Before the
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of

GENERAL COMMUNICATION, INC.,
    Transferor,

GCI LIBERTY, INC.
    Transferee,

Applications for Transfer of Control of the
Subsidiaries of General Communication, Inc. to
GCI Liberty, Inc.

JOINT OPPOSITION OF APPLICANTS TO PETITIONS TO DENY AND CONDITION
AND REPLY TO COMMENTS

Richard N. Baer
Chief Legal Officer
Liberty Interactive Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
(720) 875-5300

Tina Pidgeon
General Counsel
General Communication, Inc.
2550 Denali Street, Suite 1000
Anchorage, Alaska  99503
(907) 265-5600

Robert L. Hoegle
Timothy J. Fitzgibbon
NELSON MULLINS RILEY & SCARBOROUGH LLP
101 Constitution Avenue, Suite 900
Washington, DC 20001
(202) 712-2816

John T. Nakahata
Julie A. Veach
HARRIS, WILTSHIRE & GRANNIS LLP
1919 M Street, N.W., Suite 800
Washington, DC  20036
(202) 730-1300

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I. INTRODUCTION

The record in this proceeding establishes that the proposed transaction to create GCI Liberty, Inc. (“GCI Liberty”) is in the public interest and should be expeditiously approved pursuant to the Commission’s standards for transaction review. The transaction creates no geographic or product overlaps and will have no effect on competition. The antitrust authorities have completed their review under the Hart-Scott-Rodino Act, which included the submission of Section 4(c) and 4(d) materials, and granted early termination of the waiting period. The fact that this transaction has no anticompetitive effects has now been confirmed pursuant to a “professional process [that] has been well-established for decades.” No party, not even Petitioners Alaska Communications Systems Group, Inc. (“ACS”) or Quintillion Subsea Operations, LLC and Quintillion Networks, LLC (“Quintillion”), disputes that the proposed transaction will allow the current operating subsidiaries of General Communication, Inc. (“GCI”)

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1 See Public Interest Statement, Exhibit to Consolidated Application for Consent to Transfer Control of International and Domestic Section 214 Authority, WC Docket No. 17-114 (May 1, 2017) (“Public Interest Statement”). Applicants filed separately for approval to transfer control of cable landing licenses, earth station licenses, broadcast licenses, and fixed and mobile wireless licenses. See generally Applications Filed for the Transfer of Control of the Subsidiaries of General Communication, Inc. to GCI Liberty, Inc., Public Notice, 32 FCC Rcd. 4050 (Wireline Comp. Bur. 2017).


to serve Alaska from a more secure financial foundation, less vulnerable to the vicissitudes of the Alaskan economy and better able to invest and execute its existing commitments.\(^4\)

Unfortunately, Petitioners attempt to use the Commission’s review of this transaction to rehash old grievances about GCI’s extensive and ongoing efforts to invest in terrestrial middle-mile facilities to connect remote Alaska with city centers and the rest of the world. The Commission should recognize these efforts for what they are: attempts to resuscitate pre-existing, shop-worn complaints unrelated to the pending transaction to seek unwarranted conditions on GCI. The Petitioners’ concerns already have been raised in other Commission proceedings of more general applicability (in which the Commission expressly has rejected them or has not seen it necessary to act).

Notwithstanding their best efforts to revitalize prior failed arguments, Petitioners cannot plausibly link their old complaints to the proposed transaction. Every circumstance of which they complain, even if true (which they are not), exists both before and after the transaction in the same form. The transaction does not alter market concentration or any other market condition, and it does not create any new opportunities for foreclosure or any vertical effects. Even if the Petitioners’ purported concerns had merit (which they do not), they are not appropriately resolved in the context of the Commission’s review of this transaction. As the Commission just reconfirmed this past April, “transactional review is not an opportunity for the Commission to advance unrelated policy objectives by extracting commitments from the

transacting parties in exchange for regulatory approval. Whatever the intention, the imposition of
conditions in this fashion subverts the purpose of a transaction review.”

Finally, if Petitioners had valid complaints, Section 208 would be available to them, as it always has been. Unlike Quintillion, and unlike ACS which now claims to provide business data services as a non-common carrier, GCI services include common carrier services, and it publishes interstate, interexchange service rates on its website, as required by Commission rules.

II. THE RECORD ESTABLISHES THAT THERE ARE NO TRANSACTION-
SPECIFIC HARMs, ONLY BENEFITS

As the Applicants have demonstrated, there are genuine benefits for Alaska consumers in the proposed transaction. GCI’s operating companies will remain unchanged and Alaska-focused but will become part of a larger, more stable enterprise.

First, GCI Liberty, as a larger entity, will have more stable access to financial markets, which will enhance its ability to execute the commitments GCI has made. These include commitments to bring fixed 10 Mbps/1 Mbps broadband to almost 9,000 remote Alaska locations and LTE to more than 105,000 remote Alaskans, and completing its 3G and 4G build-

5 Charter Reconsideration Order, 32 FCC Rcd. at 3240 ¶ 8 (citing Applications of AT&T and DIRECTV for Consent to Assign or Transfer Control of Licenses and Authorizations, Memorandum Opinion and Order, 30 FCC Rcd. 9131, 9217 ¶ 220 (2015) (“AT&T/DIRECTV Order”) (refusing to impose conditions where there are no transaction-specific harms); News Corp. and DIRECTV Group, Inc. and Liberty Media Corp. for Authority to Transfer Control, Memorandum Opinion and Order, 23 FCC Rcd. 3265, 3330 ¶ 137 (2008) (same)).

6 See Public Interest Statement at 9-10.

out pursuant to the Tribal Mobility Fund auction. GCI continues to invest in terrestrial middle-mile facilities; it is currently connecting villages around Kotzebue, finishing the deployment of fiber between Coldfoot and Deadhorse, and upgrading a number of existing sites including Bethel and Nenana. These are merely GCI’s latest investments in its nearly forty-year history of investing in, and building out, Alaska infrastructure.

Furthermore, GCI Liberty—the new parent company of the GCI operating companies—will have assets and holdings in companies that operate outside of Alaska. GCI Liberty will thus be a far more diversified company than GCI today, and that diversity will help to insulate GCI from Alaska-specific economic events, such as the recent recession caused in large part by low oil prices. While the GCI operating companies can continue to focus on Alaska, they can operate from a broader and more stable platform.

The record is clear that the transaction poses no harms. There are no competitive overlaps or increased market concentration, and no new vertical relationships. Even Quintillion acknowledges that “it may be the case that the transaction does not generate increased market share concentration in Alaska product and geographic markets.”

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10 Quintillion’s ad hominem attack on Dr. John Malone (Quintillion Petition at 2, 9-10) has no place in this proceeding, is wholly without merit and deserves no further rebuttal.

11 Quintillion Petition at 2.
the absence of any competitive issue, the antitrust authorities terminated their review process under the Hart-Scott-Rodino Act. 12

Nonetheless, Petitioners attempt to characterize a variety of tired complaints as transaction-specific harms. These efforts fail. ACS and Quintillion recite the list of previously identified ACS complaints about GCI’s middle-mile services and make a vague attempt to link them to the transaction. 13 Time and time again, ACS cites prior filings from as far back as 2012 in an attempt to support the complaints in its Petition. However, contrary to ACS’s claims, its references to these proceedings demonstrate that these complaints are longstanding and have no relationship to this transaction. 14 For example, ACS and Quintillion repeat old claims that GCI engages in anti-competitive behavior with regard to its TERRA middle-mile facilities 15 and that GCI has not honored the terms of the grants and loans that funded a minority of the costs of the project. 16 ACS and others have been making these and similarly unfounded allegations against GCI for years. 17 Their claims have not suddenly arisen as a result of the proposed transaction.

12 See supra note 2.

13 See, e.g., ACS Petition at 4. Indeed, ACS’s history of middle-mile complaints dates back to at least 2012. See Letter from John T. Nakahata, Counsel to General Communication, Inc., to Marlene H. Dortch, Secretary, FCC at 11 n.36, WC Docket No. 10-90, WT Docket No. 10-208 (filed May 3, 2016) (“GCI May 3, 2016 Ex Parte”) (identifying dozens of ACS attempts going back to 2012 to “discredit GCI’s investment in middle-mile facilities or its practices for making capacity available to others at publicly posted rates”).

14 The ACS Petition relies heavily on the June 19, 2017 Declaration of David C. Blessing, annexed as Exhibit A to its Petition (“Blessing Declaration”). However, that Declaration largely repackages statements in the August 9, 2016 Declaration of David C. Blessing, Attachment A to the Reply Comments of Alaska Communication, filed on August 9, 2016, in WC Docket Nos. 05-25, 16-143, and RM-10593. Many of Mr. Blessing’s current assertions repeat word-for-word portions of his prior Declaration.

15 See, e.g., ACS Petition at 7, 11; Quintillion Petition at 21-23.

16 See, e.g., Quintillion Petition at 4; Blessing Declaration ¶ 6.

17 See GCI May 3, 2016 Ex Parte at 11 n.36.
The Petitioners’ attempt to paint their grievances as transaction-specific fails.

Acknowledging that their disputes pre-date the proposed transaction, the Petitioners cast the transaction as positioning GCI to be “more capable of anti-competitive behavior,” to give it “greater capacity” to execute its current business plan, and to be “bigger” and less vulnerable to the “short-term consequences” of anticompetitive behavior.18 Their argument, without the gloss, is that the transaction will allow GCI to continue to be GCI. This is exactly the point. GCI’s operating companies will remain Alaska-focused but will operate from a more stable financial environment, aiding in the execution of their current substantial commitments for service and investment in Alaska.19 The Commission should summarily reject claims that the transaction would bring about public interest harms.

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18 ACS Petition at 4, 7, 14, 17; Quintillion Petition at 3, 10. For the extraordinary proposition that increased size “can be cause for concern in itself, even in the absence of geographic overlap or vertical integration,” ACS cites to Applications of Ameritech Corp., Transferor, and SBC Communications Inc., Transferee, for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission’s Rules, Memorandum Opinion and Order, 14 FCC Rcd. 14,712, 14,950 (1999) (“SBC-Ameritech Order”). ACS Petition at 17 n.66. The cited portion of the Commission’s Order does not mention this proposition, much less support it. Rather, the Commission noted that it “typically will not consider in merger proceedings ‘matters that are the subject of other proceedings before the Commission because the public interest would be better served by addressing the matter in the broader proceeding of general applicability.’” Id. at 14,950 ¶ 571 (quoting Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Southern New England Telecommunications Corp., Transferor, to SBC Communications, Inc., Transferee, Memorandum Opinion and Order, 13 FCC Rcd. 21,292, 21,306 ¶ 29 (1998)). The SBC-Ameritech Order was vacated in part on other grounds in Ass’n of Comm’ns Enterprises v. FCC, 235 F.3d 662 (D.C. Cir. 2001).

19 GCI shares the concern of Rep. Guttenberg that some areas of remote Alaska lack any form of terrestrial mobile service, much less broadband. See Letter from Rep. David Guttenberg, Alaska House of Representatives, to FCC, WC Docket No. 17-114, at 1-2 (filed June 16, 2017). GCI looks forward to participating in the reverse auction that will help bring mobile service to these areas for the first time. However, this transaction is not an appropriate opportunity to “review the applicant’s commitments under the Alaska Plan and to consider how these commitments might be revised.” Id. at 2. Likewise, GCI Liberty’s greater
III. THE PETITIONERS’ INDIVIDUAL DISPUTES ALREADY HAVE BEEN REJECTED BY THE COMMISSION OR COULD BE ADDRESSED, IF AT ALL, THROUGH SECTION 208

The Petitioners request a variety of conditions that are wholly unrelated to the proposed transaction. As explained above, these conditions are offered to address grievances that are not new and cannot plausibly result from the proposed transaction. Transaction review is not the appropriate place to resolve issues by imposing “so-called ‘remedies’ unrelated to the transaction itself.”\(^{20}\)

The proposed conditions are totally unwarranted. First and foremost, none of them addresses transaction-specific harms, because as explained above, there are none.

Some of the proposed conditions seek “relief” that the Commission already has denied. Petitioners ask that the Commission require GCI to use some of its Alaska Plan support specifically on middle-mile investment.\(^ {21}\) The Commission specifically rejected the proposal less than a year ago. Rather than involve itself in overly prescriptive network planning, the Commission found that “allowing recipients to invest in middle-mile facilities as needed based on their respective situations would allow these carriers to better target the support that they need.”\(^ {20}\)

Nothing about the transaction creates a harm to be addressed through the extraction of merger commitments. See supra notes 5, 18 and infra note 20.

\(^{20}\) Statement of Commissioner O’Rielly to Charter Reconsideration Order, 32 FCC Rcd. at 3245; see also, e.g., Applications of AT&T Inc. and Centennial Communications Corp. for Consent to Transfer Control of Licenses, Authorizations, and Spectrum Leasing Arrangements, Memorandum Opinion and Order, 24 FCC Rcd. 13,915, 13,969 ¶ 133 (2009) (The Commission will “impose conditions only to remedy harms that arise from the transaction (i.e., transaction-specific harms) . . .”).

\(^{21}\) See ACS Petition at 19; Quintillion Petition at 28.
receive in accordance with their circumstances to meet their deployment obligations.” They ask that infrastructure built with federal support be offered on more heavily regulated terms. This is a variation on a previously rejected proposal to regulate middle mile services on a dominant carrier basis. Quintillion and individual commenters ask that GCI be required to use its federal universal service support for Alaska facilities and services. That is what Section 254(e) already requires.

Likewise, there is no need to condition approval on reporting requirements to ensure that universal service funds are “in fact, spent in Alaska” — the Commission’s existing rules already require that support be used for its intended purpose. Moreover, the Commission’s universal

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22 See Connect America Fund, Universal Service Reform – Mobility Fund; Connect America Fund – Alaska Plan, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd. 10,139, 10,165-66 ¶ 82 (2016) (“Alaska Plan Order”); see also id. (“We reject ACS’s request that the Commission condition support under the plan by requiring recipients ‘to spend at least 70% of their support to deploy and operate terrestrial middle-mile facilities on routes where such facilities do not exist with sufficient capacity . . . .’”).

23 See ACS Petition at 20-21; Quintillion Petition at 28. Nor is there any reason to condition approval on GCI “mak[ing] publicly funded infrastructure available to competitors at the same cost that it makes it available to its own related companies.” Letter from Harry T. Crawford to FCC, WC Docket No. 17-114, at 2 (June 29, 2017). The Commission’s imputation rules already require this, and GCI orders TERRA capacity from UUI according to the same rate schedule as all other TERRA customers, which is published on UUI’s website. See 47 C.F.R. §§ 64.902, 32.27(d); see also http://www.uui-alaska.com/wp-content/uploads/2017/04/UUI-Terra-Posting-Effective-2017-07-01.pdf.

24 See Alaska Plan Order, 31 FCC Rcd. at 10,165 ¶ 83 (“[W]e determine that it is not in the public interest to regulate carriers that choose to build middle-mile facilities using support from the plan under the dominant carrier regulations.”).

25 See Quintillion Petition at 28; Comment of Thomas Olemaun, WC Docket No. 17-114 (June 30, 2017); Comment of Peggy Cowan, WC Docket No. 17-114 (July 3, 2017).


27 See Quintillion Petition at 28.

28 See 47 C.F.R. § 54.7(a).
service rules contain numerous reporting obligations, including new obligations specific to Alaska Plan participants.29

To the extent that ACS or Quintillion believes that GCI is not charging just and reasonable rates, or is acting in an unreasonably discriminatory manner, the proper avenue for resolving those disputes is not through the Commission’s review of this transaction, but rather through a Section 208 formal complaint.30 As the Commission repeatedly has made clear, “[t]he Commission does not impose conditions to remedy pre-existing disputes between parties that are unrelated to the transaction at issue . . . . If any pre-existing disputes give rise to violations of the Commission’s rules, those could be addressed through complaints to or investigations by the Enforcement Bureau,”31 but “merger conditions should not be used to achieve unrelated policy goals.”32

29 See id. §§ 54.313, 54.316, 54.321.
30 GCI will not respond to each of ACS’s or Quintillion’s allegations here, except to note that allegations that GCI has refused to provide quotes for TERRA services were previously withdrawn. See ACS Petition at 12 n.50; Blessing Declaration ¶¶ 8-9. Although the Alaska Rural Coalition made that allegation in a filing before this Commission in 2013, after losing a motion to compel responses to interrogatories at the Regulatory Commission of Alaska (“RCA”), the Alaska Rural Coalition and Mr. David Blessing had to revise Mr. Blessing’s testimony to eliminate that allegation. The repetition of that allegation by ACS should be rejected out of hand; ACS was a party to that 2013 proceeding before the RCA and its declarant then and now, Mr. Blessing, corrected his testimony. See Errata to David Blessing Testimony, Petition filed by Alascom, Inc. d/b/a AT&T Alaska to be Relieved of its Carrier of Last Resort Responsibilities in Certain Locations in Southwest Alaska, Docket No. U-12-127, Exh. A (Reg. Comm’n of Alaska Apr. 15, 2013), http://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=4d0ae77e-2de6-4dfb-99db-706ef8562ccf.
31 See, e.g., AT&T/DIRECTV Order, 30 FCC Rcd. at 9233 ¶ 264 (citations omitted).
Finally, ACS accuses GCI of failing to offer reasonable access to its network while ACS restored its own network after a 2014 service outage, and three years later, now seeks a condition requiring that GCI Liberty enter into reasonable service restoration agreements upon request.\textsuperscript{33} GCI routinely enters into agreements with carriers (including ACS) for facilities, which carriers can use for redundant capacity. Indeed, the capacity AT&T sold to ACS in Juneau was capacity AT&T had purchased from GCI. It appears that the issue raised by ACS resulted from its own failure to plan for and provide redundancy in its own operations, which does not comport with industry standard practice. GCI invests to secure redundant routes, whether by fiber, microwave, or satellite. Until it closes its TERRA ring, for example, GCI provides satellite back-up. In short, ACS could have entered into a long-term capacity agreement that would have provided redundancy at more favorable rates, but it apparently chose not to do so. In any event, “Commission proceedings are not the proper forum for the adjudication of private contractual disputes or the modification of contract terms between parties.”\textsuperscript{34}

\textsuperscript{33} See ACS Petition at 23.

\textsuperscript{34} \textit{AT&T/DIRECTV Order}, 30 FCC Red. at 9231 ¶ 259 & n.763 (citing precedent).
IV. CONCLUSION

For the reasons stated above, the Applicants request that the Commission expeditiously grant unconditional consent for the transfer of control of the licenses and authorizations held by GCI and its subsidiaries to GCI Liberty.

Respectfully submitted,

GCI Liberty, Inc.
(Resulting Applicant)

/s/ Richard N. Baer
Richard N. Baer
Chief Legal Officer
Liberty Interactive Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
(720) 875-5300

General Communication, Inc.

/s/ Tina Pidgeon
Tina Pidgeon
General Counsel
2550 Denali Street, Suite 1000
Anchorage, Alaska 99503
(907) 265-5600

July 5, 2017
CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of July, 2017, I caused true and correct copies of the foregoing Joint Opposition of Applicants to Petitions to Deny and Condition and Reply to Comment to be served by U.S. mail, first-class prepaid and electronic mail upon:

Karen Brinkmann
Karen Brinkmann PLLC
1800 M Street NW, Suite 800-N
Washington, DC  20036
KB@KarenBrinkmann.com

Richard R. Cameron
Cameron Law & Policy LLC
2550 M Street NW, Suite 343
Washington, DC  20037
Richard@CameronLawPolicy.com

Edward A. Yorkgitis, Jr.
Kelley Drye & Warren, LLP
3050 K Street NW, #400
Washington, DC  20007
cyorkgitis@kelleydrye.com

Hon. David Guttenberg
1292 Sadler Way, Suite 324
Fairbanks, AK  99701
rep.david.guttenberg@akleg.gov

Hon. Tom Begich
1500 West Benson Boulevard
Anchorage, AK  99503
Senator.Tom.Begich@akleg.gov