

Private Lines

state looks to contract out telecommunications network

PRIVATIZATION HIGH PRIESTS in the legislature have found an acolyte in Governor Knowles' cabinet.

Department of Administration Commissioner Bob Poe has joined Sen. Jerry Ward's crusade to turn some state functions over to the private sector. Poe told a legislative subcommittee reviewing his department for privatization opportunities that he favors turning the state's telecommunications network over to the private sector. The state's telecommunications network consists of phone systems, pagers, two-way radios, computer data lines and video and teleconferencing.

The state is way ahead of Ward's privatization team in telecommunications—seventy-eight percent of the lines the state needs are already leased from more than a dozen private companies. The sole piece remaining in state hands is the microwave system which was originally designed to provide two-way radio communications for police, emergency medical personnel and highway



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Privatization Task Force: an update

SENATOR JERRY WARD'S PRIVATIZATION TASK FORCE continues to rake through the budget, looking for state services to farm out. Subcommittees are bravely plunging into complex agency budgets, trying to learn and analyze in three months what normally takes years to understand. The full Commission met this week, with some participants asking the obvious question: How can the Commission possibly finish a worthwhile and thorough report by January 1?

Some members thought the current plan—to comprehensively evaluate all components of each department—ought to be ditched in favor of a quick and dirty look at promising areas for privatization. The majority voted for the comprehensive approach, condemning subcommittee members to hours of teleconferencing and reams of faxes. (A quick aside, the zero-budget task force is relying on various legislative offices to take on phone, fax, and copying costs on behalf of its commissioners and volunteers.)

No budget areas are off-limits, but some are getting more attention than others. At the last Fish and Game subcommittee meeting, chair Mead Treadwell started off by saying he didn't see a whole lot to privatize at F&G, but then went on to list some possibilities, including privatizing the allocation process, contracting out the habitat division to speed up permitting, and taking a look at Limited Entry.

So far the DEC group, whose membership is loaded with private environmental consultants, has only looked at Spill Prevention and Response and Village Safe Water. Village Safe Water already started down a contracting path,

compliments of Senator Loren Leman, by farming out a new engineer position. The contract engineer will do the same thing state engineers do, but with a contract instead of a supervisor. (Cost savings, not to mention effectiveness, under this arrangement are unknown.)

Many think the privatization gold mine is somewhere in the Department of Administration. Division of Motor Vehicles, Pioneer Homes, telecommunications services, and procurement services all represent areas where other states have privatized, so proponents see these as easier targets. (For more detail on telecommunications, see accompanying story)

DOT is the high-octane subcommittee, with 24 members and an ambitious weekly meeting schedule. The subcommittee is rumored to have their sights set on the ferry system and road maintenance. A closer look may dampen their enthusiasm—after a recent briefing on the ferry system, several members mentioned the difficulties of attracting a private operator willing to provide adequate *year-round* service, and others recognized that roads aren't expected to pay for themselves. Both are points Southeast leaders have been making for decades.

At least one department—the University of Alaska—managed to elude the privatization probe. University reps were able to convince Senator Ward that an ongoing internal audit will find all the fat there is to find. Other departments that might have expected a reprieve—including the Legislature and Military & Veterans Affairs—are still on the examining table.

To check out subcommittee membership and meeting schedules, go to the Commission's web page at www.privatizealaska.org

Capitol Undercurrents

But are we privy to the real story?

The Whitehorse newspaper reported last week that U.S. and Canada negotiators just signed another important accord. After finally resolving the U.S./Canada Pacific salmon treaty, officials of the two nations turned their attention to another troublesome problem: will American customs agents at the Little Gold Creek customs station between Dawson City and Tok have to drop their guns before taking aim in the privies on the Canadian side of the border? Apparently not. A recent agreement will allow American customs agents to use the one bathroom, on the Canadian side, without checking their guns.

Like father like son? I wish.

I'm participating this weekend in a friendly family rivalry. My folks are in town to fish the Golden North Salmon Derby (and of course to visit their eldest son and their daughter-in-law). I've been skunked each year when it comes to getting a fish big enough to qualify for a prize. That's especially embarrassing because my dad won in 1966. Perhaps this is the year I can finally outfish my dad, and put aside, after 33 years, the disgrace of being locked out of the prize list.

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maintenance workers. They've tried to get the private sector interested but without success since it is a money loser.

The new wrinkle here, and undoubtedly a new battle in the on-going phone wars, is Poe's decision to give the "whole ball of wax" to a single provider. Instead of eighteen separate contractors, the state will, for better or worse, deal with just one. And Poe says there won't be any "cherry-picking", allowing the private sector to take the profit centers and leaving the state with the money losers. The state's system and services are so complex Poe says he will have to hire a consultant just to write the request for proposals.

Scuttlebutt is that GCI is the front runner in this race for the state's telecommunications gold. GCI is a veteran of the state's phone wars, and an aggressive player on the political scene as well. It is one of the largest financial supporters of the group urging Alaskans to vote "yes" September 14th on spending some of the permanent fund earnings. The oil industry contributed more than half the \$265,000 reported to APOC on behalf of the vote "yes" group, but GCI contributed nearly \$20,000 in cable television ads.

Before leaping ahead into a new round of phone wars, some questions need to be answered. What happens when the other dozen-plus telecommunications companies lose the state as an "anchor tenant" when all contracts are bundled into one? Will they raise rates on individual Alaskans to make up for the lost business from the state? It seems logical, and especially likely in rural Alaska.

How can the state ensure that a single private provider will lavish the same amount of attention on the non-profitable but vitally essential telecommunications needs as they do the profitable components? The nature of the market is to nourish what pays and cut what costs. But we can't afford to wake up one day find out there's no 911 service because it wasn't a big enough profit center.

If we privatize state telecommunication functions, will we begin to charge market rates for telecommunications rights-of-way across public land? Is it fair to Alaskans to contract out the telecommunication services to the private sector while foregoing substantial revenues because the state continues to subsidize telecommunication giants by charging far less than going rates for the rights-of-way?

What does the state do about the telecommunications towers and equipment sited on land owned by the Mental Health Trust, Native corporations, state and federal park land? The Department of Administration has begun researching titles to see whether the new privatization scheme is allowed, but titles appear clouded and there will undoubtedly be problems ahead.

And finally, what happens if this proposed telecommunications privatization foray doesn't work? In Florida, state auditors found that bids from single private sector providers were very favorable in the initial term but, once the professional state employees who had formerly provided the services were dispersed and state equipment turned over or sold, charges went up and services went down.

Telecommunications initiatives are as important to the development of the state in the new, emerging economy as harbors, airports and roads. In the same way cars facilitated the development of malls and emptied stores next to residential areas, telecommunications will change the way businesses sell and individuals buy. Can we afford to shrink from the state's role? Advances in technology rewrite the future on a daily basis, creating opportunities Alaskans only dream of. Who will secure these opportunities for individual Alaskans?

Answers to these questions and others must be provided before we put all our eggs in one basket by contracting with just one large telecommunications firm.

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