

Cully Corporation

The Cully Corporation of Point Lay sells customized packages of network infrastructure to Alaska villages. The corporation acquires, installs, and supports the system, but a local institution, such as a tribe or village council, owns the system. The local owner is also the Internet Service Provider (ISP) for the village. As an ISP, it can become the “Authorized Service Provider” for internet services to the village school and clinic and qualify for federal subsidies from the Universal Service Fund. Cully Corporation supplies the network components, including satellite dishes, modems, and a server, and provides 24/7 technical monitoring, maintenance support, and business management to the network. This integrated system provides affordable, wireless internet service to business and residential customers alike, and generates business revenues for the tribe.

Business History

Point Lay is located on the Chukchi Sea in the North Slope Borough, about 300 miles southwest of Barrow. The community’s population is 88 percent Inupiaq and depends upon subsistence activities. The North Slope Borough government is the primary provider of year-round employment. Subsistence activities supply residents with seals, walrus, beluga, caribou and fish.

Cully Corporation is the village corporation of Point Lay, organized under the 1973 Alaska Native Claims Settlement Act. In addition to enhancing internet connectivity, the corporation operates and maintains the village water and sewer facilities and manages local fuel operations. The corporation also owns an 8(a) construction company.

Jim Stevens, the manager of Cully Corporation’s internet partnership, first met companies that manufacture communication systems at the annual Reservation Economic Summit, (RES), the national economic and business development conference of the National Center for American Indian Enterprise Development (NCAIED). Attendees include American Indian and Alaska Native entrepreneurs, tribal economic and business development decision-makers, tribal leaders, government, and corporate buyers seeking Indian suppliers and contractors.

RES is structured as a two-day business information and training program tailored specifically to Indian and Alaska Native entrepreneurs, tribal enterprises, and



Point Lay , Alaska	
Population:	235
Major Employer:	North Slope Borough
Location:	North Slope, 300 miles southwest of Barrow
Ethnicity:	88% Inupiaq Eskimo
Median Income:	\$68,750

organizations wishing to do business with American Indian ventures. It has been a key venue for IT companies and telecommunication vendors to meet Alaska Native business partners.

Cully decided in 2006 to go into the village telecommunication business. The company provides villages with reliable, high speed internet service networks, using direct links to satellites and wireless systems to connect user groups on the ground. They offer the consolidation of bandwidth (a measurement of internet access speed) at the village level. Communities thus have the opportunity to own a consolidated internet system that meets the needs of their school and health clinic, as well as the needs of businesses, local government, and residents.

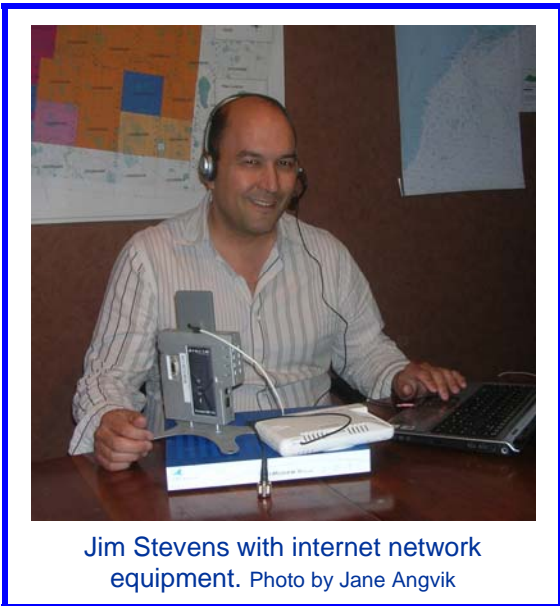
According to Stevens, the largest purchasers of bandwidth in rural Alaska are school districts and regional health corporations, because internet-based services are a more cost-effective means of delivering patient evaluation and diagnostic services and knowledge-specific courses than moving professionals around remote villages. Currently, village schools and clinics each pay approximately \$12,000 a month for internet services.

In rural Alaska, internet access is provided via a satellite link. Until recently, large telecommunications companies such as GCI and ACS acted as middle men, purchasing satellite time from larger resellers and then reselling the bandwidth to markets across the state. As internet service contracts were awarded, each telecommunications company would install satellite dishes and other facilities for the village school or clinic. Whenever the provider changed, duplicate dishes and facilities were installed. This practice has resulted in clusters of dishes and related facilities in various stages of use or activity in many communities.

Revisions to the Telecommunications Act in 1996 made the business model for providing integrated internet services possible on a village basis. These changes allowed bandwidth to be purchased on the open market and delivered to consumers by entities other than telecommunications companies. Individual communities can now be their own internet service provider and purchase bandwidth directly from a satellite owner.

It is also now technically possible to provide system monitoring and maintenance support for internet systems from other locations, minimizing the need for school districts or health clinics to have on-site IT staff. Cully Corporation's urban operation center can provide 24/7 technical support to village systems, which reduces costs and increases the reliability of internet service.

Cully Corporation was further encouraged when the Federal Communications Commission (FCC), the United States government agency charged with regulating



communications by radio, television, wire, satellite and cable, adopted initiatives to promote tribal and Alaska Native ownership of telecommunications companies.

A federal subsidy to educational institutions and medical facilities for internet connection makes the business viable. The subsidy came from funds generated by the Universal Services Fund (USF), a tax on all users of communication devices. A USF charge appears on every phone bill, internet bill, and cable television bill in the country. On average, the public funding available to support the internet expenses of a village school or clinic is \$8,000 per month or two-thirds of the total monthly internet costs of \$12,000. The school district or the regional health corporation pays the balance. The subsidy for schools is based on the percent of children in the school who qualify for free school lunches, according to income. In many villages, this can be 90% of the school population.

Cully Corporation has worked with reliable industry vendors to design a package of network infrastructure forming an integrated system that can be customized to each village. The British Columbia based corporation, Advanced Interactives, Inc., supplies the network components, including satellite dishes, modems, and a server, and Cully Corporation provides 24/7 technical monitoring and maintenance support and business management to the network. The system's "plug-and-play" components are designed to be user-friendly to replace, so any element can be removed easily for repair or replacement without having to shut down the system. The system accommodates the level of security required for each user and has enough capacity to provide residential and business users with bandwidth in one consolidated, community-owned network. In many villages today, the school and the clinic might have access, but residential and business use is prohibitively expensive or unreliable.

Under this business model, Cully Corporation acquires and installs the system, but a local institution, such as a tribe or village council, takes ownership of the system and becomes the Internet Service Provider (ISP) in that village. The ISP can then become the USF "Authorized Service Provider" for internet services to the village school and clinic. When the Service Provider enters into a contract with a school or a clinic they become eligible to receive the revenues from the Universal Service Fund.

Cully Corporation has installed an integrated network system in Point Lay, Anvik, and Hughes. In Anvik and Hughes, the village council purchased the system and provided internet services to all the households in the villages. In Point Lay, the community is still in negotiations with the North Slope Borough School District and Arctic Slope Native Association, the region's health care provider, to become the authorized service provider for the school and the clinic. In all three communities, residences and businesses have access to the internet through a wireless network. Households can purchase the service for \$20 per month.

In Southeast Alaska, Cully Corporation is working with Kake Village Corporation to establish enhanced internet services in Prince of Wales Island communities. Different technology is required to establish wireless systems in the southeast Alaska rainforest, where the mountainous terrain presents a stark contrast to Point Lay's flat, dry Arctic environment.

Economic and Community Impact

Cully Corporation employs 16 people in the Point Lay home office and three people in its Anchorage office. With the assistance of Cully Corporation, the Village Council of Point Lay is seeking a contract from the North Slope Borough to be the ISP provider for their school and the health clinic. Cully Corporation currently provides low cost internet connectivity to every household in the village. These kinds of benefits can be replicated in other villages.

Cully Corporation earns income for its shareholders by supplying and installing the satellite dish, modem and server, and by providing technical support and business management services to the village system. The community entity that owns the system can generate income for the tribe or council because profits from the system accrue to the village, not an outside telecommunications company. A local person is employed to support personal computers of clients and to change the “plug-and-play” components as they need repair.

Cully Corporation	
Employment:	13 full-time, six part-time
Percent Local:	70%
Percent Native:	100%
Ownership:	Village Corporation
Legal Status:	ANCSA village corporation
Years in Operation:	34 years

Business Management

The consolidated internet services division is managed by Jim Stevens, who has an extensive background in engineering and information technology services. Jim was involved in the expansion of municipal government infrastructure in the 1980s, and has worked with tribal expansion statewide throughout the 1990s. He joined Cully Corporation in 2006 to start up and manage this enterprise.

The internet services division has been financed by the Corporation’s retained earnings. It is expected to make a profit in the coming year if the proposal to consolidate all North Slope villages is approved by the North Slope Borough, the school district, and the regional health provider.

Challenges and Lessons Learned

The most significant challenge to Cully Corporation’s efforts to introduce consolidated internet service networks is the political decision-making process of school districts and regional health providers. At present there are no legal barriers; in fact, there are even incentives for tribes and village councils to own and operate their own internet systems. Local school boards and health boards, however, hesitate to switch from large, long-established telecommunication companies, because they are satisfied with the service.

Despite this obstacle, Jim Stevens is confident that community ownership will foster greatly improved internet service, and that this in turn will generate increased access for local products to world markets. He also believes that locally owned internet systems will increase cash flow for tribal organizations, as more business opportunities develop to use the technology.