

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Review of the Section 251 Unbundling)	
Obligations of Incumbent Local Exchange)	
Carriers)	CC Docket 01-338
)	
Implementation of the Local Competition)	
Provisions of the Telecommunications Act of)	
1996)	CC Docket 96-98
)	
Deployment of Wireline Services Offering)	
<u>Advanced Telecommunications Capability</u>)	CC Docket 98-147

DECLARATION OF FREDERICK W. HITZ, III

I, Frederick W. Hitz, III, pursuant to 28 U.S.C. § 1746, do hereby declare under penalty of perjury that the following is true and correct:

1. This declaration is made on behalf of General Communication, Inc. (GCI), in support of its comments in the Commission's Notice of Proposed Rulemaking regarding its review of the Section 251 unbundling obligations of the incumbent LECs.
2. I am GCI's Director of Rates and Tariffs. As part of my responsibilities as Director of Rates and Tariffs, I have knowledge of the services currently provided by GCI, as well as its plans for expansion. I am also familiar with the services and facilities provided by Alaska's largest dominant incumbent local exchange carrier (ILEC or incumbent LEC), Alaska Communications Systems (ACS), which serves Alaska's largest three cities, Anchorage, Fairbanks, and Juneau, in addition to other parts of Alaska.
3. GCI is an Alaska-based company providing competitive local and long distance voice, video, and data communications services to residential, commercial, and government customers. GCI provides local services today in Anchorage, Fairbanks and Juneau, and some adjacent areas. GCI provides long-distance service throughout much of Alaska, and between Alaska and the rest of the world. GCI also provides Internet services throughout much of Alaska. GCI has invested over \$750 million in integrated communications assets during the last ten years in serving some of the most rural markets in the United States.

4. In Anchorage, GCI currently provides local services using predominantly a UNE-Loop and its own switch to provide local exchange services, and self-provisions both switching and transport where possible. In Fairbanks and Juneau, GCI has acquired switches and is constructing collocation facilities. GCI has already begun to cutover customers in Fairbanks currently served by Section 251(c)(4) resale to GCI's UNE-L arrangement.
5. Across all its local operations, GCI provides service to approximately 25% of its lines wholly over its own facilities, including customers who are collocated with GCI. GCI provides nearly two-thirds of its service using a single switch in each service area, its own transport facilities, and the ILEC loop forming a portion of GCI's UNE-L loop facilities. GCI provides its own multiplexing and transport facilities to transport calls from the collocation cage in the ILEC central office to its own switching center, where the call is then switched and placed on other transport facilities for delivery. The remainder of GCI's lines are served today through Section 251(c)(4) resale arrangements.
6. GCI self-provisions facilities whenever feasible. As discussed further in paragraphs 14 to 15, below, GCI suffers extensive service delays, discrimination and customer aggravation caused by the incumbent LEC failing to provision services, particularly unbundled loops, in a timely manner. In addition, so long as GCI is leasing UNEs from an unwilling seller such as ACS, the transaction costs of constantly litigating the availability and the price of necessary inputs and regulatory uncertainty as to whether unbundled network elements will continue to be available create a substantial incentive for GCI to find and use a more secure and guaranteed source of supply of network functionalities than the ILEC. Indeed, it was in part for this reason that GCI purchased cable companies in 1997. These hidden costs of UNE-based entry far outweigh any simplistic calculation of UNE rates versus capital investment costs when GCI is evaluating where and when to invest in new facilities.
7. In areas served by its cable network, including the residential portions of Anchorage, Fairbanks, and Juneau, GCI plans to migrate its local exchange services to cable. GCI plans to begin testing a cable-based telephone system this year, and is currently making network design decisions with respect to issues such as back-up power and other technical issues.
8. Without access to unbundled loops, GCI would not be able today to serve at least two-thirds of its customers. There is no alternative means of connecting these customers to GCI's switch that can be deployed in a timely manner. All other means of connecting these customers to GCI's switch would involve substantial investment over substantial time. Although GCI eventually plans to provide telephony service over its cable network, its cable networks currently are not capable of providing telephony service.

9. Moreover, even when cable telephony is deployed fully, it will not reach all homes and businesses within GCI's service area. In Anchorage, only about half of GCI's potential business customers are passed by its cable facilities, and 95% of potential residential customers. The remaining customers would have to be served by some other means.
10. GCI's fiber loop in Anchorage passes some of the business customers not passed by cable, but does not pass all of the 50% of businesses not passed by GCI's cable network. Problems with building access, particularly access to riser conduits within the building, make it uneconomic for GCI to add customers for service over its fiber facilities. In addition, expanding the scope of the fiber loop would require extensive digging because much of the street conduit in Anchorage is now full.
11. GCI's fixed wireless assets do not yet appear to be a ubiquitous alternative to the local telephone loop. Deployment of GCI's experimental fixed wireless system in Anchorage raised several problematic issues. First, the technology was not yet mature so the system was hampered both by a lack of features and, as features were added, by difficulties in upgrading network equipment because of the developmental changes. Second, when trees bloomed the transmission signals weakened. Although additional cell sites may have cured this problem, the economics of deployment limited that potential solution. In addition, it is difficult to receive local approvals for cell towers in the Anchorage area.
12. Resale under Section 251(c)(4) is not an adequate alternative to UNE-based entry. Although GCI uses resale where it must do so to get service installed today, resale suffers from many drawbacks. Significantly, resale restricts GCI to offering the services the ILEC seeks to offer, in the manner defined by the ILEC and at the ILEC's level of service quality. UNE-based entry, whether using GCI's own facilities in combination with ILEC UNEs or using all ILEC UNEs in pre-existing combinations, allows GCI to offer the services it seeks to offer, and innovate with respect to the services it provides.
13. Thus, even after it deploys cable telephony, GCI would be unable to offer the services it seeks to offer to some of its customers in the absence of access to UNE loops provided by the ILEC.
14. In addition, GCI has had continual problems with provisioning unbundled loops. Initially, in Anchorage, GCI suffered from backlogs of 3 to 6 months in loop cutovers. At one point, backlogs became so severe that GCI negotiated to pay the costs for ATU, then the incumbent LEC in Anchorage, to hire 25 additional workers to increase the volume of "hot-cuts," at a cost of over \$3 million per year. These delays in provisioning unbundled loops were so persistent and prolonged, GCI resorted to holding a monthly drawing of a trip to Hawaii for its customers stranded on the waiting list so that they would not cancel their orders. GCI's objective was to reach 500 hot cuts per day, but at its peak, ATU averaged only

approximately 100 hot cuts per day in Anchorage. This problem has not been solved. In Fairbanks, GCI is phasing in its residential service offerings by zip code in order to manage customer expectations regarding provisioning of service. GCI would prefer to launch its residential service in Fairbanks area-wide, but cannot due to the ILEC's self-imposed hot cut capacity.

15. In addition to cutover delays for new customers, GCI is experiencing significant delays in provisioning of unbundled loops when existing customers seek to add new lines, or when an existing customer moves and needs her GCI service moved to her new address. In December 2001 and January 2002, 58% of unbundled loops were not provisioned within the seven days required under state regulations. During this two-month period, nearly a quarter of these loops were not provisioned within 27 days of the request, and many took much longer. Nineteen customers have cancelled GCI orders for service since January 1, 2002 because of these provisioning delays. In a number of cases, many of which occurred when a customer moved, the customer reported that she switched to ACS because ACS could provision its own service much more quickly.
16. With respect to advanced services, GCI is currently rolling out cable modem services in all areas where it provides cable service, and it expects to offer cable modem service to virtually all homes passed by the end of 2002. These services have a maximum speed of 1.5 mbps downstream and 256 kbps upstream. However, there will be a significant number of businesses that are not passed by GCI's cable plant, as well as some homes. In addition, many business customers require greater upload and/or download speeds than can be provided over cable modem service, and many also require greater back-up power than can be provided over a cable system today. For these customers, cable modem service is not within the alternatives they will consider.
17. GCI is also currently introducing high speed Internet access to Alaska's rural Bush areas using unlicensed wireless (802.11) technology interconnected to satellite backhaul. GCI anticipates that it will offer this high speed Internet access to all Bush locations it currently serves by 2004. This technology is particularly well suited to deployment in the Alaska bush where there are small, relatively dense and geographically contained communities that can be served from a single transmitter. It would not be as well suited to an urban environment, which would require multiple antennas and have a heavier demand.
18. In some cases, GCI can offer businesses not passed by its cable plant service from its fiber loop. However, as noted in paragraph 10, above, there are substantial barriers to GCI doing so.
19. More frequently, GCI today offers high capacity services to business using DSL-qualified ILEC UNE loops in combination with GCI's electronics. GCI has no other means to provide these high capacity services to these customers, and thus

would be severely impaired in its ability to offer high capacity services to these customers in the absence of access to a DSL-qualified loop.

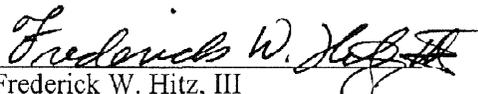
20. In many areas, GCI cannot even get access to the unbundled loop in the ILEC central office prior to the time that loop enters the ILEC switch. Although ACS' new Integrated Digital Loop Carriers (IDLCs) implement GR-303, ACS operates a number of older IDLCs that do not use GR-303 and thus do not allow separation of the multiplexed loop from other loops prior to entering the switch. Other network architectures also preclude access to unbundled loops in the central office. These loops enter either the host or principal remote site from remote loop concentrator modules. These architectures prevent GCI from accessing the loop in order to direct traffic to its collocation space. GCI is therefore limited to using UNE loop and switching in combination or Section 251(c)(4) resale to offer competing telecommunications services in areas using IDLC loops that do not implement GR-303. As discussed in paragraph 12, above, Section 251(c)(4) resale does not allow GCI to offer the services it seeks to provide, but limits GCI to the ILEC's service offerings.
21. The cumulative result of these network configurations on access to unbundled loops is significant. In Fairbanks, GCI cannot access unbundled loops for almost 25% of its line services. In Juneau, GCI lacks access to unbundled loops for approximately 52% of its lines.
22. Collocation at the subloop level on otherwise inaccessible IDLC or remote concentrator loops is not possible in most cases. In some cases, access to the subloop distribution plant is not technically feasible, especially with respect to many remote loop concentrators. Even where it is technically feasible, in many cases it is economically infeasible, as the costs of replicating the feeder subloop or of leasing a dedicated trunk from the ILEC to the remote switch, IDLC or loop concentrator module are substantial.
23. ACS is also increasingly substituting remotes for switches. The use of remotes eliminates GCI's ability to interconnect fiber transport facilities on the trunk side of the switch to carry access traffic originating from ACS local customers for whom GCI is the long distance carrier. When GCI cannot carry this access traffic between the remote and GCI's interexchange point of presence, thereby avoiding ILEC charges for switched transport, GCI is deprived of potential economies of scale and scope in installing transport facilities that are necessary to carry GCI's own local exchange and exchange access traffic from the interconnected loop to GCI's switching center. In particular, GCI loses the savings that it would gain by carrying its access traffic itself and not having to pay transport charges to the incumbent LEC.
24. ACS, for example, has substituted a remote for an end office switch in its North Pole exchange. Expanded interconnection for access traffic from ACS local customers in the North Pole exchange can now only be obtained at the trunk side

of the ACS host switch in Fairbanks, and can no longer be obtained at the North Pole switch. This means that GCI must now pay ACS for common transport from the North Pole to Fairbanks, even though GCI has its fiber facilities in North Pole that would be capable of carrying that traffic from North Pole to Fairbanks. This is particularly egregious since the North Pole and Fairbanks exchanges are held by different ACS corporate subsidiaries.

25. GCI also requires access to unbundled interoffice transmission in order to serve these lines for which there is no access to unbundled loops in the central office. Where the ILEC has deployed smart remotes, GCI must use unbundled ILEC interoffice transmission to reach the ILEC central office where it can interconnect.
26. GCI may also need access to unbundled interoffice transmission when it enters areas in the Alaska bush. In these very small communities, there is usually only one switching center often serving only at most a few hundred lines. Despite the small size, GCI may be able to install its own switch to connect to UNE loops. GCI would, however, need to be able to connect its switch to its earth station. In such small communities, it is not likely to be economical for GCI to install its own fiber facilities. In these situations, GCI would be significantly and materially impaired in offering its own service if it had to install its own transport facilities when there is likely to be little demand.
27. The competition resulting from GCI's market entry has produced significant benefits for Alaskan consumers. The ILEC's customer service has improved as a competitive response to GCI. In Anchorage, ACS started doing business cutovers and installations at night, rather than during the business day, and extended the hours of its customer service operations. In Fairbanks, ACS began offering PRI ISDN service and digital subscriber service -- both of which it had never offered before -- once it learned GCI would enter Fairbanks. ACS also began to offer discount packages and bundles to business and residential customers, and to market and promote its additional offerings, such as vertical features.
28. GCI's entry into the market dramatically improved long distance services in Alaska. When GCI first entered the market, virtually all long distance calls were analog satellite transmission and used rather crude echo suppressors. GCI immediately introduced digital satellite transmission and echo cancellation, while reducing prices. Most calls within Alaska itself required a satellite "double-hop" to move the call from the remote origination location to a switching hub, and then from the switching hub to its destination elsewhere in Alaska. After intrastate competition was approved in 1991, GCI introduced demand assigned multiple access (DAMA) technology that eliminated the second hop, vastly improving service quality within Alaska. As GCI expanded its competitive footprint, its competitor responded by upgrading its own facilities and reducing prices. Today, a caller anywhere in Alaska can call nearly anywhere else in Alaska with a clear, high-quality call at low prices, or they can be connected directly to the rest of the United States or the rest of the world, using fiber optic cable.

29. Competition between GCI and ACS has lowered prices. Since GCI entered the market in 1997, the most commonly purchased local service package in Anchorage has dropped 26%. GCI was able to construct a highly attractive package of local service and vertical features that overcame problems created by below-cost local service rates, and offer that package at a substantial discount. More recently, when ACS raised its rates in Anchorage by 24%, GCI held the line on its rates (even though UNE loop rates had also increased). GCI's UNE-L based competitive offerings are disciplining ACS' rate increases in the marketplace, as would services using UNE-P. Had GCI been providing service using wholesale resale service under 251(c)(4), however, GCI would not have been able to exert this price discipline on the incumbent LEC's monopoly pricing power. AT&T was forced to raise its retail rates because it was offering service using Section 251(c)(4) resale, and thus experienced a 24% increase in its wholesale rate when ACS raised prices.
30. Advanced services are also benefiting from GCI's competitive pressure. ACS now states that it plans to upgrade its network over the next 3 to 5 years, completely replacing circuit switches with ATM-packet switches. GCI's ability to provide a suite of advanced services both over its cable modem services and, in areas not served by cable facilities, over DSL-qualified UNE loops combined with GCI's own facilities, places competitive pressure on ACS to continue to upgrade its own offerings.

Executed on April 5, 2002, by:


Frederick W. Hitz, III