 agenda. There have been consumer advocates in the past
18 in the State. In fact AKPIRG years ago had an appendage,
19 an ACAP (phonetic) program. They had good times; they
20 had bad times. They tended to be dependent upon state
21 money, and they went away. This one would receive a bit
22 of C funding if it passes the legislative session but
23 then would be self-supporting just as AKPIRG is receiving
24 no federal or state money and nor are we seeking any.

25 I think what I've heard here today indicates

1 that we're on the cusp of a serious moment in Alaska's
2 history. The telecommunications revolution is coming to
3 us. Questions have been raised as to whether there has
4 been adequate federal input -- I mean, sorry, public
5 input, and a lot of concern has been manifested about the
6 bush. I think the CUB could provide a sounding board for
7 many different things, even as decisions are made and as
8 we move into a transition period. It would be
9 sufficiently staffed so citizens knowledgeable or non
10 knowledgeable could receive neutral readings on many of
11 the things that are being evoked by the industry
12 representatives and obviously this is very tough stuff
13 for any of us. However well educated we are, it is hard
14 and it'll provide a useful instrument for that purpose.

15 AKPIRG itself is affiliated with the
16 Consumer Federation of America that has a substantial
17 interest both in cable deregulation and the telecommuni-
18 cations revolution nationwide. We have a good feed of
19 information. Ralph Nader is very active in a number of
20 his entities in this as well.

21 Rural input is critical as has been
22 underlined by this task force and we can -- I can assure
23 that that will be a part of the CUB, based on our
24 background and long term involvement with rural Alaska.
25 I think, you know, the comments that have been made have

1 both connected, talked about rural Alaska as in the --
2 its technological needs which are extraordinary and
3 they're ready for them right now, and also the state's
4 service to rural Alaska. Some of you are aware that as a
5 university professor for many years I spent a lot of time
6 looking at state service, particularly in the criminal
7 justice area, and I could tell anecdotes but not in two
8 minutes. I must say, though, that this link-up, this
9 communication link-up, while no panacea neither in the
10 education area or health delivery or criminal justice or
11 other things will do much to finally allow the State of
12 Alaska to come to grips with its responsibilities in the
13 200 plus villages.

14 AKPIRG itself supports competition and
15 obviously we're happy to be involved in this. We tend to
16 do the back work to lay the basis for an information
17 transfer to the CUB when it comes into being and many of
18 you will see me in Juneau lobbying not a particular
19 solution to this question, but rather for an independent
20 citizens utility board that will undoubtedly take this on
21 as a major leading issue.

22 And I thank you very much for allowing me to
23 testify.

24 CHAIRMAN HUDSON: Thank you, Steve,
25 appreciate that. Thank you very much. Next we will take

1 them in line here, and Martha Stewart, Senator Adams.

2 CHAIRMAN HUDSON: Welcome, Martha. Good to
3 see you again. Out of context here again, huh, or in
4 context.

5 MS. STEWART: Thank you. My name is Martha
6 Stewart. I'm an aide to Senator Adams. He was here
7 earlier this afternoon but had to leave for this portion
8 of the hearing.

9 Over the past two years, Senator Adams has
10 experienced escalating concern with the procedural and
11 substantive work with the federal and state board on
12 Alaska telecommunications issues. He's expressed those
13 views to both the state administration and to a
14 congressional delegation. He welcomes the opportunity to
15 reiterate some of those concerns today for his colleagues
16 in the legislature. Primarily his message is driven by
17 the duty to represent rural Alaska, and I think we'd all
18 grant that rural Alaska is the most delicate and fragile
19 component of the telecommunications market, but as
20 knowledge increases over what's going on in this issue,
21 the concern spreads not only for the impact of these
22 market changes on rural Alaska but at the state as a
23 whole.

24 Foremost problem with the proposals before
25 the federal state board are as fundamental as they come.

1 There's a dire lack of facts and studies and analysis to
2 support the proposals that are on the table and for any
3 of us to say this is okay, this is something we can
4 support. None of us have that information in our hand.

5 Naturally, the Senator's concerns rest with
6 service and rates in rural Alaska. Commissioner Knowles
7 said today that Alaska is a unique market. Rural Alaska
8 is even more unique. To draw an example for you, at this
9 moment in the Northwest Arctic Borough, people there are
10 not able to see a physician, who are ill, and they are
11 talking through a health aide to a physician in the
12 regional hubs through a telephone. All day long today in
13 high schools, high school classes in chemistry and
14 biology were conducted over the telephone. Through
15 services starting at five o'clock this evening a branch
16 of the University of Alaska is providing distance
17 education for students who want to participate and get a
18 college education who couldn't otherwise because they
19 couldn't move out of rural Alaska.

20 All of those are very expensive, and there's
21 been nothing on the table here really to show that rates
22 aren't going to go up. The absence of a denial to
23 Alascom's claim of increased rates should spark concern
24 to all of us but the silence is deafening. Of what
25 benefit is it to rural Alaskans to support a major market

1 change that predicts only uncertainty but probably grim
2 results if not now then most assuredly seven years from
3 now.

4 The nature of the proceedings before the
5 Federal Joint Board have been troubling. Native Alaskans
6 for years have experienced the untoward result of
7 government deciding what best for them and at a distance
8 from them. What has gone on here is nothing really
9 different. I predict the result will not be much
10 different. These meetings for the most part have been
11 conducted on the opposite shores of the nation involving
12 people without any vested interest in rural Alaska. The
13 one instate hearing was poorly -- was announced only in
14 the federal register the day the hearing was held and
15 poorly noticed throughout the state. For all the
16 rhetoric that we've heard here today and we've heard
17 before about people's concerns for rural Alaska, it's
18 still significant that there's very few rural Alaskans
19 who are involved in this.

20 The Senator urges this task force to insist
21 and follow through on the commitments that you've heard
22 today, that the studies be brought on the table, brought
23 before the legislature so that you can look at them, so
24 the public can decide whether we're being told the truth
25 or not. We need more firm assurances in any agreement

1 that's signed off by the Federal State Board that, for
2 instance, things like the satellite will be maintained,
3 that rural services will be given. Those things don't
4 just need to be in a public record here today. They need
5 to be finalized in agreements.

6 The need for this being in these agreements
7 is amplified by the inconsistencies demonstrated even in
8 the facts presented for you here today. While one
9 representative of the industry stated that the costs did
10 not exceed revenues in rural Alaska, another company
11 reported just the opposite. Those things need to be
12 looked at, they need to be analyzed and before any
13 agreements are made, those commitments need to be put in
14 the final agreements.

15 To wrap this up, a detailed objective
16 analysis needs to be done and presented for public
17 comments on rates and services of the future. Rural
18 Alaskans need to be involved in the exchange of
19 information and the studies that have been done by the
20 State, by the APUC, by the industry, needs to be released
21 so that the public can make a knowledgeable decision
22 about whether these are good decisions for us.

23 Thank you.

24 CHAIRMAN HUDSON: Thank you, Martha,
25 appreciate that. Next Dr. Larry Pearson. Nice to see

1 you again, sir.

2 DR. PEARSON: Yes, it's been a while. Good
3 afternoon Chairman Hudson, Members of the Committee. My
4 name is Larry Pearson. I'm a professor at the University
5 of Alaska in Anchorage. For five years during the latter
6 part of the 1980s I was special consultant to the House
7 Committee on Telecommunications. I'm appearing this
8 afternoon however in my private capacity and with a
9 minimum of preparation. I'd like to submit a written
10 supplement to my testimony later if I can.

11 I'd like to make just a few points. I'm
12 speaking basically as a user of services. I spend about
13 three hours a day on the telephone. Very little of that
14 time is spent speaking. Most of it is spent transferring
15 digital information, data. For example, yesterday
16 afternoon, I took about 30 seconds to transfer a document
17 from a federal agency, about a 40 page document to the
18 editor of the Anchorage Daily News at his request. A
19 week ago, I downloaded a color image from the Smithsonian
20 Institution of an 1869 painting which looks better on my
21 computer screen than it does on my television screen.

22 One of the points that I think is important
23 to consider today is the nature of the demand is
24 changing. The kind of consumption I'm talking about is
25 not a typical use of telecommunications today by most

1 Americans, but there's a growing number of Americans who
2 are spending increasing amounts of time using their
3 telephone lines for this kind of communication. I saw a
4 figure not too long ago that the amount of communication
5 on -- the message volume on Internet, an international
6 telecommunications network that includes government
7 agencies, universities and corporate and private
8 individuals, was growing in recent months at the rate of
9 10 percent a month. That's an enormous increase in
10 volume and a very interesting business opportunity that
11 is being taken advantage of by telephone utilities.

12 So demand is increasing, nature of the
13 demand is changing, and those are the considerations I
14 think should be kept in mind as issues such as the ones
15 before you today are considered. That's true in Alaska,
16 as well as in other places. It also is the reason why
17 I'm interested in the prospect of some of the fiberoptic
18 cable link to Juneau because I think the sorts of
19 communication that businesses and Alaska States
20 government engage in will benefit from that kind of broad
21 down with noise free transmission. I think there are
22 benefits to that coming. I'm not sure -- again since I
23 haven't had the benefit that Susan Knowles has had of
24 going through those 13 feet of documents, I'm not sure
25 that the proposal before you is the best way of assuring

1 that kind of growth. Perhaps it is. I am in favor of
2 increased competition.

3 The technologies are changing. Just as John
4 Ayers testified a few minutes ago, a time of great
5 uncertainty for utilities. It's a time in which they do
6 seem well advised to spend their money cautiously and
7 carefully. Their competitive environments changing
8 greatly both for the local exchange carriers and for the
9 long distance carriers. We're seeing newspaper headlines
10 almost daily, I think the most recent one was this
11 morning. I know there have been some this week regarding
12 the changing local exchange competitive situation as
13 cable becomes competitive with telephone utilities. They
14 have a high level of moneys in the homes. Telephone
15 companies are talking about installing in many places,
16 the national high average is communication at homes at
17 present. So by not the telephone utilities but by the
18 cable companies, so there is a prospect we can see that
19 already of competition at that level. Perhaps you've
20 heard other testimony to that effect today during the
21 period when I was unable to be here.

22 Concerning long distance communication,
23 particularly looking at competition as it might apply to
24 rural Alaska, I don't see evidences of increased
25 competition are greatly going to reduce the costs of

1 communication services to rural Alaska although perhaps
2 other people in this room might know that. I do see the
3 prospect of increased competition by the end of this
4 decade. I was looking at an entry into the market of
5 competitors perhaps not even mentioned today such as
6 Motorola which has for several years been working on the
7 development of a low earth orbit communications system
8 which large number of satellites would be placed in
9 orbits ranging from 400 to 700 miles above the earth to
10 about 88 of them, I believe, and there would be polar
11 orbits and prevent transmission from personal
12 communication network among the personal communication,
13 in other words, so that you could be in ranger cabin in
14 the shadow of Mt. McKinley, in effect you'd have a
15 cellular system. Again, I'm not a technical expert on
16 these things. I've been relying on explanations I've
17 received from people at Motorola and the trade press.
18 But you could transmit a message from the ranger cabin in
19 the shadow of Mt. McKinley to someone who is on the sun
20 deck of a ship in the South Atlantic. That's not cheaper
21 than the kinds of communication talked about today but it
22 does raise the prospect of bringing communication into
23 the homes in rural Alaska that still haven't benefited
24 from our efforts to achieve the goal of universal access.

25 Thank you.

1 CHAIRMAN HUDSON: Thank you, Dr. Pearson and
2 we would like to have a copy for the record of your
3 extended testimony. Thank you for coming today. Next
4 Mike Porcaro. Good to see you again, Mike. Welcome to
5 the committee. Give us your name, please and your
6 testimony.

7 MR. PORCARO: My name is Mike Porcaro. I'm
8 president of Porcaro Blankenship. We're an advertising
9 agency and we occasionally do work for Alascom, so that's
10 on the record.

11 As you know, Commissioner, I'm sorry,
12 Representative Hudson, the legislature and the government
13 has had a long history in bringing telecommunications to
14 the State of Alaska. As you mentioned earlier today, it
15 didn't happen because of competition. It happened
16 because Alaskans got together and made it happen. The
17 government listened to the people.

18 I'm delighted to see that this hearing has
19 been convened today and I think this should be the first
20 of a number of hearings, if I might suggest that. I've
21 heard communications, consumer and rural Alaska is
22 mentioned in just about everybody's testimony today.
23 We're dealing with communications. I haven't seen a lot
24 of consumers and I sure haven't seen a lot of rural
25 Alaskans, and I think one of the ways we could do that

1 is, one, either to go there to rural Alaska, sit down as
2 the ladies and gentlemen have done many, many times and
3 look across the table and talk to your friends and
4 neighbors and get their input or perhaps use the
5 communications technology that you've built in this
6 state, and what I'm suggesting is perhaps you could go to
7 the assembly chamber here in Anchorage, interface with
8 the cable system and put these proceedings on RATNET, get
9 an eight hundred number. Maybe this is a little bit like
10 Larry King Live. I don't know whether you want to get in
11 show biz or not. But get the input from the folks that
12 are going to be directly affected, and all I can do is
13 just say that I think the best policy is the one that is
14 made in the open and is the one that is made with the
15 full input of the citizenry of this state. And I commend
16 you for this first step and I encourage you to do this
17 more often. Thank you very much.

18 MR. BOUCHER: Mr. Chairman, may I comment
19 just briefly?

20 CHAIRMAN HUDSON: Yes, Mr. Boucher, go
21 ahead.

22 MR. BOUCHER: Probably people are wondering
23 what these two cameras are doing here. These people are
24 volunteering their time along with Francine Taylor to
25 make a public record of this information. We're paying

1 for it out of our own pocket. Nobody's paying for it.
2 It's not political purposes and it is our effort to put
3 it on the Channel 40, the Access Channel. We will make
4 copies available to all access channels at what the cost
5 is, and this is exactly what he's talking about. We have
6 the opportunity and the technology is in place now to go
7 public on issues such as this. If we were doing this
8 business here, it could be playing on Channel 40 right
9 now and probably on every public access channel in the
10 state. So that is something that isn't touched on.

11 Most of the people will watch tonight. One
12 television station covered this very important issue and
13 what you'll get is a 30 second snippit of what was said.
14 No indepth to what has happened here. So for those of
15 you who may wonder who I'm under contract to, I'm under
16 contract to nobody, and the reason that I am here is that
17 I think that this issue deserves the widest possible
18 discussion.

19 Excuse me for launching into that, but --

20 CHAIRMAN HUDSON: That's your three minutes,

21 Red.

22 MR. BOUCHER: Okay. Professor Pearson spoke
23 for me.

24 CHAIRMAN HUDSON: Thank you, Mike. Next I'd
25 like to call Barbara Huff with Teamsters. Welcome,

1 Barbara.

2 MR. BOUCHER: And anybody can have a copy if
3 they want it, at cost. Right, John?

4 MS. HUFF: Mr. Chairman, members of the task
5 force, my name is Barbara Huff. I'm a business
6 representative from the Teamsters Local 959. For the
7 record, I would like to state that I do need to --

8 UNIDENTIFIED SPEAKER: She needs to turn the
9 mike on.

10 MS. HUFF: Is that better? Do I have to
11 repeat myself or can I go on?

12 MR. BOUCHER: Yes, so they can get you,
13 Barb.

14 MS. HUFF: My name is Barbara Huff. I'm
15 business representative for Teamsters Local 959, and for
16 the record, I would like to state that I did testify July
17 1st rather extensively, which I'm sure Commissioner
18 Knowles will testify to, and I would be more than willing
19 to submit for the record a written copy of that
20 particular statement. I also brought a prepared speech
21 today and I've decided after listening to all of this
22 discussion, this is part of why I'm here. I'm not a
23 telecommunications expert and I don't pretend to be. I
24 represent people and although we've talked about rural
25 Alaskans, there's been lots of talk about technological

1 changes and advancements, there hasn't been a lot of talk
2 about the people and I represent people. I represent
3 members of Alascom. They are Teamster members, well over
4 500 men and women, both operators as well as technicians
5 throughout the State of Alaska. As an example of their
6 expertise, when we've had problems in Panama, it was the
7 technicians from Alascom, the Teamsters that were sent.
8 Saudi Arabia, it was the technicians from Alascom that
9 were sent. They have worked diligently. They've been
10 with the company from an overall perspective for many,
11 many years. They have thrived with the industry. They
12 are a very efficient -- I've heard not only in this
13 particular hearing but the previous hearing alleged
14 allegations regarding inefficiency. And I'm here to put
15 on the record that we represent members, employees that
16 do work for Alascom that are very efficient, very
17 dedicated and very technically qualified for the
18 particular work that they do.

19 They have offered, through the years, built
20 various facilities not only here locally but in a lot of
21 the rural areas. We have members that literally live out
22 in a lot of the rural areas monitoring the satellites.
23 And I think that probably from my perspective that was
24 something that we did need to add to the record here. We
25 have employees that are going to be impacted by whatever

1 decision comes out of the Joint Board, whatever
2 recommendation this particular task force may make, and I
3 think the economy in Alaska, the ability -- Alaska could
4 not afford to have 4,000 people laid off. We have seen
5 through experience with Alascom -- yes, we've gone
6 through reductions, currently Alascom is looking at an
7 additional 10 percent reduction over a five year plan.
8 They have gone through in a very people effective mode to
9 deal with the technological changes but also recognizing
10 the effect that it will potentially have on the employees
11 out there. They've been very sensitive to that. They've
12 offered early retirements and other sensitive -- other
13 areas or alternatives to that particular crisis because
14 nobody wants to lose their job, but I think one other
15 aspect that was rather -- rather interesting and from
16 being a labor union person, we get into cross training.
17 There are a lot of fears that are built up. Within
18 Alascom they are currently cross training operators to do
19 other technical type jobs so that when and if the
20 technological changes do occur and Alascom has been going
21 through this not only this past year, the last couple
22 years, but over the last five to ten years, in training
23 these people to be able to effectively perform other jobs
24 so that it not only benefits them but it benefits the
25 company of Alascom as well.

1 And I guess in closing I would make a
2 request to this task force to please look at everything.
3 There has been a lot of testimony entered today. There
4 was a lot of testimony in the July 1 hearing. I also
5 have not seen a lot of public testimony, per se, and I'm
6 not really sure if it's they don't care or they don't
7 know that this is going on. Probably had I not been
8 involved in it I wouldn't have known it was going on. I
9 do believe it is a very important issue. I believe it's
10 going to happen. I just hope it happens the right way.

11 As far as competition and I'm going to close
12 with this, competition is good, as long as competition
13 stays and I think in Anchorage, we can look at our
14 newspaper situation.

15 Thank you for offering and allowing me to
16 make my comments on the record before this task force.

17 CHAIRMAN HUDSON: Thank you. Representative
18 Finkelstein.

19 REPRESENTATIVE FINKELSTEIN: Thank you, Mr.
20 Chairman. Just on the comment that people don't care or
21 don't know, you know, why they don't show up, I was on
22 the Labor and Commerce Committee previous two years and
23 we had a number of telecommunications hearings, we
24 advertised all around the state trying to get people to
25 come and generally speaking, I think is true on all these

1 complicated issues, people from the general public just
2 don't show up because the issues are just way too
3 complex. It isn't a lack of interest. It's left to
4 State of Alaska, these commissions, various others to
5 represent those views because it's just too much material
6 and it isn't a lack of interest, I feel. It's just that
7 they have elected other people to represent them.

8 CHAIRMAN HUDSON: Maybe, Barbara, if we put
9 it on TV we'd be seen.

10 MR. BOUCHER: It's going to be on TV.

11 CHAIRMAN HUDSON: By the way, I might say
12 that I do agree with you that we do need to look at the
13 human side of all of the proposals and that's the reasons
14 I asked AT&T if they would provide us with a copy of the
15 Johnson report because presumably it examines some of
16 that and I would ask the same thing of Alascom GCI and
17 MCI and anyone else that's involved in this whole thing.
18 I think that's important when particularly we understand,
19 you know, what -- where are we going with this thing and
20 what's the effect to the people who are working and are
21 there going to be new jobs, what's the transfer, things
22 of this nature. Every job is important. Thank you very
23 much.

24 MS. HUFF: Thank you, Mr. Chairman.

25 CHAIRMAN HUDSON: Next I'd like to call

1 Francine Taylor. Welcome, Francine.

2 MS. TAYLOR: Hello, is this on? Is it on
3 now?

4 CHAIRMAN HUDSON: Push it forward it's on.

5 MS. TAYLOR: Thank you, Red. Obviously I'm
6 representing Community Access. Good afternoon, Mr.
7 Chairman and Members of the House Telecommunications Task
8 Force. My name is Francine Taylor, and I am speaking on
9 behalf of Community Access Television. I represent my
10 own views as a member of Anchorage Community Access which
11 is a nonprofit organization.

12 While it might seem a bit premature to
13 inject television communication into this hearing since
14 telephone companies do not as yet have the go ahead to
15 deliver television on phone lines, we all know it is
16 simply a matter of time and politics until this right is
17 granted. Essentially I have input and concern of many
18 individuals such as myself in the structuring of Alaska's
19 telecommunications industry, is number one, that audio
20 visual as well as voice and data be considered in
21 restructuring considerations. Number two, that access in
22 terms of easy to use and affordability for communities be
23 addressed. There's a lot of speculation on how home
24 shopping and movie channels will be available, however
25 there is little discussion on community access to these

1 many channels.

2 I would like to give some historical
3 background to justify my concern on these issues the
4 first is that in the case of Anchorage's community access
5 channel, the original contract negotiated by the APUC
6 obligated the first cable company to provide staffing
7 budget and production equipment to enable the general
8 public to produce local programs to be aired on the
9 channel. When the state's economy went into a nose dive
10 in the middle eighties, the community access channel
11 program was eliminated, along with an operating budget.

12 Since then, the public access channel has
13 not been able to adequately serve the community and I
14 suspect that for many of you Anchorage residents present
15 here, many of you do not know that the channel still
16 exists.

17 There is a commitment to community access by
18 the cable companies who wrote it as the cable systems
19 changed hands over the past few years. Because the
20 contractor franchise was negotiated by the APUC rather
21 than the Municipality of Anchorage there are no funds
22 allocated to the channel. This is a unique situation.
23 Cable franchises throughout the country are negotiated
24 with specific amounts of funding going to community
25 access channel. In our investigation, nowhere else in

1 the country has a franchise negotiated as this one has.

2 Why is a community access channel important?

3 Because it is the only access a community has to
4 broadcast local programming. Commercial broadcast
5 stations provide 30 to 60 minutes of local daily news and
6 the rest with few exceptions are devoted to national
7 programming. The same is true for public television
8 which has also found it is far cheaper to buy outside
9 programming than to produce and air local programs.

10 Alaska's communities like cities in the rest
11 of the country do not have soap boxes in the town square
12 anymore for people to share their concerns. The soap box
13 in the town square is now the television in the living
14 room. I would urge that community access, whether it is
15 audio visual or voice and data, whether it is Anchorage
16 or the smallest village in the state be considered and
17 protected in any restructuring plan that is adopted. Our
18 communications systems, particularly in Alaska, are
19 lifelines to each other, as well as to the outside world.
20 Thank you.

21 CHAIRMAN HUDSON: Thank you very much.

22 MR. BOUCHER: Mr. Chairman?

23 CHAIRMAN HUDSON: Representative.

24 MR. BOUCHER: I wonder how many are aware
25 that every place there's cable there's supposed to be an

1 access channel in that community. How many in this room
2 are aware of it? And that you can take down and they are
3 required to put on what you want to put on. That is
4 truly the challenge. In other words, prime tells us, if
5 I may, Mr. Chairman, put some programming together. Well
6 we're going to give them eight solid hours of this, we're
7 not going to edit it. We're just going to turn it on.

8 MS. TAYLOR: All right. We'll say we're
9 doing it out of our own pocket. I'm not sure that's the
10 way it should be done. Our pockets are very short
11 pockets at this point.

12 CHAIRMAN HUDSON: Red, that's your second
13 three minutes at this point. Julie Kitka. Welcome,
14 Julie, nice to see you again.

15 MS. KITKA: Nice to see you, too. Good
16 afternoon. Thank you for the opportunity to present some
17 thoughts and some comments on that. My name, for the
18 record, is Julie Kitka and I'm testifying today,
19 presenting comments on behalf of the Alaska Federation of
20 Natives and as you know, AFN is a statewide native
21 organization formed in 1966 to represent concerns
22 statewide in nature on behalf of the 85,000 Alaska native
23 people. We very much appreciate the hearing being
24 scheduled today and hopeful that there might be other
25 opportunities and forums for people throughout the state

1 to participate in it also.

2 AFN has two primary concerns in the current
3 discussions on the Alaska Federal State Joint Board of
4 the Federal Communications Commission, and they're
5 proposals of opinion. The first concern deals with
6 affordability and the second concern is guaranteed
7 universal access.

8 The statewide native community would like to
9 see that affordable communication for all Alaskans and
10 especially for rural Alaskans continues and unmet needs
11 are addressed. The key to the maintenance of the
12 telecommunications system that is developed in Alaska is
13 affordability. People who live in rural Alaska are
14 extremely vulnerable to changes in government policies
15 and appropriations policies. They live on the razor's
16 edge, so to speak. Changes in government policies and
17 funding are felt quickly and on a community-wide basis
18 and not absorbed only by a small sector of the population
19 as is often the case in large cities.

20 Let me site some examples which I'm sure
21 will be of interest to you and help convey the importance
22 of the State continuing to demand rural needs be
23 addressed in detail by either proposal before the Joint
24 Board. For one the high cost of living in rural Alaska
25 is well documented in many state and federal reports as

1 well as AFN's reports on the status of Alaska natives.
2 In our report which we issued in 1990, the cost in --
3 cost of living in villages was between 126 and 145
4 percent higher than in Alaska -- in Anchorage, while the
5 cost of certain essentials like fuel were 476 percent
6 higher than in Anchorage.

7 The annual cash incomes of Alaska natives
8 are substantially below those of non natives due to lack
9 of adequate wage employment. This contrast appears not
10 only between villages and cities but within most
11 communities as well. Native people hold significant
12 lower percentages of the available jobs in any given
13 community than the percentage that they represent of the
14 total work force.

15 The higher the cost of living and the less
16 cash income available to rural families means that less
17 income is available to obtain services such as telephone
18 services.

19 According to the 1990 U.S. census
20 nationally, almost five million of the country's 92
21 million housing units lacked basic telephone service.
22 The ethnic breakdown of households which lack basic
23 telephone service include 5 percent of the white
24 households, 15 percent of the black and hispanic
25 households, and 20 percent of the Native American

1 households.

2 In addition, the 1990 census indicates
3 two-thirds of the families below the poverty level do not
4 have a home phone and the most significant cause of phone
5 gaps in rural America is poverty. I have a color coded
6 map which was printed in the Atlantic Monthly in the June
7 of 1993 Edition, which graphically illustrates the
8 percentage of occupied housing units across the country
9 with no telephone and the needs of rural Alaska are
10 clearly illustrated in this map, and I would suggest the
11 most significant cause of phone gaps in rural Alaska is
12 also poverty and our small populations.

13 At this time I'd like to commend the
14 governor and his representatives for continuing to
15 strongly support and advocate for affordability and
16 universal access and for demanding that rural needs are
17 fully addressed in formal documents which have
18 accountability. I believe the governor and I share this
19 common ground and urge this legislative committee to
20 support State efforts to press for rural needs to be
21 fully included in any expansion of services, new
22 technology and investments.

23 For the record, I have a copy of that map
24 which I think indicates graphically why rural needs have
25 to be at the forefront of any of these discussions and

1 why the State of Alaska has to take that on as a top
2 priority and not leave it just to the marketplace and
3 competition.

4 And then finally, I'd like to suggest in the
5 different discussion about satellite and who would be the
6 carrier of last resort in the rural areas, I want to
7 suggest that maybe the State ought to revisit their
8 investment policies and continue to make that a priority
9 for State investment in keeping the State of Alaska and
10 the entire state on the leading edge, as far as
11 telecommunications. I think that that is something very
12 important and you look at anything from distance
13 delivery, as we look at down turns in state revenues,
14 more that we can make distance education a reality and an
15 effective teaching tool, I think that we'll see cost
16 savings and I think that the State has a very important
17 role to play in that.

18 So that would conclude my comments.

19 CHAIRMAN HUDSON: Thank you, Julie. We
20 would like to have a copy of your comments if you have an
21 extra copy, along with the map. I am glad that you're
22 following and that you're supporting, you know, some of
23 the uses of telecommunications, video telecommunications
24 and distance education and health and rural Alaska and we
25 have talked various times with the court system, public

1 safety, but any number of governmental agencies that at
2 the present time have to fly by bush pilot throughout the
3 State of Alaska and it's a very good reason why I think
4 we have to guarantee affordable and universal access as
5 you've suggested, and I agree with you and I am convinced
6 that this committee will adopt that position as well.
7 Thank you.

8 MS. KITKA: Thank you.

9 CHAIRMAN HUDSON: Next I'd like to call John
10 Shively. Good afternoon, John. Good to see you again.

11 MR. SHIVELY: Mr. Chairman, good to see you
12 again and I appreciate the opportunity, I don't want to
13 take a lot of your time because I know you're running a
14 little late and you have other things to do, but I do, my
15 name is John Shively. I represent NANA, one of the
16 regional corporations, formerly the Alaska Native Claims
17 Settlement Act and we have taken a stand several times
18 and many times in the past on this issue. It is
19 obviously very important to our constituents and as can
20 be evidenced by the statement made by Senator Al Adams
21 our senator, and we certainly like to associate ourselves
22 with those remarks and those of Ms. Kitka.

23 I do remember the days when there weren't
24 phones out there when I first came to the State and how
25 difficult it was for people and it's not -- I mean most

1 people in this country take the phone as sort of just
2 something that's there and it's always there. And it has
3 not always been there in rural Alaska and we think that
4 there is some threat that it may not always be there in
5 the future, at least not in a way that's usable for the
6 bulk of our constituents, and maybe not even for the
7 government agencies and the businesses that work out
8 there, and that's why we're concerned that whatever major
9 changes take place in the competitive arena up there take
10 into account the problems in rural Alaska.

11 If you look around rural Alaska, there are
12 apartment buildings in New York City that have more
13 people than in many of our villages. I would suspect
14 that we make more long distance phone calls out of our
15 three story building here in Anchorage than many villages
16 make.

17 When you talk about competition, you talk
18 about people going to where the money is. The money is
19 not going to be in small communities with low populations
20 and low income. The system, as other people have pointed
21 out today, is only there because a number of people made
22 a commitment to go where the competitive business arena
23 would not have taken them, not without cooperation from
24 the State and other people. And we certainly don't want
25 to set up a situation in the future where we basically

1 encourage people to buy outstanding services in those
2 places where large populations and leave people in small
3 populations without service or with a service that is so
4 expensive as to be virtually unavailable.

5 I appreciate the opportunity to testify and
6 I wish you luck in your work.

7 CHAIRMAN HUDSON: Thank you very much, John.
8 Appreciate that, and next call I believe it's Pat Abney.
9 It's a little bit off line here. Good afternoon, Pat,
10 welcome to the committee.

11 MS. ABNEY: Representative Hudson and Task
12 Force Members.

13 CHAIRMAN HUDSON: Make sure your switch is
14 on, please. Forward, is it forward?

15 MS. ABNEY: Now it is, okay. This has been
16 going on for almost 10 years and we've had 18 months of
17 testimony and all of the industries and public have had
18 an opportunity to testify and I think it's time to
19 resolve this issue and move ahead. There is a risk in
20 not moving ahead. Private industry is holding in a
21 holding pattern. It's inhibiting investments,
22 technology, and competition.

23 I encourage you to make a decision. I know
24 what it is to sit and listen to long testimony in
25 hearings, and delaying in making a decision does not

1 serve the people well. Thank you.

2 CHAIRMAN HUDSON: Thank you, Pat. Next Dick
3 Traini.

4 MR. TRAINI: Thank you, Chairman Hudson.
5 Pat and I were laughing about the Parking Authority. As
6 long as these hearings have been we probably now can buy
7 the Parking Authority, as much money as we owe them.
8 Appreciate your time in letting us come here and discuss
9 a few ideas with you.

10 Move apart from the printed text, and just
11 tell you some concerns that I've got. I know this
12 hearing's been going on for a long time. I'm sure you
13 now know more about the telecommunications industry than
14 you ever wanted to know. If this is like most hearings
15 that we have, you've probably got at least three or four
16 file cabinets full of information and this is a
17 complicated decision that you have to make, but I'd like
18 you to go forward with competition because I think it's
19 important to our constituents, yours and mine, that the
20 prices for this essential service be reduced as far as
21 possible at the same time you need to take into account
22 the needs of rural Alaska. That's a real concern,
23 because as the one lady from AFN said, it's a real
24 problem out there in the bush. It is their lifeline, and
25 I think you can accomplish both I think by going forward

1 with the right recommendation. You can have competition,
2 at the same time keep this lifeline to the bush open.

3 CHAIRMAN HUDSON: Representative Boucher.

4 MR. BOUCHER: You think the interest of
5 government are best served by having government in the
6 telephone industry like we do in the city?

7 MR. TRAINI: No. That's the reason we
8 created the Authority, Red.

9 MR. BOUCHER: You would like to see ATU
10 sold, then?

11 MR. TRAINI: No. That's the reason we
12 created the Authority. We fought that telephone war
13 once.

14 MR. BOUCHER: You just created another
15 committee, a buffer.

16 MR. TRAINI: No. Actually, I think we found
17 that ATU's Board of Directors are quite independent and I
18 think they do an excellent job, Red.

19 MR. BOUCHER: That's true competition, when
20 government gets out of the communication business.

21 CHAIRMAN HUDSON: That's Red's third three
22 minutes.

23 MR. TRAINI: That's all right, sir. Red and
24 I have been around this course once or twice.

25 CHAIRMAN HUDSON: Thank you very much. I

1 have no one else on my list that has signed up to testify
2 here today. I'll make the offer, if anyone there in the
3 audience did not sign and would like to testify, I'd be
4 happy to take your testimony now. Going once -- all
5 right. Please, Representative Mulder.

6 REPRESENTATIVE MULDER: Thank you, Chairman.

7 CHAIRMAN HUDSON: I almost forgot who you
8 were.

9 REPRESENTATIVE MULDER: It's been too long
10 since session. I just have a short memo I'd like read
11 into the minutes. Just out of interest sake, I asked Pam
12 Stupes (phonetic), our Administrative Director, to do a
13 brief search to establish what the benefits of
14 competition have brought to the legislature in terms of
15 lower telephone rates. As you know, with competition,
16 their varying different plans they offer, different
17 services, different opportunities in the course of the
18 last three years, our telephone costs have been cut in
19 half. So competition does work. It does work for the
20 benefit of all Alaskans. Thank you.

21 CHAIRMAN HUDSON: Thank you Elden. At this
22 time, we're rapidly moving now towards an opportunity to
23 get out in the fresh air, but I'm going to ask John if I
24 could get the principal representatives from each of the
25 industries, maybe just one time to come up together, if

1 you can find four seats there and --

2 MR. AYERS: As opposed to united?

3 CHAIRMAN HUDSON: You could try one seat,
4 but I don't know. And Doug Wilcox, pull this chair
5 around. That's fine.

6 Well, thank you all for coming before us
7 today and being very forthright and, I think, prepared.
8 What I would like to do is to sort of wind this thing
9 down for today and kind of have an opportunity for
10 members of our committee and the legislators and others
11 who are assembled here an opportunity to clear up any --
12 any -- ask you my questions concerning your testimony
13 that you've already given and perhaps even where there's
14 a difference of opinion to try to ascertain just how that
15 difference exists and you know, if it's real or if it's
16 just a perception, and also, one of the things that I
17 wanted to do before I completed here is that we've got
18 several proposals. We've got the AT&T proposal, we've
19 got the Joint Board's tentative recommendations, and I
20 like to think, because I work very closely with the
21 administrative side of government we've got the
22 governor's recommendations that tries to find some middle
23 ground into the whole thing, and I'd like to speak just
24 for a minute in behalf of the administration, not that
25 he's given me any authority to do it but I'll take it

1 anyway and find out just how each of you feel about the
2 recommendation from John Katz as it relates to the last
3 draft. I'm sure you're all aware of it now, and I'd like
4 to know whether or not you support it or if you believe
5 that it needs additional work or if you just need to
6 consider it more, but I'd like to find out exactly where
7 you are on that, and I'll start with you if I might,
8 Doug.

9 MR. WILCOX: Yeah, we --

10 CHAIRMAN HUDSON: Everybody give me your
11 name, too, for the record just so we have it.

12 MR. WILCOX: Doug Wilcox, AT&T. AT&T is
13 prepared to go forward and to support the recommended
14 changes or modifications of the consumer benefit plan
15 that the State has recommended. I think the changes that
16 they have recommended under those -- under that -- under
17 those modifications, excuse me, AT&T would still be
18 prepared to go forward, enter the market, build the
19 cable, lower prices and do all the things that the
20 consumer benefit plan entails.

21 There are a couple of modifications to the
22 plan that are sort of not applicable anymore. I mean,
23 they said we should file with the Alaska Public Utilities
24 Commission. Since it became known that the Joint Board
25 felt they would have an order in October, Mr. Katz has

1 said that that doesn't make any sense anymore. Obviously
2 you'll file that -- you, AT&T, would file at the APUC
3 whenever it was appropriate, given whatever the order
4 that came out of the Joint Board or the FCC was.

5 The second piece, or the second modification
6 they suggested was that we completely -- or file a
7 complete, fully documented Section 214 application at the
8 FCC, and again, since the content of that application
9 will depend upon the final order from the FCC after
10 receiving the Joint Board's recommendation, they waive
11 that modification, as well.

12 What we have promised to do is to document
13 in the 214 process all the work that we have completed at
14 this point, which is virtually everything for the
15 backbone network except the environmental studies which
16 are going to take a few more months to complete.

17 CHAIRMAN HUDSON: Thank you very much. And
18 also John, if you would probably respond to the same
19 question, if you can.

20 MR. AYERS: Well, first of all I do not
21 claim to be as conversant in that particular document as
22 the rest of the folks. I think there's one element in it
23 we are particularly interested in and that is the element
24 of the average access so that we aren't picked apart with
25 lower cost, but average cost access is provided for. So

1 that would be the only thing I would say on that at the
2 moment.

3 CHAIRMAN HUDSON: So generally, as you know
4 it at any rate, you see that it's doable perhaps.

5 MR. AYERS: Again, I don't know enough
6 about -- really, I'm not well enough conversed in that to
7 do that, but I'd be pleased to have a look and give you
8 some written response.

9 CHAIRMAN HUDSON: If you could do that, I'd
10 appreciate that. And you, sir?

11 MR. RHYNER: I guess I'm conversant with --

12 CHAIRMAN HUDSON: And for the record,
13 please?

14 MR. RHYNER: Yeah, this is Jack Rhyner for
15 the Alaska Telephone Association, and I guess I'm not
16 prepared to comment on Mr. Katz's proposal either.

17 CHAIRMAN HUDSON: All right, thank you.
18 Next?

19 MS. TINDALL: Hi, I'm Dana Tindall with GCI.
20 As I understand the State proposal, it's got a number of
21 elements in it. One would -- they've made kind of two
22 proposals, so I'm not sure if I'm confusing the two or
23 mingling them. One of their proposals was that the
24 tentative recommendation transition period be shortened
25 and that the frozen allocator be maintained, and that the

1 carrier access rates be average. We would, assuming the
2 Joint Board could adopt it on the time schedule they're
3 currently on, we would support shortening the transition
4 period and we would support maintenance of the frozen
5 allocator. We would like to see carrier access rates
6 statewide geographically averaged, as long as any single
7 carrier has a -- a monopoly anywhere in the state that is
8 required by regulation which allows it. Once that
9 monopoly's lifted whether or not there's carriers in that
10 market, we think that then statewide access rates or
11 carriers' carriers' rates could then be safely
12 de-averaged because the threat of competition is often
13 more powerful than competition in keeping rates down, but
14 until that time when GCI, AT&T, MCI or any other carriers
15 are held hostage by Alascom's monopoly position and their
16 monopoly rates and that's true on the intrastate side
17 today.

18 As far as the other elements of the State's
19 proposal which is to -- for AT&T to write down some
20 portion of Alascom's rate base and then go ahead and file
21 their consumer benefit plan with the APUC and 214 with
22 the FCC, we have no quarrel with AT&T paying for some
23 portion of Alascom's interstate rate base facilities. We
24 are substantially nervous at the notion that this would
25 still be left up in the air by Alascom filing a 214 at

1 some further time period and intrastate application at
2 some further time period. That doesn't sound like a
3 certainty to us. It sounds like more delay, but if
4 certainty could be provided that this would indeed
5 resolve the Alaska Joint Board on the time schedule
6 provided by Commissioner Knowles, then we would be happy
7 to take another look at it.

8 CHAIRMAN HUDSON: Thank you. John?

9 MR. AYERS: Excuse me, Dana, you said
10 Alascom file a 214. Did you mean AT&T?

11 MS. TINDALL: I meant AT&T.

12 CHAIRMAN HUDSON: All right, thank you. And
13 Gail?

14 MS. GAREY: Gail Garey with MCI. Just a
15 couple of quick comments. One, in terms of if I think
16 MCI could certainly also support some sort of shortening
17 of the transition period. I think we also would share
18 GCI's concerns about the ability to allow for some sort
19 of de-averaging of the access costs and until you have a
20 full competitive market for reasons that you can do the
21 shifting of the cost from those, the cost of the access
22 in those areas where there is competition to the area
23 where that service might not be subject to competition.
24 So in effect, the area that isn't subject to competition,
25 as long as you have averaged rates, will benefit from the

1 competition in the other areas.

2 CHAIRMAN HUDSON: Thank you very much. Next
3 I'd like to try to at least put to some ease our rural
4 representatives, Senator Adams and others, who have
5 expressed some deep concern and still have some concern
6 apparently from the testimony we just received from Ms.
7 Kitka and John Shively and others, and I'd like for the
8 record to just make certain that -- that regardless of
9 who ends up ultimately being responsible for the
10 operations of the rural networks or all of that
11 nonprofitable but highly essential network out there,
12 that we will have not just -- you know, not just public
13 relations assurances, but for the record, an ironclad
14 assurance that you understand that responsibility and
15 would stand up to that regulatory requirement, and I'll
16 again start with you, sir.

17 MR. WILCOX: I think that -- I think -- Doug
18 Wilcox, AT&T. Sorry. I think the protection for rural
19 Alaskans is two-fold. First of all, there is a
20 designated dominant carrier responsible for running the
21 monopoly earth station satellite system. That happens to
22 be Alascom presently. I can't imagine them abrogating
23 that responsibility in any way.

24 Secondly, rural Alaskans are going to
25 benefit from price competition more immediately and more

1 vividly than will people in Anchorage, Fairbanks and
2 Juneau, simply because most of the price reductions that
3 we've proposed, at least, focus more heavily on the
4 longer mileage calls. That's where more of the margin
5 is. So that's where we propose to reduce prices. So for
6 example, people in the bush are probably going to see a
7 seven percent reduction in their intrastate bills,
8 whereas people in Anchorage might see a four -- roughly a
9 four percent reduction because of the different nature of
10 their calling patterns.

11 Now, I say that with full knowledge that we
12 can't serve people in many of the villages where there
13 can only be one earth station. That would be provided by
14 Alascom, but I know from being in their position before,
15 facing new market entrants with lower prices that you
16 can't maintain a large price differential and keep
17 customers. You have to be price competitive and I assume
18 Alascom will be price competitive. So as long as they're
19 going to compete with us and GCI and MCI for customers in
20 Anchorage and Juneau and Fairbanks and wherever else we
21 can get equal access and serve, a call from Anchorage to
22 Juneau is over 455 miles. That's the last mileage band
23 in the intrastate schedule, and all carriers in Alaska
24 are required to have the same mileage bands. That's your
25 rules. So if Alascom is competitive with us, for calls

1 over 455 miles because they want to keep customers in
2 Anchorage and Juneau, then guess what happens to the
3 rates that people in Barrow pay or Kaktovik pay or Eek
4 pay. They're lower, because you can't charge more for
5 calls that originate one place than you can for calls
6 that originate somewhere else. So the bush is going to
7 make out here. Rural Alaskans are going to benefit more
8 from the price reductions we've proposed than will people
9 in the urban areas.

10 So I think there's a two-fold assurance
11 here. One is that, yes, you do have a regulatory regime
12 in place that has one carrier, in this case Alascom, to
13 assure that service is of high quality and available.
14 And secondly, you have competition pushing prices
15 down. I think there's two safety nets for rural Alaskans
16 at work here.

17 CHAIRMAN HUDSON: And third if you should
18 end up in their shoes, I presume at any rate that we
19 would find not only the commitment to maintain and to
20 continue to provide the reduced services, but to continue
21 with the state of the art, replace the satellite when
22 it's necessary, things of this nature?

23 MR. WILCOX: That's correct.

24 CHAIRMAN HUDSON: Thank you. John?

25 MR. AYERS: John Ayers, Alascom. We're

1 there. We actually like being in service to rural Alaska
2 and the rest of the state. We have no reason to believe
3 that we won't be doing that on an ongoing basis. We
4 expect there to be a rational outcome of this process
5 that let's us continue to do so, and we will.

6 CHAIRMAN HUDSON: Thank you very much.

7 Jack?

8 MR. RHYNER: Yeah, the local exchange
9 companies I don't believe ever thought that suddenly one
10 day the switch would just be turned off and the bush of
11 Alaska wouldn't have communications anymore, although I
12 can say that we were relieved to hear Mr. Wilcox testify
13 to the fact that AT&T was willing to take over those
14 facilities if for whatever reason Alascom withdrew.

15 Our major concern is in the -- especially in
16 the rural communities, the cost of making the toll call,
17 because those people don't have local telephone service
18 so that they can call each other across the street. In
19 many cases they'd rather communicate with CBs. They have
20 their telephones so they can make intrastate toll calls.
21 That's how they get the food and emergency services and
22 get the state police and stuff. So I tend to agree with
23 what Mr. Wilcox has said. If they're allowed to enter
24 the market and their prices are substantially lower than
25 the other carriers that are operating in the same market

1 will have to do market pricing and stay with them and
2 that'll be good for all the consumers.

3 CHAIRMAN HUDSON: Thank you very much.
4 Dana? We mustn't assume that AT&T's going to end up out
5 there or anybody else. You certainly have indicated that
6 you're willing to step up to the mat, as well.

7 MS. TINDALL: Yes. If Alascom wants to
8 abandon its rural service at facilities and obligations,
9 GCI will certainly step up to the mat and we will provide
10 those services under either monopoly or competitive
11 conditions, but we do believe even if we were the one
12 providing those -- the service out there, that the rural
13 areas of Alaska should be competitive. We have no plans
14 to try to take over the rural areas of Alaska and close
15 the door to competition because we firmly believe that
16 competition is the key to expand services to everywhere
17 in the state, and particularly in the rural areas, and it
18 is the key to -- it is the basis for future economic
19 development.

20 You referenced both Ms. Kitka's testimony
21 and Mr. Shively's testimony. I think we can all agree
22 with Ms. Kitka's testimony that universal service is a
23 concern, that affordable rates are a concern, that toll
24 services in the rural areas of Alaska are extremely
25 important, and I think that you could have any number of

1 hearings and that wouldn't change. There is no one here
2 that disagrees with that, and I think competition is not
3 opposed to any of those ideas. I think competition
4 facilitates universal service, brings down lower rates
5 and it brings in better technology, and if you trace the
6 history of Alaska services, you'll find that to be true
7 on both an intrastate and an interstate basis.

8 Mr. Shively's testimony, I -- I hate to say
9 I agree with. I don't think you ought to adopt -- I'm
10 sure this isn't what he meant, but I don't think you
11 ought to adopt any structure whereby there would just be
12 competition in the urban areas and not the rural areas
13 but I think the underlying premise of Mr. Shively's
14 testimony that I disagree with is that competitors want
15 to serve the rural areas. The notion that the
16 competition simply wants to come in and serve the urban
17 areas of this state and leave the bush areas high and dry
18 is -- is not a valid notion, and it hasn't been valid for
19 at least five years, maybe ten years. As a matter of
20 fact, in -- and there's also been the notion in this
21 state, I think, that calling between Anchorage, Fairbanks
22 and Juneau subsidizes the rural areas of the state in the
23 intrastate toll market.

24 In 1986, there was one of the many hearings
25 on intrastate telecommunications when we were still

1 trying to get authority to provide intrastate
2 telecommunications and Alascom put forth a very
3 interesting statistics and what they said is that
4 triangle calling between Anchorage, Fairbanks and Juneau
5 throws off some 11 million dollars in excess profits that
6 is then available to subsidize other areas of the state.
7 This is just -- just calling on the routes between
8 Anchorage, Fairbanks and Juneau. However, 7 million
9 dollars of that went to the areas, the communities around
10 Anchorage and leaving only 3 million dollars for the rest
11 of the state and that would include short haul calling
12 around Fairbanks and Juneau, as well.

13 That's because there is only one rate
14 structure in the State of Alaska. As somebody else
15 pointed out, there are not -- you can't look into
16 Alascom's tariff and see, okay, if I live in the bush, I
17 pay one set of rates and if I live in Anchorage, I pay
18 another set of rates. That's not the way it is. There
19 is only one set of rates and those rates are broken down
20 by mileage band. So if you live 0 to 25 miles away and
21 you call, you pay a certain amount, and what was
22 happening and this may have been corrected since then,
23 but what was happening at that time was that the short
24 haul calling areas, the 0 to 25 miles, the 0 to 50 miles
25 were priced far below costs, whereas the long haul

1 calling areas were picking up the costs and because there
2 were so many people calling between Anchorage, Eagle
3 River, and the Matanuska Valley as opposed to the rural
4 areas of the state, Anchorage, Fairbanks and Juneau never
5 subsidized the rural areas of the State. The rural areas
6 of the state, for the most part, were carrying their own
7 weight.

8 So again, the reason I get into this is
9 because I think a lot of us hold old notions about how
10 telecommunications services are provided that are no
11 longer true.

12 The State of Alaska as a whole can be served
13 profitably. There are certainly some areas that are not
14 profitable, but the state as a whole can be served
15 profitably and competitors want to serve the entire state
16 of Alaska as a whole profitably on a facilities basis.
17 Thanks.

18 CHAIRMAN HUDSON: Gail?

19 MS. GAREY: Mr. Chairman, my name is Gail
20 Garey for MCI. MCI does support the preservation and the
21 goals of universal service and I want to emphasize, too,
22 that I don't necessarily believe that universal service
23 and competition are mutually exclusive. I do believe
24 that rural Alaska will indeed benefit from competition
25 and has to some extent already just in terms of looking

1 at the market and how it's changed and how telecommuni-
2 cations has changed over the last couple of years in
3 terms of an increase in technology and the fact that
4 serving the rural areas is less expensive now than it has
5 been, and we just like to also point out that if there is
6 indeed demand and there are demand for services that I
7 think you'll indeed find a lot of competitors out there
8 more than willing to provide the type of services and
9 facilities that would be necessary to meet that demand.

10 CHAIRMAN HUDSON: And you don't see a
11 situation where there would be so much competition, so
12 many people vying for it that whichever one held the
13 responsibility for maintaining the infrastructure would
14 not be cost effective, would not be able to stay in
15 business? Isn't there a point of no return to where -- I
16 guess I'm posing this to all of you. I mean, I can see
17 where everybody has an opportunity to get in there and
18 the whole idea is to try to offer services cheaper than
19 everybody else in order to gain customers, but somebody
20 has to maintain responsibility for that satellite, those
21 earth stations and all that thing, and we've heard in the
22 testimony that a lot of this cost effectiveness is going
23 to come about by new technology, by perhaps, you know,
24 replaceable modules and things of this nature there. And
25 we've heard that some of the profit, in order to make it

1 profitable for everybody, is going to come from greater
2 usage, people are going to use it a great deal more and
3 subsequently that's going to generate some cash into the
4 system and help underwrite it. And I guess the part
5 that's -- that I just wanted to be sure was that whoever
6 gets -- who is there who's holding the bag, you know, has
7 a responsibility for the infrastructure that everybody
8 else is going to use to make the profit on, gives the
9 State of Alaska the guarantee that they'll be there and
10 that they'll underwrite that and they will be subject to
11 the APUC and I presume to the FCC regulations.

12 MS. GAREY: Mr. Chairman, Gail Garey with
13 MCI. I think there will be some business decisions that
14 will be made by all the various carriers in terms of
15 whether or not you see all of the carriers put at some
16 point whenever it were to be possible facilities in the
17 area, but anyone who's going to be using those
18 facilities, no matter who owns those facilities, will be
19 paying for their use on that, too. I mean, in the sense
20 of maybe you'll have a resale opportunity or similar to
21 in some of the other markets outside of Alaska, MCI
22 certainly doesn't have wires into every one of the
23 households, but we pay access charges or we pay for our
24 use of that network. So while maybe that end carrier may
25 be losing market share, they're not losing revenues

1 because it's a movement of the traffic. We're paying for
2 that access.

3 CHAIRMAN HUDSON: Okay, whoever is
4 maintaining their share, okay. Are there questions
5 from -- yes. Yes, please, John.

6 MR. AYERS: John Ayers, Alascóm. One thing
7 I'd like to say is that you -- I haven't ever said we're
8 going to abandon anything. I like the way everybody
9 decides we're going to abandon something and I guess part
10 offends me and the rest of the part is this is a rational
11 process and as long as a rational decision is reached
12 there's no reason to discontinue service to rural Alaska.
13 I think we continue to say that, but I don't want anybody
14 to think we're running around saying the sky is falling
15 and we're abandoning Alaska or rural Alaska. It's not
16 happening.

17 CHAIRMAN HUDSON: I don't know -- I hope I
18 didn't give that impression. I expect you to be there,
19 but I what I'm trying to do is in the event through all
20 these different arrangements or anybody who had these
21 responsibilities, not now but even in the future, that
22 you know, we would have them there to protect the rate
23 payers and that's all I'm interested in.

24 MR. AYERS: No, sir. I was responding to my
25 noble competitors who like to use the word abandon

1 regularly.

2 CHAIRMAN HUDSON: Okay. Representative
3 Brown.

4 REPRESENTATIVE BROWN: Thank you, Mr.
5 Chairman. I'm interested in your views of the State of
6 Alaska as a market participant in the sense that it has
7 been historically in carrying its own voice traffic, its
8 video or I guess we're buying service from you to carry
9 our own video, they're considering setting up a data
10 network. To what extent does the traffic or the actions
11 of the State as a market participant there influence the
12 competitiveness, the issues we've been discussing today?
13 How important is that in this mix of having a workable
14 balanced system and ideally, what role would you like to
15 see the State of Alaska play?

16 MR. AYERS: I'll start. Everybody loves
17 that question. John Ayers. I think our concern as an
18 industry, and I'll speak assuming that I can on that, is
19 that the State of Alaska has built its own networks and
20 bypassed us and therefore not contributed to the cost
21 recovery in the overall system, whether it be with GCI or
22 Alascom, or primarily, it's a way of the local exchange
23 carriers which drives our costs up and certainly the more
24 you buy services from the carriers and the local exchange
25 carriers, the better off we all are.

1 MS. TINDALL: GCI's position, and this is
2 Dana Tindall for GCI, is that the State of Alaska has to
3 act like any large business entity. You guys have cost
4 concerns, you have telecommunications concerns. If the
5 public switch network or the industry cannot provide you
6 with a network or with facilities that meet your needs at
7 affordable rates, or less costly rates than you doing it
8 on your own, you should go ahead and do it on your own.
9 And if -- however, I don't think the State should simply
10 blindly pursue a course to do it on its own. I think it
11 should, it should carefully get costs and find out what's
12 out there, because there is the caution that once the
13 State takes -- takes the full job of running its own
14 network, you start to run into the same incentive
15 problems that any monopoly has and you may not be able to
16 keep your network upgraded. I understand there's a
17 proposal to put video conferencing and data services and
18 other services over RATNET right now, and I think that
19 that is probably partly a result of the status of the
20 telecommunications systems in the rural areas, from what
21 I've heard from the user groups.

22 I think that the State's role here is a very
23 valuable one because you're going to act as a competitive
24 spur to the industry to get its act together to provide
25 the technology at a cheaper rate than the State could do

1 it on its own. Our position is if we can provide it
2 cheaper for you, let us. If we can't, it's our loss.

3 CHAIRMAN HUDSON: Go ahead, Red.

4 MR. BOUCHER: Mr. Chairman, I'd like to go
5 on record as saying having studied the state building its
6 network, in fact that was the major reason the House
7 Special Committee on Telecommunications was formed. It's
8 absolutely ludicrous, I mean, you get -- one of the
9 problems right now is this current administration is
10 reinventing the wheel. It has little or no institutional
11 memory. I mean, the computers that were used before, a
12 new governor comes on board and they crash this stuff. I
13 mean government is ill-suited to deal with changing
14 technology, and I for one have said it before, there are
15 areas that we can fill in, Kay and I agree on the types
16 of services and what have you, but I just don't think
17 that we are suited and especially in a period of
18 declining revenue, the current study out -- and I think
19 most people that are knowledgeable in this particular
20 area would tend -- tend to agree with us. I don't see
21 how government competing with you or you or you is going
22 to help reduce and benefit the costs to the State. In
23 fact, it might go in the opposite direction. For what my
24 thoughts are worth.

25 CHAIRMAN HUDSON: Did you wish to respond

1 here?

2 MS. TINDALL: Yeah, Mr. Rhyner's going to
3 take a totally different position than what I'm going to
4 take, so let me respond briefly because I can hear him
5 breathing over there. As I understand the genesis of the
6 State network was that it was not able to keep the
7 service in some instances for the industry when it asked
8 for it, and that's now it began and you're right, there
9 was a lot of special -- special hearings on this and the
10 hearings that I attended dealt with the State of Alaska
11 in many cases leasing space on the industry existing
12 facilities, which is a different situation from building
13 its own network.

14 But again, the State's -- there's nothing
15 wrong with giving the industry a little kick and the
16 issues that you raised are issues that need to be taken
17 into account for the State doing its own system. Can
18 they keep up with technology, can they continue to keep
19 their costs down, can they -- are they providing the best
20 service for the constituents they're trying to serve and
21 all that needs to be factored into such a decision.
22 Okay, Jack, go for it.

23 CHAIRMAN HUDSON: Go ahead, Jack. Get it
24 before Red.

25 MR. RHYNER: Jack Rhyner for ATA. Once

1 again, GCI has wrongly assumed what the latest position
2 is. As a matter of fact I was going to agree with what
3 Dana said in that if the State would come to the local --
4 to the industry and I'm speaking for the local exchange
5 companies, if you have a requirement for something and we
6 can't provide it, then feel free to build it yourself.
7 Our problem historically since the State network has been
8 growing is the fact that you've never done -- the State
9 has never done apples to apples comparison with
10 facilities and the services that we can provide and have
11 just gone ahead and built their own facilities without
12 doing the proper comparison.

13 So if you will, give us that shot. If we
14 cannot do it for you, then I, you know, I would echo what
15 GCI has said and that go ahead and build it yourself, but
16 I think if you gave us the opportunity to do it, we can
17 show you that we can provide all of those same services
18 and facilities and more than likely cheaper and the added
19 benefit of that is that it increases the revenue in those
20 local companies and help hold rates down for everyone in
21 the State.

22 CHAIRMAN HUDSON: John?

23 MR. AYERS: John Ayers, Alascom. It's clear
24 I was presumptuous, but I have a hard time believing that
25 industry can't build better delivery, better product,

1 better price than what government can do itself.

2 MR. WILCOX: Mr. Chairman.

3 CHAIRMAN HUDSON: If it's germane to this,
4 go ahead.

5 MS. GAREY: Gail Garey with MCI. Again, in
6 response to your question I think the State has a huge
7 role and can play a very significant role in terms of
8 providing demand for services and in doing that, will
9 encourage the development of a good infrastructure and
10 all I would say is that one of encouraging and letting
11 again the competitive processes work by putting it all
12 out for competitive bid and telling us what the problem
13 is and seeing who can come up with the best solution at
14 the best cost.

15 CHAIRMAN HUDSON: Thank you. Representative
16 Porter.

17 REPRESENTATIVE PORTER: Since Red got his
18 fifth three minutes, I thought I'd take my first and
19 thank Kay for asking the question that was one I was
20 going to ask. I thank all of you for restraint that you
21 are showing in your answers and for what it's worth, I
22 think that the time has come that the State needs to back
23 off of its position of providing. We can't afford it
24 anymore. If anybody could have afforded it, it would
25 have been done previously. We've made a awful lot of

1 expenditures in retrospect perhaps --

2 CHAIRMAN HUDSON: Speak a little louder,
3 Brian. I hear somebody in the back --

4 REPRESENTATIVE PORTER: Gets into an area
5 that now I think the private sector can do it and this
6 was what I alluded to. In fact, the State is costing the
7 citizens money by the kinds of systems it's participated
8 in because everything else -- (inaudible).

9 CHAIRMAN HUDSON: Representative Brown.

10 REPRESENTATIVE BROWN: Just to continue that
11 conversation are you referring to the video network or
12 the data and voice network when you say the State should
13 back off and get out of it.

14 REPRESENTATIVE PORTER: In a simple answer
15 the State should accede everything it's doing and to put
16 out a request for proposal and see if it can be done
17 better by the private sector.

18 CHAIRMAN HUDSON: Kay.

19 REPRESENTATIVE BROWN: I'd be interested in
20 knowing if any of the competitors up here have any
21 interest in getting into video transmittal business in
22 Alaska and how do you view the RATNET and public
23 broadcasting for that matter. Does that have a role to
24 play here in the voice network, integration of those
25 services?

1 MR. WILCOX: Well, As a practical matter, we
2 do provide services of that type and I lack the factual
3 background that people who have been in business here
4 have. So our philosophy is much the same as has been
5 described by all three of the other carriers,
6 interexchange carriers and from the local exchange
7 carriers. If we can't provide it for you at a cost
8 that's competitive with what you can do it yourself, like
9 any other large user, you ought to just go ahead and do
10 it. I mean, the State of Alaska isn't the only large
11 user of telecommunications that has bypassed the industry
12 in Alaska, so that's, you know, that's the normal way to
13 do business. I just did want to take the opportunity to,
14 which may be a very unique and one time deal that I
15 wanted to say I agreed with the comments of John Ayers
16 and Dana Tindall and Gail Garey and Jack Rhyner.

17 CHAIRMAN HUDSON: I think we're making
18 progress here. John?

19 MR. AYERS: John Ayers. Representative
20 Brown, you asked about video transmission. We do that
21 now. We would continue to do it. I think your question
22 probably is related to compressed -- (inaudible) --
23 video, which is technology that's starting to become
24 available, some say. And at some time in the not too
25 distant future and it clearly is the way the RATNET has

1 to go because RATNET currently is subsidized by the
2 carrier. You're not paying the full price for that
3 service today.

4 CHAIRMAN HUDSON: Red?

5 MR. BOUCHER: There is a place in Juneau and
6 has existed there for years which someone of the
7 companies put into place that you could transmit video
8 signals any place you want. In fact, I held a hearing of
9 the House Special Committee on Telecommunications in that
10 particular building and nobody has used that. Granted it
11 was a bit slow scan, or what have you. Does that
12 facility not still exist in Juneau? And how often do you
13 have requests for the use of it or is the building burned
14 down?

15 MR. AYERS: I assume you're referring to us,
16 Alascom?

17 MR. BOUCHER: Yes.

18 MR. AYERS: We do not have a public room.
19 We do not choose to have a public room. They don't pay.
20 We would prefer to sell the commitment. If you would
21 like to build a public room, that's something we think
22 would be just dandy, but historically, they haven't paid
23 their way. The investment's been too high for the return
24 that you can get out of it, so no, there's no public room
25 available. We have demonstrated equipment we use for

1 ourselves for the -- for anyone who wants to look at it
2 and use it. We've demonstrated conferences with it, but
3 we're also not the only provider of that kind of
4 equipment. Local exchange companies provide similar or
5 the same equipment and I don't -- I think that the
6 competitor, GCI, also does and I know that AT&T does. So
7 you have a wider spectrum of opportunity and I don't know
8 the public room venue was something that was long lived
9 although Sprint in a meeting still is in place.

10 MR. BOUCHER: My point, Mr. Chairman, was
11 the technology has been in place for some time and nobody
12 used it.

13 CHAIRMAN HUDSON: I think that's true and
14 part of it as Kay and I are finding is that we have to
15 get out there and try to develop, particularly a large
16 user like states government needs to get out there and
17 figure out where the cost savings to the general delivery
18 of services are through using this technology and then to
19 match the technology with the use, but a lot of it is
20 changing the way government does business and it has to
21 be led for the most part on the part of the executives.
22 However, we can try to lead it that way, but we've got to
23 have a governor and governor side that sees that you can
24 reduce public safety costs and education costs and health
25 and social service costs and university has to show or be

1 assured that they can -- they can cut their budget and
2 still deliver their service and provide the services
3 they're there for. And I think that argument is taking
4 place.

5 The technology which I have sat in on, John,
6 with some of the portable equipment that you've shown and
7 observed is extremely good. So I know the technology's
8 there. Whether or not the price is right and whether or
9 not we can get the users to use it, I think that's where
10 we're going to go on from here.

11 MR. AYERS: There is -- John Ayers from
12 Alascom. There is a difference between the video
13 conference technology and the broadcast type video that
14 Representative Brown was talking about so we need to try,
15 when you're looking at that, to keep them somewhat
16 separate although they do have similar attributes.

17 CHAIRMAN HUDSON: We're looking at both of
18 them, as a matter of fact at the same time. All right.
19 Any questions? Mike, any? Anyone else at the table
20 here? All right. Susan, do you have any questions,
21 we've got them all here?

22 COMMISSIONER KNOWLES: I don't think so. I
23 have more than you have time for in a sense, but --

24 CHAIRMAN HUDSON: All right, then, I guess
25 we've reached the point to where we've exhausted

1 everybody. I want to thank everybody at the table here.
2 I want to thank every one of you for coming here and
3 showing us. I want to thank my staff. I think Royce and
4 Debbie have done a sterling job in setting this up. They
5 did it all from our office and I think it came off very
6 well. And I think we've amassed a very good record. I
7 think we've cleared up some ambiguity and at least now we
8 better understand where everybody's coming from and that
9 was the purpose of this whole thing, was to try to shed
10 some light on what everybody's proposal is and try to get
11 some understanding among yourselves as to how different
12 things are going to -- are being proposed at any rate.

13 I don't have any further plans to have
14 another hearing, myself. Although I'll discuss that with
15 my subcommittee and we may, you know, we've heard
16 requests that we take it to the bush or something of this
17 nature there and try to get the people who are actually
18 interested in the whole thing. At this moment, I don't
19 have any plans for that, but we will try to compile what
20 we've heard here and where we have questions, we'll -- we
21 won't hesitate for a minute but to write you a letter say
22 can you clear this up, there's two different inputs along
23 those lines, and then finally we'll make available
24 everything we've heard or as we think we've heard it at
25 any rate to your group, Susan, as well as the FCC, and

1 anybody else that's interested, including all of my
2 colleagues in both House and Senate.

3 So with that, I want to thank you all for
4 being here today and we will conclude this hearing.

5 (At about 5:20 p.m. - proceedings concluded)

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REPORTER'S CERTIFICATE

I, Joy S. Brauer, RPR-CP, hereby certify:

That I am a Registered Professional Reporter for Midnight Sun Court Reporters and Notary Public for the State of Alaska; that the foregoing proceedings were written by me in computerized machine shorthand and thereafter transcribed under my direction; that the transcript constitutes a full, true and correct unofficial record of said proceedings taken on the date and time indicated therein;

Further, that I am a disinterested person to said action.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed my official seal this 25th day of August, 1993.


Joy S. Brauer, RPR-CP
Registered Professional
Reporter

My Commission Expires: May 10, 1997



TAPE LOGS

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Joy Brewer
258-7100

8/27/93 TELE. TASK FORCE SUBCOMMITTEE HEARING

Members Present: Chairman Hudson, Navarre
Porter, Brown, [former Rep. Red Boudet]
Finkelstein, Mulder @ 3:30

[staff for: Hanley, Adams, MacLean,
Toohey, Donley, Barnes, Russell,
Boudet & Jim Nordlund stopped by.]

000 BEGAN: 9:12 a.m.

Chairman Hudson introduced issue of
restructuring tele. in AK. Gave overview of
mtg. agenda.

044 Susan Knowles - Comm. APUC - a member of
AK JT Board - w/ staff member Lori Kenyon.
referenced conceptual costs & rates.

285

Feb 92 - Alasca & ATT - inter-state & intrastate structure. Master agreement had been extended to Jan 15, 1993.

1912/93 ^{enormous amount of} filings the commission has received.
re: conference calls & mtgs to get to here today.

360 turned over to:
re: what proposals - Lori Kenyon - Staff - APUC
& for Susan Knowles - brief overview.
of packet - rough ^{tentative} ideas of mechanisms.

Bill - explain & expand on rates - re: Alasca's are not the same as ATT

Lori
Bill

412 Lori

418 Susan Knowles - reaffirm ATT had the obligation to have rates to AKS - same as nationwide.

50 (?)
45 Minutes
429

Lori - Alaskan customers would not be stranded -

286

(Ben (?) Barnes - came & looked at counter leg. & aides.)
cont (9:50) left

516 Porter - ques - lost on allocation - give a basis

520 Lori - re: same equip to use intra & later.
different governings for each part of equip. & calls - for rates.
Diff. factors for diff equipment charges.

Tape 1
5/22/66
9:50

- Porter asks a ques.)
- 000 Lori Kenyon - intra - inter state rates
- 005 Porter - ques.
- 006 Lori - in inter / intra - miles address into interstate pr
- 011 Porter - ques.
- 014 Lori - 75% fixed rate
- 017 Boucher -
- 022 Bill -
- 029 Lori - ATT doesn't serve interstate -
- 040 Bill - deviation from the norm.
- 042 Lori -
- 049 Navarre - ques. interstate
- 050 Lori -
- 053 Navarre -
- Lori -
- 059 Mike -
- 064 Lori -
- 071 Lori - 11% recovery
- 078 Mike - how did the base the assumptions.
- Lori -
- 092 Brown - JT Bonds become - what deficit's re: cost & revenues - any hard data.
- 100 Lori - re: Alaska comm proposal
- 109 Brown - re: chgs in computer indust? - rates be lower?
- 116 Lori - currently watching
- 124 Brown - univ. service - high demands for
- 130 Susan Knowles - her quest. is being debated
- 147 Brown - assumptions made
- 149 Lori -
- 150 Brown -
- 155 Susan - re: tentative recommendation
- 165 Bill - concern of little hearing / communications in AK - what are the long term needs for Alaska.