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

JAN - 9 2006

Federal Communications Commission
Office of Secretary

In the Matter of)
)
Petition of ACS of Anchorage, Inc. Pursuant to)
Section 10 of the Communications Act of 1934, as) WC Docket No. 05-281
amended, for Forbearance from Sections 251(c)(3))
and 252(d)(1) in the Anchorage LEC Study Area)
)

DECLARATION OF GINA BORLAND

I, Gina Borland, do hereby declare under penalty of perjury:

1. I am the Vice President, Product Management-Voice and Messaging at General Communication, Inc. ("GCI"). My primary responsibility is to oversee the provision of voice services in GCI's markets. I have held this position since September 2005. Prior to that, I served in a similar capacity for four years as Vice President and General Manager of Local Service. I have been with GCI for over 15 years.

2. In this statement, I discuss why the Commission should not change the requirements that allow GCI to lease unbundled network elements from ACS at regulated rates. First, I provide an overview of the Anchorage local service area, describing GCI's role as a competitive local exchange carrier and use of UNEs. Second, I describe GCI's history of facilities deployment in the Anchorage local service area, demonstrating that UNE availability has not been a disincentive to competitive facilities deployment. To the contrary, UNE availability has allowed GCI to build a customer base that supported capital investment in facilities, while ensuring that GCI could provide a competitive alternative to all residential and business consumers. Third, I discuss how GCI's UNE-based entry guided its full-facilities-based deployment, requiring that service conversions

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for our customers are seamless and transparent. The necessary technology and processes have taken time to develop and will continue to develop through the conversion schedule.

3. Fourth, I show that GCI has undertaken as aggressive a conversion schedule as possible, and continued UNE availability is part of that plan. Loss of UNEs will not meaningfully hurry along a schedule that is already on a fast-track. To the contrary, as I describe in the end, loss of UNEs will disrupt the transition that is underway by overtaxing internal and external processing and provisioning systems, by diverting investment capital, and by leaving GCI with no economic alternative for serving those residential customers where cable plant upgrade has not been completed and those great majority of business customers where no last-mile facilities alternative are currently available in any form, either coaxial or fiber. The expected result is significant customer disruption and harm to GCI as a competitor.

I. The Anchorage Local Services Market and GCI's Role as a Competitive Local Exchange Carrier

4. There are three distinct product markets for wireline local exchange services in the Anchorage study area: the residential, small business, and medium to large enterprise markets. In general, the business markets need more volume capacity, reliability, and features than the residential market. Medium to large business markets, for instance, often require PRI and DSS services that are not available today in a DOCSIS format.¹ Also, business customers, unlike residential customers, are often served pursuant to individually negotiated arrangements.

5. GCI currently participates in all of these markets throughout the entire ACS Anchorage study area. In each of the markets there are only three existing

¹ See Declarations of Blaine Brown and Gary Haynes.

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competitors, ACS of Anchorage, GCI and AT&T Alascom. While there may be other certified providers, I am not aware of any others actively offering services in Anchorage. Of the three existing competitors, only ACS of Anchorage has ubiquitous facilities serving all of the Anchorage study area. AT&T Alascom competes in the residential mass market solely using resold services obtained from ACS.²

6. GCI has a continuing need for access to unbundled network elements to be able to serve all three product markets throughout the Anchorage study area. The continued need for UNE access will not expire, even with GCI's very strong incentive to self-provision facilities to the greatest extent possible and demonstrated efforts to minimize reliance on UNE access. From GCI's initial entry strategy, to our cable telephony deployment, and to our continuing assessment of possible alternative technologies, GCI's end goal is not perpetual or broad reliance on our chief competitor for service, but rather to control to the greatest extent possible the end-to-end service delivery mechanism.

7. As an existing market participant providing a full substitute offering to the incumbent LEC's basic local service, GCI can only meet that goal if our technology and provisioning choices along the way meet or exceed existing customer expectations for service. Otherwise, the customer will just stay with the incumbent provider, rather than risk the potential inconvenience of service degradation that can occur during the change process. Once the provisioning choices necessary to ensure customer acquisition and retention are made, it is essential for the success of the endeavor that the capital deployed

² For a brief period TelAlaska, an incumbent rural LEC and cable provider, offered service in the Anchorage business market, but recent inactivity suggests that may no longer be doing so.

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can quickly generate return by serving the greatest number of customers as possible. It is inconceivable that GCI is *doing anything but implementing its deployment plan as quickly as possible*. Moreover, we have placed a priority on upgrading plant in those locations with the greatest density and lowest implementation costs per customer.

8. As the transition is ongoing and in those areas where existing alternative last-mile facilities do not exist—whether in “raw” form like coaxial cable, or at all—UNE loops are necessary to ensure that the customers that have a choice of full facilities-based competitors today will continue to have that choice into the future. If GCI were denied UNE access as a provisioning option in the Anchorage service area at today’s stage of competitive entry, GCI would no longer have the ability to convert a customer from the ILEC to GCI switching and transport facilities.³

9. The loss of a cost-effective alternative for serving customers for more than a de minimis number of lines would necessitate a complete shift in the current focus of GCI resources from the ongoing cable telephony deployment to migrating existing customers off of GCI switching facilities and onto ACS switching facilities (obtained through resale)—clearly retarding facilities-based competition to the detriment of the customers. ACS would reacquire retail market share. At the same time, ACS would control the price of the remaining available market by virtue of tying GCI cost to ACS retail pricing for GCI to serve the majority of its customer base via resale services. Both

³ There are some smaller areas within the Anchorage study area that GCI cannot reach via its own facilities, either because ACS network architecture precludes access to UNE loops via GCI switching and transport and/or the GCI cable plant does not reach the areas. Resale provides a workable, but imperfect, alternative in these limited circumstances, but for reasons explained in more detail below and in the Declaration of David Sappington, resale would not be an acceptable alternative if UNEs were unavailable throughout the entire study area.

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the ensuing customer disruption and the elimination of GCI as a facilities-based competitive alternative would significantly undermine the current GCI cable telephony deployment plan, which would be a blow to—not an incentive for—the rapid transition that ACS apparently seeks and presumes can occur.

10. Finally, the availability of resale is not a sufficient alternative to UNEs for the protection of consumers in the Anchorage study area. With resale, GCI's cost structure is wholly dependent upon ACS's retail pricing decisions. In addition, GCI cannot provide competing features with resale, and does not have the opportunity to provide exchange access services in lieu of ACS. Only access to UNEs at regulated rates gives a competitor the ability to price rates to customers independent of the incumbent's pricing activities.

II. GCI's Deployment Demonstrates that Denying Access to UNEs is Not Necessary to Motivate Facilities Investments

11. GCI has strong incentives, both economic and non-economic, to deploy facilities and to minimize to the greatest extent possible its use of the ACS network. These incentives are clearly confirmed by our initial facilities-based strategy and continued investments to transition as many customers as possible to facilities solely provisioned by GCI. In fact, over the past 16 months, GCI has shifted approximately [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] of its residential lines from UNE-loop or resale to solely-provisioned GCI facilities.⁴ Simply put, there are two key

⁴ The necessary upgrades for provisioning voice over cable plant have been completed for roughly [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] of the existing cable nodes. This upgrade enabled service to a [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] of the residential customers (rather than [BEGIN CONFIDENTIAL] [END CONFIDENTIAL]) in the absence of a DOCSIS-based

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drivers. First is the economic driver to avoid the UNE rate, a cost paid by GCI directly to our strongest competitor. *Second is a desire to control the end-to-end service delivery to our customers, many of whom are not only our customers for local service, but in many cases, for video, long distance, and Internet, as well. Their positive service experience is a primary mission of our company. We have no incentive to linger on ACS facilities—we are there only where we have no alternative facilities coverage feasibly available.*

12. GCI first entered the Anchorage service area in 1997, following the completion of an interconnection agreement with the predecessor to ACS. Our approach then was the same as today, to utilize our own facilities to the greatest extent possible, as quickly as possible. We rely on ACS facilities only when we have to, to deliver service to a customer that has selected GCI as his or her local service provider.

13. GCI continues to demonstrate that the ability to control the end-to-end service delivery to its customers is a top priority, providing a strong non-economic incentive to aggressively pursue and complete facilities deployment and transition. The experience of relying on the incumbent provider as the sole supplier of last-mile facilities to customers has led to untold delays, costs, significant personnel resources to manage the many issues, and poor customer service. Provisioning delays reached a peak in mid-2002, when ACS-imposed ordering caps were set at a level that did not accommodate order volumes. Through state commission inquiries, complaints, and persistence, we have made progress over time toward an orderly ordering and provisioning process.

14. Though this progress has provided an improved level of certainty with due dates, I do not believe that GCI orders are routinely processed with the same speed and

provisioning solution for multiple-dwelling units (“MDUs”). *See Declaration of Gary Haynes.*

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priority as ACS customer orders. This is my belief for two basic reasons. First, as a practical matter, GCI orders take longer to process simply because *they go through the GCI order process, are sent to ACS, and then go through the ACS order process before any physical work on the order takes place*; whereas, ACS orders can skip the step of entry into an initial system then re-entry into a secondary system. Second, order processing and provisioning require a greater level of coordination—more process steps that introduce delay—that ACS does not experience for itself. Daily examples include rejected orders that can not be resolved at the time of order entry by the GCI order taker, but rather go through a process back to GCI and resubmittal to ACS; scheduled order completions which must be compared and reconciled daily to ensure matching GCI and ACS work lists; and customer escalations within GCI, over to ACS, and back to GCI, required when normal processing does not resolve issues impeding service delivery to the customer.

15. Processing and provisioning issues are not just old history; these issues remain important during the GCI transition, because moving both GCI UNE-loop customers and GCI resale customers to GCI cable facilities requires order flows through ACS.⁵ Moreover, to the extent that GCI remains reliant on ACS for access to facilities during the transition and where GCI has no loop facilities in place, GCI and its customers remain subject to the underlying motivations of the incumbent provider. This is a precarious and uncertain position to operate in for the provision of our customers' service. In my opinion, the only way GCI and ACS would reach equilibrium on this or

⁵ See Declaration of Lisa Wurts.

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any matter is if ACS had reciprocal reliance on GCI for access to facilities, but in ACS's position as the incumbent operator of a network constructed over decades, it does not.

16. Of course, there are economic benefits to self-provisioning, further demonstrating that GCI would only rely on access to UNEs where necessary to serve the customer at all. ACS currently charges GCI \$18.64 per loop per month. This rate, which went into effect on November 26, 2004, was about a 25% increase over the prior rate. Given that GCI planned and began to implement the cable telephony deployment when the rates were even *lower* than they are today, it is clear that a higher rate was not necessary to motivate minimization of reliance on incumbent facilities to serve customers. While I have no doubt that ACS would prefer to charge GCI as much as possible for loop access, such a rate increase is simply not necessary to incent GCI's investment in facilities. To the contrary, I would expect that given free rein, ACS would have the incentive to raise rates to a level that would constrain available capital for investment and ultimately to drive its main competitor from the market.

17. There are additional significant benefits to self-provisioning service to customers to the greatest extent possible. GCI can control and monitor performance, better accommodate customer schedules in provisioning service, escalate and resolve customer issues with certainty, and is not constrained by the incumbents' offerings, which occurs where GCI has no alternative to resale provisioning. It is necessary to emphasize, however, that the benefits of self-provisioning are currently only achievable with the availability of existing last-mile facilities, once those facilities are outfitted for

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the delivery of telephony.⁶ Because the benefits described are so competitively significant, GCI is continually looking for new, cost-effective ways to extend the network further. But as these solutions are developing and being identified, until they have been deployed, many customers will have no full-facilities-based alternative unless UNE loops remain available at regulated rates.

III Alternative Competitive Service Delivery Mechanisms Must Be Seamless and Transparent for Successful Transition from UNE-Based Service

18. GCI entered the market from its vantage point as a telecommunications provider—indeed, much earlier than other cable telephony entrants—and amassed a sizeable customer base on UNEs. Unlike other cable operators in the lower-48, GCI was a long distance provider, with switch and transport expertise. The Telecommunications Act of 1996 provided the opportunity for GCI to provide competitive local services to Anchorage consumers, along with our existing long distance service.

19. As a long distance telephone provider at the time of the passage of the 1996 Act, it was in GCI's strategic interest to begin competing to provide local service as soon as possible. Unlike the Bell Companies, ACS's predecessor was not precluded from entering long distance markets and had the tools to bundle these offerings consistent with intrastate requirements. Accordingly, with cable telephony not yet being a realistic alternative even for residential consumers, GCI pushed forward with UNE based entry. UNE based entry also afforded a substantial cost savings opportunity for GCI, giving it the opportunity to pay itself interstate and intrastate access charges for long distance calls it originated from or terminated to its local customers.

⁶ In some situations, service demand may support new builds to large business locations. However, given the relatively modest size of the Anchorage study area, there are very few businesses of this scale. See Declaration of Blaine Brown.

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20. From initial local service entry, GCI provisioned its local service over its own facilities to the greatest extent available at that time. Using its own switch and fiber transport facilities, and investing in collocation to be able to lease UNE-loops and exchange traffic with ACS, GCI created a study area wide service offering for both residential and business customers, and in doing so, was one of the few competitive local exchange carriers that eschewed a UNE-P entry strategy.

21. This approach permitted GCI to build a customer base, with an eye to converting customers to our cable plant over a reasonable transition period. Having an existing customer base generated both the basis and the revenue for the capital investment necessary for further facilities deployment. It also created a customer expectation for service such that any successful facilities transition had to be implemented in a way and at a quality that would satisfy such expectations. GCI intended (then and now) to migrate existing GCI customers from UNE-loop or resale to cable-based telephony. Because GCI would be beyond the new entry/customer acquisition phase upon transition, our deployment decisions and strategy had to transparently deliver a full service substitute to the existing customer base already receiving service.

22. As a result, GCI identified a number of necessary criteria for GCI's eventual transition to fully self-provisioned telephony over cable for GCI to meet existing customer expectations and remain a viable competitor in the local service market. First, GCI's method for provisioning service has to deliver a quality of service that is transparent to the customer.⁷ For the foreseeable future (and at least during GCI's

⁷ See Declaration of Richard Dowling.

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transition to cable telephony), GCI's UNE-based and wholly self-provisioned products could and would sit *side-by-side in the residential market, and the respective delivery mechanisms* have to be indistinguishable to the customers. As a relatively small player in the cable market, however, GCI could do little to drive the industry and manufacturing development process for packet cable products—of which it was on the very front end.

23. Second, the local powering requirements for eight-hour back-up in the event of commercial power failure had to be met. At the planning phase, this requirement could best and most economically be satisfied via outdoor powering, meaning powering the cable drop to an outdoor unit mounted on the customer premises.⁸

24. Third, the provisioning method had to allow the incorporation and adaptation of quickly developing new technology, while still relying on investments already in place. For this reason, GCI chose packet-based transmission technology within its own network. Fourth, the transition itself had to be seamless to the customer, meaning not requiring the customer's time or attention to complete the process.

25. All these deployment characteristics were necessary from the customer perspective. From GCI's perspective, speed and efficiency of deployment was and remains a priority. We ensured in making our technology choice that it would provide the fastest deployment path to deliver a return on the capital investment. And it did— with an existing residential customer base of over 50,000 lines, an outside, line-powered deployment that did not require coordination with the customers who already subscribed

⁸ See Declaration of Gary Haynes.

to GCI service would permit the fastest transition rates.⁹ We made the most expeditious choices, and the progress to date affirms the selection.

26. We are continually assessing equipment changes, technology developments, and provisioning methodologies that will permit more cost effective deployment, without the loss of service quality. As less expensive options become viable and commercially available, I would expect the deployment strategy to be modified accordingly.

IV. UNE Termination Will Disrupt the Systemwide Deployment Plan

27. Having made our technology selections to continue our facilities-based deployment, GCI is now in the midst of a multi-phase process of upgrading its cable facilities to permit a seamless transition for our UNE-loop or resale customers to GCI's cable facilities for voice. Because of the cable plant deployment patterns, this is predominantly a residential service transition. GCI's cable plant does not cover nearly as many business customer locations as residential customer locations.¹⁰

28. In addition, the cable plant footprint does not cover the entirety of the ACS Anchorage study area. For example, the area served by ACS's Girdwood wire center lies outside of GCI's franchised cable service area, and households there receive cable service from Eyecom, a subsidiary of TelAlaska.

29. Transition from UNE-loops to cable telephony in those locations passed by cable plant requires an orderly plan for the management of capital, developing new

⁹ As the other cable providers made technology decisions as new entrants to the voice telephony market, the industry did not select the same technology, such that to meet the ongoing need for cost efficiencies, the outdoor deployment mechanism may not be the sole option in the long term.

¹⁰ Designed to deliver entertainment programming, cable service is typically limited to residential areas, but may extend to hotel or restaurant locations.

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order processing and provisioning systems in accordance with the introduction of new technology into the network, availability and management of contractors, and ensuring minimal customer disruption. GCI's deployment plan balances these considerations with other practical considerations, like achieving the greatest cost savings available by reaching the most customers we can on our own facilities the fastest (i.e., by initially targeting higher density areas), seasonal construction limitations, and specific plant requirements in different areas.

30. GCI started the cable plant upgrade on the east side of Anchorage. Though this area coincides with the ACS "East" wire center, there is no correlation between the GCI cable plant lay-out and the ACS telephony wire center lay-out. This location was selected as the first for roll-out because it has the greatest density of residential lines in combination with a single fiber infrastructure. Some south Anchorage nodes were also selected, as GCI was forced to resale service for the greatest number of customers in that area.¹¹ The resale-served locations were especially important to target because GCI could not collect (or save) access for these lines.

31. In addition, because the network preparation started in the early months of 2004, it was beneficial to undertake deployment in areas with higher concentrations of aerial cables. This is the case in both east and south Anchorage. The more buried activity there is, the more difficult the installation is during the winter months, in terms of both manpower and expense.

¹¹ While GCI has largely used UNE-loops to serve customers, we have had to resort to resale where ACS network configuration precluded our ability to access the customer loop at the ACS central office. This would occur where ACS installed hybrid fiber copper loops, served by a non-multihostable remote or integrated DLC.

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32. By the same token, communities in north Anchorage were slated to follow. In this area, fiber upgrades to the metropolitan area network were required before service could be provisioned. *It is cost prohibitive to do this type of work in the winter, if possible at all.*¹²

33. For these reasons, I would expect that any assessment of the per line deployment costs at this point in the upgrade and transition process would be somewhat lower than the ultimate average costs, because we front-loaded conversion of higher density nodes. I estimate that the upgrade costs of low density nodes could be at least three times that of high density nodes. Likewise, any changes in deployment required by the disruption of the existing UNE regime would result in increased costs, with possible impact ranging from deployment delays to disruption.

34. ACS has asserted their desire to move GCI off of ACS facilities and onto our own as quickly as possible. GCI has demonstrated that every effort to do so is already in progress under the existing regime. The foreclosure of UNEs will have the opposite effect, however, by creating a financial chain reaction from the loss of EBITDA, reducing capital available to invest in more GCI facilities options. Stated simply, an overnight build-out could not be accomplished, and I do not believe GCI could accelerate deployment much beyond the current slated schedule.

35. The resulting shift in operational focus to ensure a smooth transition for customers will further siphon resources away from deployment and conversion. Even assuming the deployment could arbitrarily be accelerated beyond a reasonable pace, this would cause substantial problems for consumers and greatly increase GCI's costs, as

¹² See Declaration of Blaine Brown.

described more fully below, so as to make the deployment cost prohibitive. Ramped up deployment will lead to increased operational costs associated with *project management*, contractors, back-office personnel, and several costs associated with customer service disruption on a larger scale, including customer service calls and field service visits. In summary, if it were practical to transition customers faster than we are today, we would.

V. Even with GCI's Substantial Investment in Facilities, Foreclosing Access to UNE-Loops Would Cause Significant Customer Disruption and Competitive Harm to GCI

36. As detailed in the previous section, we have carefully devised the deployment plan to be completed as quickly as possible. We have also devised the deployment plan to prioritize upgrade of nodes that will deliver the highest return by reaching the greatest number of customers (and thus, saving UNE costs) with the least amount of plant work (and thus lowest per customer investment) needed. If access to UNE-loops is foreclosed, as requested by ACS, I further anticipate both unavoidable customer disruption and damage to GCI's competitive efforts in both the residential and business markets throughout Anchorage.

37. There are at least three instances in which UNE access is required: (1) during transition to fully alternative facilities, (2) where no facilities alternatives are available, and (3) in the provision of advanced business services, like PRI and DSS.

38. In the residential markets, there remains significant work to be done in network upgrades and customer transition. We have completed the network upgrades serving roughly [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] of the customer base, and would expect that the remainder of the upgrades to be completed within a similar timeframe. Thus, during this period of time, UNE loop access will still be

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necessary to serve these customers until both network upgrades and individual customer conversions are completed.

39. Even in those areas where the node-work is complete, it is not uncommon for additional work on the drop—like replacing “bad” cable or burying the existing drop—to be required before the service can be delivered.¹³ For these customers, it may take months to complete the UNE-to-cable-telephony conversion, particularly depending on the time of year. Because this type of work can rarely be performed in the winter, we start the spring construction season with a backlog of outside plant work orders. Therefore, a work order placed in mid-October may not be completed until mid-April, assuming no other delays.¹⁴

40. Based on our current experience in transitioning existing UNE-loop and resale customers to upgraded cable plant, full transition at a single node could take as long as two years. While this period may change based on experience or changes in deployment, it is impossible to predict now how that might happen or what the effect might be. Therefore, the loss of UNEs today would mean that GCI's **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** residential customer lines served via UNE loop would have to be immediately transitioned to resale for those customers to keep GCI as their selected provider.

41. Such a transition would impose substantial costs. GCI would incur re-provisioning costs twice: once to transition customers from UNE to resale and again to transition from resale to cable telephony. Additional costs would be incurred for porting

¹³ See Declaration of Gary Haynes.

¹⁴ All of this presumes, however, that all customers immediately assent to provisioning changes. A very small percentage does not, however, and some conversions will only occur through churn.

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numbers back to ACS, coordinating moves with ACS and customers to minimize service outages, and all the attendant costs expected from the backlogs that can be expected when ACS is inundated with some **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** orders. Management and staff would be dedicated to managing a smooth transition process for several months, a completely unplanned cost that is of no benefit to the customer or GCI. ACS can be expected to assess unplanned service order fees. GCI will pay additional costs of goods sold for ACS switching services that GCI used to provide to itself. More operating cost associated with account maintenance will ensue, as all account changes must now go through ACS and can not be handled without ACS intervention. More service order and trouble tickets will go to ACS, all of which lead to additional costs with no benefits.

42. Roughly **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** residential lines would be transitioned from UNE-loop, all of whom would need their calling features transitioned to the ACS switch, and E911, 411, and directory information touched. Approximately **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** business lines would undergo the same transition, many of whom had scheduled "after business hours" transitions when they originally moved from ACS to GCI and will not accept service disruption during their business hours. This is a very large portion of the Municipality of Anchorage. Also, under ACS's desired outcome, ramped up deployment will lead to a substantial increase in GCI orders to ACS for disconnects, and in the case of resale transitions, number porting.

43. The order volume will undoubtedly negatively affect the service level that both GCI and ACS customers are receiving today. Any prior incidence of significant

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increase in order volumes has caused substantial delays in ACS's processing and provisioning systems, leading to customer complaints and dissatisfaction. The potential magnitude of customer disruption and customer dissatisfaction in this case would be far more significant, and based on past experience, will generate customer complaints to both companies, as well as the state commission. Customer complaints occur when service quality is diminished, when customer demands are not being met, and when they experience service outages. None of these results is in the consumers' best interests.

44. In the business markets, the cost increases and customer disruptions that would occur in the residential market are applicable here as well. The impact of UNE termination would be greatly exacerbated, however, by the fact that the GCI cable plant is not available as replacement for last-mile facilities to the vast majority of the business market.¹⁵ In my experience, we find that service must be provisioned to a customer within [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] of placing an order, or we lose the business. Under no scenario can last-mile facilities be extended to any currently unserved customer in [BEGIN CONFIDENTIAL] [END CONFIDENTIAL].

45. Finally, even in those instances where cable plant may have been extended to an individual business on a case-by-case basis, core business services, like PRI or DSS, are not deliverable using the current technology.¹⁶ Again, the transition from UNE-based competition would be costly, disruptive, and damaging for all the reasons described above.

¹⁵ These same issues apply for those residential subscribers to whom cable plant does not reach, like residential subscribers outside of the GCI cable franchise area.

¹⁶ See Declaration of Gary Haynes.

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46. In none of these scenarios is resale a suitable alternative to UNE-loop. In the absence of UNEs, GCI would be required to provide service via resale, which would be at a rate below GCI's marginal costs for every customer served.¹⁷ Not only are the rates higher, but GCI loses any universal service for a resale line (as compared to a UNE-loop or self-provisioned line), any access savings (same) where it is also the customer's long distance provider, and the state Network Access Fee ("NAF") and Federal Subscriber Line Charge ("SLC"), which would now be passed through to ACS. Service to an increasing number of customers at a loss is not a sustainable business proposition.

47. There are additional reasons why resale, whether as an interim or permanent alternative to UNE-loop access, does not ensure reasonable rates for the consumer or afford GCI protection from ACS pricing abuses. Being relegated to resale provisioning takes away GCI's ability to control its input prices, as the resale rate is set in relation to the ACS retail rate. I saw the benefits of GCI's UNE strategy over the resale alternative early on, when ACS chose to respond to loss of customers through competition with a substantial retail rate increase. Had GCI been serving its customer base via resale, our service rates would have been increased by the same amount, so ACS could have raised its customers' costs and ours at the same time. But ACS did not have the same control over our UNE rates, which allowed GCI to hold the line on its retail rate offerings. If ACS continued to provide access to UNEs but could charge whatever it wanted, I would expect that the UNE model would quickly become indistinguishable from the current resale services model.

¹⁷ As an eligible telecommunications carrier, GCI is required to serve the entire Anchorage study area via a combination of its own facilities and resale.

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48. Were GCI's local service offerings to be disrupted with UNE termination, there would be no suitable facilities-based alternatives. There are no other facilities-based service providers in either the residential or business markets. Moreover, any wireless solution would leave GCI out of the market entirely until it could be designed, built, installed, and provisioned, a process that would be comparable in duration and scale to the cable telephony exercise that is already in progress, but started essentially from square one.

49. In summary, the cable telephony deployment plan was predicated on and made possible by UNE availability during the transition. This continued availability has had no effect on the speed or commitment to the endeavor—but it is a critical component to ensure that customers retain service choices during the transition and where transition is not possible for lack of GCI last-mile facilities. Termination of UNE access would thus displace a core underpinning of the case for deployment, and if it were to occur, it would be unreasonable to assume that the deployment plan itself would not require reassessment. As with any business, one must assume that substantial disruption of the underlying assumptions would affect GCI's ability to continue with its current deployment plan.

CONFIDENTIAL – SUBJECT TO PROTECTIVE ORDER

Respectfully submitted,

/s/

Gina Borland
General Communication, Inc.
Vice President, Product Management–Voice and
Messaging
2550 Denali Street
Anchorage, AK 99503



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)

DECLARATION OF DANA TINDALL

I, Dana Tindall, do hereby declare under penalty of perjury:

1. I am the Senior Vice President for Legal, Regulatory, and Governmental Affairs for GCI and have previously served as General Communication, Inc.'s ("GCI's") Vice President of Regulatory Affairs, Director of Regulatory Affairs, Manager of Regulatory Affairs, and economist. I am responsible for GCI's regulatory analysis and the development and direction of the company's corporate regulatory policies. Moreover, I have served as an adjunct professor of regulatory economics at Alaska Pacific University and a board member of the Anchorage Economic Development Corporation. Previous to GCI, I held the position of rate economist at Pacific Gas & Electric Company and research assistant at the University of Michigan Investment Office. I received my bachelor's degree in economics and masters degree in public policy from the University of Michigan.

2. First and foremost, this declaration describes the significant benefits that customers have realized since GCI launched local phone service in June 1997. GCI's competitive presence in the Anchorage markets not only increased the types and combinations of services available, but also forced significant price reductions. Many, if

not all, of these benefits may be lost if ACS of Anchorage, Inc. ("ACS") is prematurely released from its obligation to provide GCI access to UNE loops at regulated rates.

3. This declaration also rebuts ACS's disingenuous claim that ACS and GCI's ability to negotiate interconnection agreements in Juneau and Fairbanks in 2004 evidences its willingness to negotiate fair rates in Anchorage. As discussed more fully below, ACS agreed to reasonable unbundled loop rates in Juneau and Fairbanks in large part because of unique pressures that ACS placed upon itself. Those rates were negotiated under unusual circumstances and do not, as ACS would have the Commission believe, indicate that ACS is now willing to abandon its dominant market power and voluntarily agree to fair loop rates in Anchorage.

I. BENEFITS OF COMPETITION IN ANCHORAGE

4. There can be no question that GCI's entry into the Anchorage local service market, which occurred predominantly using UNE loops, ushered in an era of new features, services, product bundles, and price reductions. GCI stormed into the local phone service market in June 1997, offering its innovative Value Package, which included basic dial tone plus two of the most frequently used calling features—Caller ID and Call Waiting—all for 60% of the price that the incumbent LEC, ACS's predecessor, Anchorage Telephone Utility ("ATU"), charged for dial tone and these two features separately. Thus, from its entry into the Anchorage markets, GCI gave consumers more control over their phone service at a greatly reduced price.

5. Over the ensuing eight years, GCI continued to add features and flexibility to its local telephone service package options. Today, in addition to the Value Package, which now also includes Enhanced Call Waiting and Caller ID on Call Waiting, GCI

offers the Value Package Advantage, which includes basic service, Voicemail, and 13 of the most popular calling features, including Call Forward, Call Forward Busy/Don't Answer, Follow Me Call Forwarding, Enhanced Call Waiting, Caller ID, Caller ID on Call Waiting, Continuous Redial, Last Call Return, Multi-Distinctive Ring, Speed Calling, and Three-Way Calling,

6. Moreover, once its new Lucent 5E switch was installed in Anchorage, in 1997, GCI began using UNE loops to offer special services to allow customers to better filter their phone calls, including Selective Call Forwarding, Selective Call Acceptance, Selective Call Rejection, and Selective Distinctive Alert. Although some of these service features were available from ACS, and ATU before it, ACS did not actively market them to customers until GCI's entry into the market, thus demonstrating the power of competition to inform the consumer about existing services that would otherwise lie dormant in a non-competitive local service market.¹

7. The benefits of competition in Anchorage now extend far beyond local telephone service. GCI and ACS both offer long distance service, wireless service, high speed broadband service, and digital television service. GCI uses UNE loops to provide the voice component of innovative bundles that include combinations of many or all of those services, allowing the customer to chose from a variety of tailored packages. Currently, GCI offers at least four separate multi-service packages, to which customers can add additional features. The Ultimate Package includes digital cable service, 150 minutes of out-of-state long distance calling, local phone service with 14 features including Voicemail, cable modem Internet service, and also allows customers to earn

¹ For the purposes of this declaration, except where necessary, I will refer to ACS of Anchorage (with its affiliates) and its predecessor ATU collectively as "ACS."