

Testimony of Mark K. Johnson  
Commissioner, Regulatory Commission of Alaska  
before the  
U.S. Senate Commerce, Science, and Transportation Committee  
Hearing on Rural Telecommunications  
March 7, 2006

Chairman Stevens, Co-Chairman Inouye and members of the Committee, thank you for the privilege to come before you today.

I am Mark K. Johnson, member of the Regulatory Commission of Alaska. I was appointed to the Regulatory Commission by Governor Frank Murkowski in March 2003. I am a member of the telecommunications committee of the National Association of Regulatory Utility Commissioners and a member of the Joint Federal State Board on Jurisdictional Separations.

At the outset, it must be said that my comments here are my opinions only, based on my experience as a regulatory commissioner and prior experience in the Alaska telecommunications industry. My comments are not policy statements of the Regulatory Commission of Alaska, nor do I represent the Commission here today.

While my professional experience with Alaska communications issues began in 1991 when I worked for the Municipality of Anchorage which at that time owned the Anchorage Telephone

Utility, as someone born in Alaska, I have come to know first hand the enormous limitations faced by Alaskans in communicating with themselves and the lower 48 states. At statehood in 1959 and during the 1960's the government run long distance communications system delivered minimal quality service at high prices. A telephone call to my grandparents in Oregon was, at best, a monthly occurrence and I could say little more than "hello." All Alaskans struggled for information and to fulfill the simple human desire to remain connected to family and friends and to do business. Many rural residents had no service at all.

Due largely to the leadership of Senator Stevens, the situation has improved over the last thirty years, but not to a degree which is satisfactory to many. Alaskans living in a number of rural communities have only now reached the point where they have basic connectivity to the communications systems taken for granted by many other Americans for the last fifty years. Following the policy commitment of Congress, innovative, resourceful and forward thinking Alaskan communications providers, have worked hard to bring about this basic level of service.

Despite this progress the communications network in rural Alaska is still fundamentally different than that which exists in other states.

While robust interexchange networks of fiber optic cables and microwave connections exist for long distance services and digital data in the lower forty eight, only a portion of Alaska is served in this

manner. Most of western and northern Alaska receive communications services by way of geosynchronous satellites. This system operates reasonably well for basic phone service, albeit at higher costs, but it is fair to say that it is stretched to provide the level of connectivity, including advanced services and Internet access, enjoyed by many areas of the United States.

With this being said it must be understood that that interexchange communications plays a relatively more important role in the lives of Alaskans. This is due to the limited calling “scope” in many communities, especially rural communities. Except for the principal cities of Anchorage, Fairbanks and Juneau and other communities along the Alaska Railroad or “Railbelt,” most Alaskans can call or connect to only a limited number of people within the local calling area. In many rural communities, the local calling area may be only one or two hundred other people. Interexchange services, be it for telephony or for data connectivity to the Internet, are a critical link for many Alaskans in maintaining contact with the rest of the world.

Broadband services, which have been made available to rural communities through the “E-rate” and telehealth programs have opened up dramatic new opportunities for rural Alaskans. In the case of telehealth, these new services are saving lives and improving medical outcomes. The delivery of educational services in rural school districts is now improving, with classroom teachers now being able to access resources from around the country and around the

world. Alaska stands with Senator Stevens in his endorsement of universal service support for broadband.

If Alaska is going to be a full participant in the evolving “information” economy, we must have a strong communications network which provides services at rates which are reasonable comparable to rates paid by the citizens of other states. This vital principle is embodied in Section 254 (b)(3) of current law. Congress should not retreat from this commitment and should not enact policies which permit the establishment of a “second tier” status for Alaskan users of communications services.

While today’s hearing is focused on rural communications issues, I would be remiss if I failed to note that in the wake of the 1996 Telecommunications Act, urbanized areas of Alaska have also developed some of the most contested and dynamic competitive markets in the United States. While the competitive provisions of the Act have served consumers in urbanized areas of Alaska well it has not been without burdens. Additionally, and in particular, our state regulatory commission has been required to make difficult choices when it comes to permitting competitive entry and in implementing the competitive provisions in rural markets.

If Congress undertakes amendment of these competitive provisions, it should do so only with extreme care. Given that my commission has only recently ruled on some of these matters, I must limit my

comments in this area. I will suggest that it is in the best interest of everyone that if any amendments in this area are to occur they should focus upon providing additionally clarity and definition to these provisions. Conversations with Commissioner Daryl Bassett of Arkansas have indicated that this is a general concern for many regulatory commissions with rural areas.

### Observations and Principles for Consideration

Please consider the following observations and principles in undertaking any amendments to our communications laws:

1. The 1996 Act does not require a top-to-bottom overhaul.

Instead, Congress should make a limited number of key policy judgments and essential statutory changes to solve agreed-upon problems. A large-scale overhaul of the Act will result in significant uncertainty for the communications industry and will impair rather than enable the increased deployment of advanced services.

2. Congress should expressly provide for a stable base for universal service by clarifying that the obligation to contribute to the fund should include some services now regulated under Title I.

This action would eliminate the uncertainty that has developed regarding the regulatory treatment of new services. Confidence regarding the future of universal service programs and the economic sustainability of the existing telephony network needs to be restored for rural areas. The present uncertainty also inhibits investment in new services.

Both the legislation sponsored by Senator Burns and the legislation sponsored by Senator Smith contain approaches which could be useful in addressing this issue. Both bills would permit the FCC to craft the best approach to establishing a stable source of revenue for universal service. These bills do not endorse a specific method for funding universal service but allow the FCC to consider a variety of contribution sources. It may also be appropriate to provide that there should be a relationship between the contribution level of particular services and the benefits that may be received by those services.

3. Congress may want to consider refinements to the scope of universal service. This may be fundamentally a political process.

Currently, Section 254(c)(1) of the Act sets out these principles and a process for updating the definition of universal service.

As a state regulatory commissioner, one of the most useful tools in carrying out my responsibility under state law is the ability to make

reasonable classifications of utility service providers and the services themselves. Congress may find it useful to, either directly or indirectly through the FCC, utilize this tool to sharpen the focus of universal service programs.

From the perspective of Alaska, universal service policies and programs which are too broadly defined may dilute and erode the universal service mission. As noted, that mission is very important to much of Alaska. Similarly, universal service revenues which are not used efficiently through the various programs are not in the best interests of rural communities or the underprivileged.

4. Congress should assign to joint boards of FCC commissioners and State regulatory commissioners responsibility to develop implementation plans in key areas. The expertise and the core competencies of State commissions should be recognized in administering communications policies.

The first of these boards would be charged with establishing reasonable rules and standards which (a) protect consumers and (b) minimize the compliance burdens on communications providers. It is my understanding that NARUC President Diane Munns of Iowa is developing a proposal along these lines.

The second board is the existing panel on universal service. This board would likely have new responsibilities following changes to the law.

In making these assignments, Congress should mandate the use of the joint board process to ensure roles for both the federal and State commissions and to streamline the administrative process for these boards.

In conclusion, I would urge Congress to start this process with a review of the principles contained in Section 254. I believe that this review will determine that the principles are sound and, to the extent that changes are needed, that they can be targeted to solve specific problems. Connectivity and the deployment of advanced services for all Americans is the goal. Rural areas, and particularly rural areas of Alaska, should not be left out of this equation and can benefit significantly from wise decisions by Congress. This result is in the national interest.

I would be pleased to answer any questions the Committee may have.