Rural legislators favor monopoly for Alascom

by Steve Pilkington
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A pair of opposing Senate bills have Alaska's urban and rural legislators at odds over whether ending Alascom Inc.'s monoply on long-distance in-state phone services would raise or lower rural rates.

One of the bills — Senate Bill 206 — was introduced and sponsored by three urban legislators. It calls for competition in an attempt to lower rates throughout the state.

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But the second bill — SB 242 — was introduced March 28 by three rural legislators opposed to the first bill.

The rural legislators, Sens. Al Adams, D-Kotzebue, Johne Binkley, R-Bethel, and Fred Zharoff, D-Kodiak, introduced the bill which opposes SB 206, introduced by Sen. Steve Frank, R-Fairbanks. The rural legislators say their constituents would pay higher rates if competition is allowed.

Industry officials, however, are saying that the issue of deregulating Alascom's monopoly is so complex that neither bill stands a fair chance of passing before the end of this session.

Alascom has said if competition is allowed, rural rates will skyrocket because it could no longer subsidize costly rural services with profits from urban areas — where most of the traffic is.

But corporations which would compete with Alascom say technology would improve rapidly with competition, and rural services would not need subsidies.

SB 206, introduced early in March, calls for the state to allow competition.

Frank's bill, co-sponsored by Sens. Arliss Sturgulewski, R-Anchorage, and Paul Fischer, R-Soldotna, is under consideration by the Senate State Affairs and Labor and Commerce Committee.

Because Alascom would be forced to continue serving rural areas if his bill was passed, Frank's bill would create a "universal" fund to help rural rates stay down.

In part, the money in the fund would come from access charges which local municipal phone companies would levy on Alascom or its competitors for using their equipment, according to Frank's bill.

The state would determine what those local access charges would be, Frank said.

But now the piece of legislation introduced by Adams, Binkley and Zharoff is challenging Frank's bill in the Senate.

Senate Bill 242 would bar competition, protecting Alascom's monopoly, except in areas where the state clearly determines competition would improve service.

Martha Stewart, a legislative aide to Adams, said the senator believes the state should first determine whether Alascom is providing "adequate" service.

"Adams feels competition at this point would harm his constituents," Stewart said, adding that the Alaska Public Utilities Commission should look into the issue before the Legislature does.

The APUC, which currently regulates Alascom's long-distance in-state monopoly, is the group the bill would charge with determining if Alascom's service was "adequate" or if competition could improve service.

Susan Knowles, chairman of the APUC, said last week that the Senate committee handling the bills is just beginning to address the issue.

She said the Senate committee chair Sen. Pat Pourchot, D-Anchorage, was skeptical at a hearing last month that a bill allowing competition could pass before the end of the session.

"He expressed pessimism that a bill would get out of committee this session because of the complexity," Knowles said.

Knowles said the APUC is not supporting either of the bills yet.

"We have not taken a position on the ultimate question of competition. It would be premature for us to do that now," she said.

But General Communications Inc., which would be Alascom's major rival if competition in the market is allowed, is strongly opposed to the new bill by Adams, Binkley and Zharoff.

Dana Tindall, manager of regulatory affairs for GCI, says SB 242 presumes a monopoly is a better way to provide long-distance service to Alaska.

"It's designed to confuse the issues a little bit," Tindall said.

"It's designed to keep rates high and Alaska in the Dark Ages," she said.

Alascom, however, has argued that Frank's bill is the one which would boost rates.

Tom Jensen, director of public affairs for Alascom, said Frank's bill is unfair.

"If they want to change the law that's what they have to look at," Jensen said.

According to Jensen, in April 1987 Alascom reported $10.9 million in profits from its urban services because it charges more to provide those services than it costs. The profits were used to subsidize rural service costs.

But if Alascom has to compete with GCI, urban profits would fall and rates in rural areas could skyrocket, he said.

This would not only hurt rural pocketbooks, he said, but it could make life much more difficult in isolated villages if they couldn't afford telephone service.

"Phone service in rural Alaska is not just a convenience, it's a lifeline," Jensen said.

So far, two companies have come out in opposition to Frank's bill for competition — the Alaska Telephone Association and United Utilities Inc.

United Utilities Inc. provides telephone service to 56 rural communities in Southwestern Alaska.

United President Steve Hamlen said last week that Adams' bill would be good for both rural and urban phone users.

"Basically, Senate Bill 242 acknowledges the unique situation that we have in the state," Hamlen said.

Hamlen said his group is going to push for the Senate to accept Adams' bill before the end of the current session.

He also said he does not think that the APUC should be following any of the guidelines laid out in Frank's bill, such as drafting regulations or charges, before the Senate committee makes a decision.

"We're concerned that the commission has a natural inclination toward competition," he said.