

## **Bob Walp**

Interviewed by Hilary Hilscher

October 27, 2000

### **Tape 3, Side A**

Hilary: For our second session on October 27, the year 2000 in Seattle – and Bob, we covered the years of your getting to Alaska and being a consultant for the State and then working in the Office of Telecommunications and then being the Director of the Office of Telecommunications. That came to an end when the Office of Telecommunications was taken out of the Governor's budget and you basically were out of the office because the office ceased to exist as you had been in charge of it in the past. Where did you go from there?

Bob: Well, I guess at first I was asked to terminate before the end of the fiscal year, which was June 30, 1980, right?

Hilary: '79.

Bob: '79, yeah that was (fiscal year) '78. I got the word was in '79.

Hilary: Yeah.

Bob: Thank you very much. Oh, it's fiscal year '80.

Hilary: Fiscal year '80. That was what it was, yeah.

Bob: This (was) a lot of information. And I didn't really agree to do it. I said I would work as fast as possible to close up the office and get the records put away and try to help some of the employees find alternative jobs, employment. I had a friend who had taken early retirement from the Air Force. He was a civilian contracts administrator, Harry Mitchell, who had gotten a CFAB loan and had a halibut fishing boat built for him and he was going on his inaugural fishing trip. Oh, I think maybe it was in March, but that seems early.

Hilary: March is what you had...

Bob: Okay, okay.

Hilary...what you'd said before.

Bob: Oh, I've already covered it, so okay. And so I went on the fishing trip and that's a story in itself which we don't need to cover for this and thought a bit about the future. I had off

and on thought that there was an opportunity for a competitor to RCA Alascom in the long distance market, similar to the way MCI started against AT&T in the Lower 48 states. And I had known Bill McGowan who put MCI on the map from my Hughes Aircraft Company days and thought, well, why not give it a try? So I called Bill to see if he would be interested in financing and he was very interested and had me talk to Carl Vorderberger – don't worry about that, I don't know how to spell it – marketing development manager. And when he realized how small Alaska was, he said, "Look, we have cities of over a million people in the Lower 48 that we haven't been able to serve for lack of capital. There is just no way we could even think about Alaska." And so (I) agreed with.... I talked to Ron Duncan, who had consulted for us -- I think I covered that (last interview.)

Hilary: Right.

Bob: And with Dick Edwards - B. Richard Edwards, the attorney who took care of the Office of Telecommunications intrastate legal matters – and Ron sort of looked at my back-of-the-envelope... and they were almost back-of-the-envelope, I think. They were computer card calculations.

Hilary: You've carried those for years.

Bob: Yeah, yeah, ever since Hughes – and (he) agreed that the concept of starting up an alternative, especially specializing in private-line business, could fly and that we would be able to break even, at least, or do better in the market than Alascom. And the concept would be to put earth stations, satellite earth stations in Anchorage, Fairbanks, Juneau, and Seattle and tie these places together. Dick Edwards was consulting or doing legal work for the Arctic Slope Regional Corporation (ASRC) in telecommunication matters and thought we might be able... well, let's see, let me go back a little bit first, before that happened.

We, Ron... no, let me think back, no. We started off with ASRC funding, okay, sorry. And they agreed to give us initial funding of – I can't remember how much you know -- enough to keep us alive while we got things organized pending (development of a) business plan and all this. We were getting ready to incorporate GCI and then learned that the GSA – General Services Administration – had had an RFP for service, believe it or not, between Fairbanks, Juneau, Anchorage, and Seattle. And it had already been issued and the due date was, I would have to guess, sometime in the fall of 1979 and this was probably June or probably July when we learned about that. I finally, we have to go back to the discussions between Mike Harper and me I think I covered that, trying to get me out of there early on... and we already covered that anyway.

Hilary: Right.

Bob: And you don't want to put that in anyway. I, after the fishing trip, got out. (They) wanted (me) out of OT before the 1<sup>st</sup> of July and we were really ready to go then. We learned about this RFP, to reiterate things, we decided... Oh, that's right: we sent a wire off to the GSA asking for an extension of the due date for bids, saying that GCI was being established expressly to provide service to this market and that we had a concept we were sure the government would benefit from, and quickly incorporated GCI with Dick Edwards, Ron Duncan, and me as the incorporators or cofounders legally. Virginia and I had already come up with a name of the place drinking martinis at the Crow's Nest.

Hilary: That's right. That's where I got that.

Bob: Okay. And so we were ready to go and we incorporated on July 9<sup>th</sup> I believe, 1979, as GCI and got to work intensively on this proposal. I got Bill Pohlman who was an old-timer, a retired Army colonel with a Ph.D., double E (electrical engineering), from MIT (on as a consultant). He was an out-and-out alcoholic who had quit drinking. Wonderful guy, a real perfectionist. He came up and worked with us along with Galen Tustison, of Hughes Aircraft Company. We had the Hughes people – I'd been accustomed to writing proposals, fancy proposals, for the aerospace industry – and people at Hughes actually did the publishing, or we used the people that Hughes contracted with to print the proposal, so we had a first-class proposal. We emphasized the fact that we were all digital, no analog, communications and we were going to use time-division multiple access (TDMA) which enabled us to use the satellite transponders much more efficiently – (to) get more traffic through a transponder, therefore reducing costs per unit.

Hilary: Right. Now TDMA is that different from DAMA?

Bob: Yes, yes.

Hilary: Okay.

Bob: DAMA is demand assign multiple access, where you assign a channel whether it is FDMA, frequency digital multiple access or time division multiple access.

Hilary: Okay.

Bob: You assign a channel only when it is needed.

Hilary: Right.

Bob: Since people don't use their channels very much, and that's the main principal of wireless telephony. You have many, many users sharing relatively few channels – and so the limited spectrum is used very effectively because you keep it loaded up all the time.

Hilary: Right. Right.

Bob: And then it gets overloaded.

Hilary: Then what you were offering when you were doing the proposal?

Bob: That was fixed assignment. But instead of having different frequency channels – like when you tune a radio to get frequency channels – you transmit the digits in little, different time packets in sequence and you have multiple access. One packet will go to Juneau and the next packet will be received by Juneau and they all broadcast to everybody.

Hilary: Right.

Bob: So you split the time instead of the frequency band.

Hilary: Okay.

Bob: And in doing that you use the entire frequency band as one big frequency channel.

Hilary: Wow!

Bob: And it is just a much more efficient way of doing things.

Hilary: Yeah. Okay. So you were emphasizing that you were all digital.

Bob: Yeah, we completed the proposal, I guess in September about when it was finally put in, maybe later, but there were a number of iterations and then we went through the best and final offers and so forth. And I was told by several people, two or three or a few, at GSA that we, our proposal was far superior to anybody else's in the technical content and so forth. We ended up losing to RCA Alascom, was it still RCA? Yeah, I guess so.

Hilary: Yeah.

Bob: It was Alascom, at least on price and who knows maybe, maybe confidence since we weren't up and operating at the time. We, of course, also quickly implemented plans to build our earth stations and to lease satellites. Maybe Richard Dowling can help you. Geez.

Hilary: That must have been so disappointing after all that intense work.

Bob: Yeah, it really was and we really put everything into it and everything, and we couldn't see how Alascom could bid lower than we did because their overhead was so high and the rates that they were charging, under their tariff rates for similar services, were so much higher than ours. We just felt there was no way.

Hilary: And did they have to offer their tariff rates to GSA or could they do a package?

Bob: No, no, it was special bid. You could do a special package, yeah.

Hilary: Yeah, okay.

Bob: And that became one of the central items that they adjusted on a few years later. (But) we weren't thinking in those terms at that point.

Hilary: But at that point, you were sort of pushed into giving shape to this whole (approach), weren't you?

Bob: Well, somewhere along the line here and this is where I'm just, you know... Ron Duncan... I want him to get to talk to you, anyway.

Hilary: Okay.

Bob: I was going to say, it was moving so slowly, I just can't get anybody's attention, everybody's in a panic. Ron was (using) their money. I said, "Ron, we got to sit down and talk." He said, "Absolutely. I'll see you in the afternoon." And he sent me a note that said, "Can you hang around later?" And I hung around and he went off for a meeting and then he got off and we leased a little executive jet. He's going back east to the dog-and-pony shows, you know, with brokers and pressure on him is just...

Hilary: Pretty intense right now, yeah.

Bob: (Side comment.) So, I don't know... it (was) going to take a while to get somebody (on board). I'm not as optimistic as I was (originally) but I think there is pretty good hope and (we would) just have to work on it.

Hilary: Great. Okay.

Bob: And I think, "If we could get you..." and he is so busy. It is the date. [Tape off]

Hilary: Having lost the bid...

Bob: It is going to come back to me gradually. Okay. Somewhere in this process, the Arctic Slope Regional Corporation got concerned. We made a presentation to them with a business plan and Ron Duncan and Mark McConnell, a friend from Washington, DC he went to Harvard Business School with. He came out and they put together a high-powered Harvard Business School thing with decision trees – and I could tell during the presentation... they had worked until four a.m. of the day that we gave the presentation at, say, nine a.m. and so forth, and I was sort of an observer on this. I could see as they

were giving it that, yeah, we were overwhelming them, the people from the North Slope and a few non-Native advisors. They concluded that they didn't have the understanding of the business and the capability to really go it alone by relying only on us, which I guess they lost faith in and I say off the record here – [Tape off] You can say I speculated...

Hilary: Sure.

Bob: If you want to. So ARSC said they need a company in the Lower 48 that is established in telecommunications to partner with them, and so we had three possibilities. I knew people at COMSAT very well who were exceedingly interested in supporting getting into the commercial business. They were still only in the international business as the US designee to INTELSAT.

Hilary: Right.

Bob: They wanted to very badly but their charter wouldn't allow it, (the one) that Congress gave them.

Hilary: Was Bill Miller still in Alaska at that point?

Bob: No, I don't think so.

Hilary: No, I think he had gone Outside.

Bob: Pretty early, yeah.

Hilary: Yeah, he had been there during the Bartlett earth station construction.

Bob: Yeah, yeah, he left before I came up really. Well, no, he didn't because I remember he took me out to the earth station and so forth but then he left shortly thereafter. He, let's see...

Hilary: So COMSAT?

Bob: COMSAT, their charter was due to be revised to allow them this capability but not in the time frame that would work.

Then, there was GTE where I knew a few people. David Piske, P-I-S-K-E, at GTE was in charge of their satellite operations back in Connecticut, I forget where.

Hilary: Hartford?

Bob: Hartford, yeah. (He) was very interested and Ron and I went back there. We and they were very enthusiastic too, but they wanted a whole lot of data, detailed data, and so on. Ron had studied under John Malone when he was a professor at Johns Hopkins, yeah Johns Hopkins on a cable television research project and John by this time had become affiliated and, I guess, president of TCI, one of the pioneering cable firms in Denver, Colorado started by Bob Magness – M-A-G-N-E-S-S, who was an old cotton seed oil salesman or something or other, and John Malone really put TCI on the map. He was a real business manipulator as you know if you read the news these days. John... Ron called John. John said talk to Carter Page and Carter, who is now chairman of GCI's board and was president of WTCI, Western TeleCommunications, Inc. at that time.

Hilary: Uh-huh.

Bob: WTCI operated the microwave links ... microwave links that TCI used to bring television signals to its cable head ends all around the country.

Hilary: Okay.

Bob: And so they fit nicely with us. Ron went back to Denver and met with Carter and hit it off just beautifully. And then I went back and we met some more WTCI people. Carter is just one wonderful guy. He has an accounting background. So WTCI agreed to partner with ASRC. Then we got into a period of negotiations between ASRC and WTCI and there got... It was an impasse that just couldn't be resolved as far as anything that both sides would be happy with. So Ron worked up a plan to have WTCI acquire us, 100%. That worked out fine until we were \$80,000 short on covering, I guess, advance pay for Ron and me, whatever it was, it was something like that that WTCI wasn't willing to pick up immediately and ASRC had to be reimbursed for it. Yeah, that was a catch. Ron said, "Well Bob, you got that house in Pasadena. Put a second mortgage on it." And Virginia said, "'Over my dead body,' unquote." And we put a second mortgage on it. Poor Virginia.

Hilary: And you're still married?

Bob: Yeah, we're still married. It is amazing really and she is still quite alive, yeah. We, oh, let's see... So that saved the day. So WTCI did acquire us 100%, and Ron and I received warrants for our shares of the company at, let's see... just how did this work? Yeah, I owned, the way, oh, incidentally okay... and ASRC is out of the picture, okay. Totally.

Hilary: They fired you, and so that went okay.

Bob: Dick Edwards felt, was very unhappy with the way we were doing things, and professionally said he had a conflict of interest and couldn't stay with us and pulled out and that ended up leaving me with two-thirds of the company and Ron with one-third of the company.

Hilary: Uh-huh.

Bob: And Ron was very careful to say any further about issuance of warrants or shares or anything or options, it would be 50/50. That's only fair. He has done all the work. Then WTCI bought in and of course their share for doing this, and gave Ron and me proportional shares, smaller shares, having gone from two-thirds of the company, down to 1% of the company and I'm still better off, far better off.

Hilary: Yeah.

Bob: So...

Hilary: So at that point you had more capital?

Bob: So at that point we had capital and that was occurring, as I guess, that must have occurred before the bid to GSA went in.

Hilary: Oh, that this happened before?

Bob: Yeah, yeah.

Hilary: Okay.

Bob: I'm almost certain had to because we had to show financial responsibility to bid.

Hilary: Okay. You did a lot that summer, not only were you...

Bob: Oh, it's incredible. Well, there is the proposal and its technical content and everything. Bill Pohlman and I, and we talked COMSAT into selling us their first prototype TDMA equipment which, if we had been stuck to do it, would have been a disaster and I don't mind saying that... it probably couldn't have even been done, but we thought it could be.

Hilary: Yeah.

Bob: And so forth... and probably Alascom used that as, oh no, they didn't, I don't think they... I have no idea if they knew about it. They probably had sources.

Hilary: So that summer you not only organized the company, you incorporated it, you put together the bid for GSA, you got bought out by and you weren't really even up and operating yet.

Bob: Right, right, right.

Hilary: That was quite a summer.



Bob: And we were getting plans established to build a system and so forth.

Hilary: Right, right.

Bob: We were... I can't imagine. It must have dragged over into 1980.

Hilary: I can check dates, too, yeah, yeah. You know, let's go back to that period for a moment and you had mentioned at the beginning that there was beginning to be competition in the Lower 48...

Bob: Uh-huh.

Hilary: For service. Describe that whole, the climate at that point. It was really in flux from the old regulatory approach.

Bob: Yeah. MCI had gotten about 1971, I guess, or '70 an order from the FCC allowing them to compete against AT&T.

Hilary: Uh-huh.

Bob: And they had no money effectively and so forth and Bill McGowan and a friend of mine from Hughes, Tom Lemming, went around raising money and getting equipment manufacturers to give them the hardware, the microwave equipment in return for part of the revenues and things of this nature, so really leveraged it from almost nothing. Then other companies, SPC, Southern Pacific Communications, sort of followed in MCI's footsteps. I contacted Bill McGowan and learned about him, (when I) met a guy at the bar in Mayflower Hotel drinking martinis. He was a publisher of a communication magazine, one of these ones that's supported solely on its advertising. They give, mail, copies to anybody in the communication industry and we started talking and I told him I worked at Hughes Aircraft Company in satellite communications. He said, "Gee, there is a guy you ought to know, Jack Goken here at MCI, the founder of MCI. This is before Bill McGowan came. There probably is little value for this thing but it is interesting.

Hilary: Uh-huh.

Bob: He had a copy of his magazine and it had a cartoon picture on the front of it of this sloppy boxing ring with this big sloppy woman down on the deck and the referee holding up this little kid's hand and it says, "MCI knocks out Ma Bell." And that is the first time I learned about that. And he said, "You ought to meet Jack." And Jack had not a penny, you know. He'd planned to run from Chicago to St. Louis one microwave link to supply the trucking industry for services. And so I went over and saw him. And he said he likes martinis, too, you know. Let's see, he likes martinis and fast women and I don't know... I really didn't give the guy any impression about my views towards fast women but that

has always bothered me. I wish I knew who he was. I ought to call Jack Goken and I'm years behind in checking with him. He is out completely but living on his dividends, I guess, but...

Hilary: So this gave you at least the sense of what was going on in the Lower 48.

Bob: Yeah, yeah. Well, what happened (was) I talked to Jack about satellites and said, "You know, to expand you need a satellite rather than spending all this money on these terrestrial microwave links." And you know, he said fine... and we chatted some and I went and visited him again another time and then on the third time, I think, I called and he said, "You know, we got a new guy in here who is really going to be managing things. You ought to talk to him." And that was Bill McGowan. And Bill had developed this concept of forming regional entities with investors from each region.

Bill and Ron were a lot alike in that way, just very creative from an organizational management and, I mean, structure and high-level, corporate-finagling standpoint. Bill was just incredible. He really was. He was just wonderful and we got along just fine. Well, I said, "You know you want to use satellites then to tie together your regional systems He said, "Fine, you know, it sounds great. Give me a proposal." Of course he doesn't have any money anyway. So I went back to Hughes and told Paul Visher, our "super marketeer" we called him. He was the VP of development or such, who later spent some time in prison for kickbacks to INTELSAT in their satellite procurement. Oh, he was my nemesis from the start. I crossed him, unfortunately, the wrong way several times. Just as another aside... are you wasting your tape on those?

Hilary: No, this is fine.

Bob: One corporate meeting I was invited over to Building 1, which is where Pat Highland's offices were and Pat was the guy that talked to Howard Hughes.

Hilary: This is *(the)* Hughes?

Bob: Yeah. And we were discussing some plan for Docket 16495 – the one allowing satellite communications domestically – for domestic satellite services – and Paul had all these high-level people there. I was a few notches down but pretty active and I was a real maverick at Hughes. He went around room and he said, "Okay, Willie, how does that appeal to you? That sounds fine?" He said, "Oh, absolutely, it's all great." Went around and it was absurd and I knew the FCC and my my turn came after 20 or so people around this big conference table had supported him. He said, "Bob?" And I said, "Well, Paul, if we did that, we'd be the laughing stock of the commission." And don't you know, I shouldn't have said that. Should have done somehow or other, but – and we would have been. I think we were the laughing stock. I don't remember the details anymore.

Back to MCI and Visher: Well, anyway, I said, "What about it?" "Well I'll take care of things at this level, you know. Just stay out of it." And so you know, I think a week later I get a call from Bill McGowan. He hadn't heard anything. So I called up Paul Fisher and went into his office and you know and he said, "I'm taking care of it just don't bother... Stay away," you know. And so then I got a call from Bill McGowan again (who said), "Well, it's pretty apparent they don't want to have anything to do with me and so what can I do? This is a great idea." I said, "Well, I have some friends, in fact [Hughes] people went to TRW and they were trying to get into the domestic satellite business." So I put him in contact with Joe Freitag over there and they had some meetings. And I had this concept that, well, if something goes, I'll go over to TRW and manage the project, you know something like that. And they apparently had some pretty serious discussions but couldn't get together. And so then one day Bill called me up and said, "Say, we got a deal with Lockheed."

Hilary: That's how...

Bob: And I want you to meet the guy in charge of... and I was going to Washington and he was going to be there, so we met to see if I would be interested in joining...(but it didn't work out.)

### **End of Tape 3, Side A**

### **Tape 3, Side B**

Bob: (Inaudible) this morning in a sense because I was fascinated with Ku Band and spent some of the Hughes R&D money on developing components for these frequencies because a small earth station... I covered all that I think before, didn't I?

Hilary: Uh-huh.

Bob: I am I repeating it all?

Hilary: No, no, this is new information but you did talk about the Ku Band and the small earth station being...

Bob: Right, right and absence of interference with terrestrial, which is the main thing.

Hilary: Yes.

Bob: So you can put them in the study, so and anyway... I met whoever it was from Lockheed and, well, it was apparent that I would have to move to northern California. He seemed to be willing to have me work with him and I wasn't ready to do that. So that's that and they

went ahead and filed the MCI, Lockheed application for a Ku Band domestic (satellite) system.

And then, (as background) in Building 1 again -- I was giving a... I tell this story so much. I was giving a presentation of the IR&D, Internal Research and Development, to Pat Highland and all the top VPs on what we were doing, a dog-and-pony-show using overhead projectors – and Bud Wheelon who was a Ph.D.[in electrical engineering] and head of the space systems division was there at my side. When I said, “Okay, here’s the enhanced image, Ku-band mixer we are developing.” And Bud says, “This is just a token effort. These frequencies will never have any commercial value.” Bud almost went to prison in the same case as Visher but got out of it. But he was a brilliant guy. I don’t know what happens to these people. Anyway we – and now Hughes – has made many millions out of Ku Band and stuff.

Hilary: So this was sort of the beginning.

Bob: And I got Bill, I did this just on casual acquaintance with him. I suggested all this stuff and they did it. And years later I was at MCI visiting Tom Lemming, former maverick at Hughes at MCI and Bill comes in to say, “Hi,” and I said, “Bill, I’ve been telling people that I’m the one who gave you the Ku-band idea and so... Was that just in parallel with another group you had working on it or anything like that? ‘Cause I sort of had the feeling I was maybe...(had) kicked this off.” He said, “Absolutely,” he said, “You’re the father of Ku-band. He said, “It wouldn’t have happened if it hadn’t been for you.” Isn’t that something?

Hilary: Isn’t that something.

Bob: This shows that with no authority what you can do at times – and the same thing at OT. We had no authority. We just were right.

Hilary: Well, you had made a great statement actually in these [Tape off.] So.

Bob: Once MCI filed, TCI filed a Ku-band application almost immediately.

Hilary: Uh-huh. Uh-huh.

Bob: And so on and then several other people did.

Hilary: So what gave you the thought that this could work in Alaska where it was such a small market?

Bob: Well, well, Alaska, well, because we were zeroing in, I mean the GCI concept because there was enough business. And I went around talking to Alaska Airlines for example and other people and we knew approximately how much business Alascom had and we did a

little bit, but it was pretty crude but yeah, if... That's the trouble with GTE. They were a big bureaucracy and they wanted absolute proof, you know, that it was risk-free and everything like that and you just can't do that and... but it makes good sense. No, people said, you know nobody in their right mind would have started GCI and that may be true! It's like during World War II, some group did a study of the aerodynamics of a bumblebee.

Hilary: Exactly.

Bob: And proved it couldn't fly but the bumblebee unaware of this, you know, and went ahead and flew anyway.

Hilary: It is like 747's. They are not supposed to be able to fly either.

Bob: No, I know, I know.

Hilary: So you in doing sort of this informal market search focused on companies? Government?

Bob: Yeah, basically business applications. And we thought, I wasn't too (inaudible) not that the switch service, you know, message toll service that the (inaudible) and things would come later, and that is sort of what happened with MCI. We realized as we got started, especially because TCI was interested only in... they wanted to put up only minimal earth stations. The first ones were only Anchorage and Seattle and you remember that when you were down here doing an inaugural party and somebody, you called one of your friends in Anchorage and she said, "Well, I thought you were down in Seattle, it was such a clear circuit." You got to be (inaudible).

Hilary: It's so great.

Bob: That is, yeah. That's because we had digital services with echo cancellers, not echo suppressors.

Hilary: Yeah, well, let's talk about that a little bit. Why was digital so much better than what Alascom had to work with at that point?

Bob: Well, you can't credit digital completely. Alascom's analog circuits were based on earlier technology and they didn't have as much signal-to-noise ratio, you know. Basically, it was just lower-quality service and when you... and design digital circuit we designed high-quality service. And then the process of cancelling echoes is more effective in the digital environment than in an analog one. It's a good question. It is mostly newer versus older, more than it is digital versus analog except that you can do it much more cheaply with digital than analog. Oh, you'd be amazed, Hilary, the equipment for multiplexing phone signals and everything and analog telephone signals. I was in this business of making filters to separate voice circuits; you'd stack a bunch of channels like on a radio

dial, like you'd multiplex 12 phone circuits to run over one coaxial cable and then there'd be a bunch of these cells that would get 48 and groups and super groups and all these things... and each four kilohertz phone circuit will have some filters in cans and each one is built a little toroidal iron cores like little donuts with wire -- thousands of turns of wire wrapped around each one, made to great precision connected to precision capacitors to make completed filters. They weigh many pounds and they're big, complex and expensive.

Hilary: Wow!

Bob: And if you do frequency multiplexing as they had to in the analog days, you had a ton of equipment for 12 channels, you know. And now you can get 1,000 channels on a little (inaudible) multiplex time digital 'cause you don't have any frequency things to worry about, and you have only one filter somewhere else and I'd love for the Seattle museum to show some of this stuff, you know.

Hilary: It would be fabulous, wouldn't it?

Bob: Yeah, yeah. That would be so fascinating. Even since we've been, even in the digital era, Richard used to show our first echo cancellers, we have a rack that, I think, maybe took care of 12 channels and now you have a little card that sits in and it takes care of, I don't know what, 64, you know, and it is just, this is something that I'd really love to try to get this across. And what is digital in the first place and why is it superior?

Hilary: Exactly.

Bob: And another thing on digital, you can correct errors if you have lousy signal. You can check, you can do different kinds of error correction: one is post-error correction, I guess they call it, where you can compare a parity bit with the number of bits that were sent and if it is an odd number of bits -- they have letters, the numbers coded always with odd number of bits this thing -- then if an even number of bits comes through, then you know there is a mistake so you can have it resent. But you can create a matrix of checking for errors and if you have x and y and two signals and you zero in, and you know this is the error so you reverse it and you don't have an error any more.

Hilary: Wow!

Bob: And so you use (forward?) error correction and that just fascinates me and this is done multi-dimensionally. I mean, 12 dimensions. They actually do it... which you can handle mathematically and it is all because of these little computer chips, these little itty bitty chips, and when you're talking on a cell phone, your signal is compressed and coded and this is done you know millions of times a second that you're manipulated. It is just overwhelming.

Hilary: Wow! So GCI, when you were getting set up, had the advantage of coming...

Bob: Using later technology.

Hilary: Later technology which was a huge quantum later, quantum-leap later technology?

Bob: That's right. It just gave us...and then Alascom's system, you know, especially in the Bush and so forth was really pretty thin line and they of course wouldn't use (DAMA). Well, they probably couldn't use DAMA in those days. I insisted they could, but we had big long arguments over that and at the same time Steve Heller said, "Be my guest.

Hilary: So what gave, what got GCI actually going into the market? You didn't get the GSA contract but you got TCI.

Bob: Well, no, we had the funding from TCI and so we (had our) two earth stations and in the process we concluded that it would be far better to do what MCI did and start off with the commercial switched market (conventional dialed-up phone service), especially because we can really price our service lower than Alascom. Alascom was tariff layered and they had...initially you know, you had to dial a local number as I do now when I'm using GCI for long distance and then the number that you want, and then dial in your pin number, your credit card number you know.

Hilary: Uh-huh.

Bob: And because of that additional effort, the FCC allows Class D access, it is called or whatever, self-service at a lot lower rate.

Hilary: It is more hassle but they...

Bob: More hassle but for some reason nearly everybody thought it was worth it. I really don't understand the extent that people (will go) to economize on phone service because it is such a bargain and even now, you know, for saving a few tenths of a cent a minute they'll change carriers or something. So, but... and that would really help.

Hilary: So does Anchorage or Seattle (come) first?

Bob: Seattle first.

Hilary: Back and forth. Uh-huh.

Bob: And that service started in Thanksgiving Day, 1982. We received word from the FCC in early November that we had gotten our 214 authority to operate beginning, I don't know what it, was the 20<sup>th</sup> or something of November. And I said, "Oh, let's just wait until Thanksgiving Day, just so we're emotional or you know..."

Hilary: Symbolic.

Bob: Yeah, symbolic purposes, that's right and so we did. And of course we also had a gung-ho sales group. We really did. And we were David against Goliath and all of that, and of course Alascom suffered the Ma Bell syndrome. You know, everybody hates the telephone company and so we had a real and maybe slightly unfair advantage over them.

Hilary: Talk about that kickoff of service. Everything had been up and tested. You knew it was going to work and how did it begin? Did you have a certain number of subscribers at first?

Bob: Yeah, we had a few hundred subscribers as I recall. I've got the first day's billing tape framed and mounted. We could find that if that is of interest. Things grew very rapidly at first and so and...

Hilary: So the first day it worked, people made calls, it worked, and...

Bob: Well, remember, I guess, this demonstration was probably the weekend before Thanksgiving – it must have been – and you were down here.

Hilary: Right.

Bob: And we kept getting calls, you know. We had a report that somebody had missed his plane and called his wife from here and she said, "What do you mean you're in Seattle?" Same thing you know.

Hilary: It doesn't *sound* like it.

Bob: "You must be calling from a pay phone downtown, what are you up to anyway Henry?"

Hilary: People couldn't believe the good service at that point.

Bob: Well, by today's standards, existing service was pretty lousy and we put up with an awful lot. Of course, we grew up that way, you know, listening to the Bush telegraph and HF radio and all that.

Hilary: It was exciting that first, that beginning.

Bob: Oh, it really was, it really was. I guess I don't think I felt much excitement. It was all sort of matter of fact. We knew it was going to work you know and so on. It was gratifying. I might give you an aside in marketing. Jack Hughes, he was a retired major from the Air Force, no from the Army actually, Signal Corps at Elmendorf. I met him I think when I was trying to assess the private-line climate or maybe I knew him from OT days, I don't



recall. Anyway we hired him to be our first marketing director and VP later. And a year or two after we got started, he wanted somebody, a real salesman type, huckster, to help pull the people together. That wasn't much later.

Anyway, he got this guy from Dallas, Texas, who worked for a interconnect company, a little telephone company down there, a competitive one, you know, and they had gone belly up. His name was Ernie Phillips and Ernie had a thin mustache and a pompadour hairdo and patent leather shoes and a pinstriped suit with wide lapels and everything you know and Jack said to me, "Listen, would you mind joining us for lunch? He said this guy really sounds interesting but I'm a little uneasy about all this." So I got his resume and we went up to the Tower Club for lunch and I said, "Ernie, you worked for several of these little interconnects that have all gone out of business you know." He said, "I explained all that to Jack," and Jack said, "Yeah, he really has adequately. Don't worry about that." "Yeah, but then there's this big gap you haven't, you don't show any work for the last year and a half or something on your resume." He said, "Well, my father manages the cemetery in northwest Texas..." or something or other, "And I've been selling cemetery lots. He said, "Now that's a challenge!" And the way he said, "Now that's a challenge," I said, "This is the kind of guy we want."

Hilary: Isn't that funny?! Oh, that's wonderful.

Bob: It really was, and boy, he did wonders. We gave him what we thought was a modest incentive and he ended up making twice as much money as Ron or me. And bought a Rolls Royce.

Hilary: So who did he sell to? Who did he bring on board?

Bob: Oh, I don't know who he brought on board.

Hilary: This consists of government or...?

Bob: No, this was commercial.

Hilary: Commercial. Uh-huh.

Bob: Marketing, residential and all that.

Hilary: Okay, yeah.

Bob: We had Victoria Coustilus and I can't remember who else. We had a wonderful group. Primarily women and they just had a great time. They also had a great time, I realized, they were writing ads in the singles columns and then they'd all jointly review everybody. Every now and then, somebody would bother to go out with one of those creeps.

Hilary: Now, Alascom was not pleased?

Bob: No.

Hilary: At not only your entry into the marketplace but when you got the funding and got it up and running.

Bob: Well, okay to backtrack some. I don't remember what four or six reasons for the antitrust case were, but one of them was the way they tried to obstruct us. They filed all kinds of motions with the Federal Communications Commission to deny our 214 authority and they hamstrung that for many months, causing us to sit around, you know, waiting for approval, especially when we could have gone somewhat earlier.

Hilary: So they not only delayed your getting it, but then, once you got it, they remained unhappy.

Bob: Then once they we got it there was just constant, you know, harassment and obstruction to whatever extent they could do, which is natural, very common in the communication business, especially in a monopoly (situation). When I first started reading the "Yellow Peril" (newsletter) and communication reports when I was at Hughes and I was amazed that ITU or FCC or somebody authorized two additional submarine circuits say between Miami and Nassau and New York... and RCA, AT&T, I mean, ITT. They would all come out of the woods and protest each others' filings and then it was just 'cause the rewards were immense.

Hilary: So the FCC...

Bob: So that was just common to keep biting at everything that anybody else did and so Alascom did that to us and as AT&T did to MCI.

Hilary: And it was really the one way they had to fight which was through the FCC.

Bob: Yeah, right, right. I just don't know too much of that. It really, you know, I guess that's why before we started operating it was a pretty gloomy situation because we were wondering if we were ever going to get permission. At least we had faith that because MCI did, we would and we had some darn good Washington lawyers.

Hilary: And in fact the fact that they were already out there and operating.

Bob: Yeah, yeah. Precedent was established, yeah.

Hilary: So then you counter...then you filed against them for antitrust?

Bob: Well, we filed an antitrust suit in I guess 1986.

Hilary: Right.

Bob: You know based on obstruction and this you got to get, this (story).

Hilary: Yeah, okay.

Bob: Because I was just overwhelmed by the whole thing. We spent, I think, it was a couple million dollars preparing for it and in those days there wasn't a couple of million dollars of TCI's money and (inaudible). We had accounting firms called "damage experts" that specialized in trying to evaluate accurately the amount of damage it cost us. We finally alleged \$30 million of damage to us because of RCA Alascom's actions and some of it was the GSA thing, some of it was obstructing filing. I don't know what the other ones were. We spent many hours doing depositions and taking depositions and trying to find the smoking gun in Alascom's files and found a few. We hired Bill Melody to – I think I mentioned in the OT days I had hired (him) to analyze the industry and thereby raising the ire of the industry and Melody is great. MCI, on their antitrust suit against AT&T used Bill as the master strategist there. So he did the same thing for us, somewhat of a replay of the whole thing. I was going to say we had coaching on how to behave when you're on the witness stand before the jury, and you were told to address your answers to the jury and but talk to the judge also and everything – and we were really prepared. So we came down here (to Seattle) and rented, leased, a bunch of apartments up on Pill Hill for all the managers and legal crew and went down Madison to the courthouse and we fell in love with Seattle, Virginia and I. We all went out to the little neighborhoods. I couldn't get over these little neighborhoods.

Hilary: I know. Seattle is wonderful.

Bob: And the Magnolia one, you know, and there are some out near Lake Washington.

Hilary: Lake Washington. Uh-huh. That's (inaudible) house, yeah.

Bob: I know, it was a body of water. We, Virginia and I, thought, "My God, we just have to retire up here," or something. But I guess it rains more than Virginia can bear, she thinks, but it didn't bother me. Okay, back to the subject here.

Hilary: So you're prepping for...

Bob: Yeah, we had our first day of trial.

Hilary: Jury trial?

Bob: Jury trial, yeah. I guess we spent a few days picking a jury and everything. Our jury experts said they looked like a pretty good jury from our standpoint and we thought we had a pretty good situation. We really were... we were confident. Bill Melody was our first witness and their attorney was Mr. White of a law firm with his name. He was a little dapper octogenarian, I think, a little nice guy with black suit, white hair and so forth and vest, everything just scrubbed clean, pink skin. Wonderful guy, as a matter of fact. We gave our depositions in his office with the Alascom attorneys and Alascom's attorney was –there two Frank Burns in my life. Yeah, it was, from MASH you know the...

Hilary: Character?

Bob: The prissy guy and this guy was the same way. He was a little strange, but oh God, I just got sick of testifying with everybody (inaudible side remark), just lay off, anyway. And we went through all this stuff and I met with Mr. White over there and he was a fine gentleman. Well, finally, at the trial, he was asking Bill Melody questions. Bill was the first witness and wore a Hawaiian shirt, dressed down and just incredibly relaxed. Bill would give these long tutorials on whatever question Mr. White asked him and Mr. White is getting exasperated and his face is getting redder and so forth and he said, "Dr. Melody, on this next question I want you to give me a 'yes' or a 'no' answer and no tutorials," or something like that, you know just yes or no. "Do you understand that?" Bill said, "Yes." White then says, "Isn't it true that in an industry such as this that a larger company because of economies of scale can deliver service at a lower per unit cost than a small company?" This is the standard monopoly argument. And Bill looks at the ceiling and he looks around the courtroom and at the jury, and I thought, "God, what's going on here?" you know. And finally he says, "In theory yes, but in practice no."

Hilary: I love it. I love it.

Bob: Mr. White just went over and sat down and just sat there and Judge John Coughenour finally said, "Mr. White do you have any more?" He said, "No, I've concluded." So Judge Coughenour called a recess and he called us into his chambers and suggested it was time for a settlement. He said he'd reviewed everything and there just wasn't any sense in taking anybody's time. Ron and Alascom worked out the settlement details. We got \$28.5 million out of the 30. Now...

Hilary: And what? I'm sorry. You got 28 and a half million?

Bob: Yeah, and we alleged 30 million damages, so that was just an outstanding result and Ron did one thing. We knew they were in the process of building an undersea cable and we were really worried about that and Ron forced them to agree to let us use the fiber at the most-favored-nation cost, you know, and, boy, that was a stroke of absolute genius 'cause that kept us, allowed us to use the cable where it made a difference, you know, with satellite. So...

Hilary: So Judge John Coughenour was really an important part of that?

Bob: Oh, yeah, yeah.

Hilary: That's what Richard Dowling had said, too. He said, you know, the shuttle diplomacy of the judge going back and forth between the two rooms was just phenomenal.

Bob: Yeah, Richard could probably give you a better picture of all that. I was just... I wasn't too close to it. I started atrophying at that point, I don't know. Oh, it was just so tiresome. In retrospect and honestly, Hilary, I keep thinking I should just call and check that right now. If we had won and if you win an antitrust suit in a jury trial they treble the damages, so we would have gotten \$90 million, but Alascom has the right to appeal, so they would appeal and that would drag it out until we went bankrupt.

Hilary: Yeah and they would have.

Bob: And the judge, the judge obviously realized this and I don't think that displays bias but displays proper justice and so he pressed for a settlement right then and there and they (agreed) almost immediately and we made it. Now somewhere along here before, I believe, before – I'm sure before – the antitrust suit was concluded TCI or WTCI decided to divest itself of GCI and I presume... and you should check this.

Hilary: Okay.

Bob: Ron, Richard, Dan... it was because they thought we were going to be a real liability on their balance sheet you know, their profit and loss statement. It would really affect their earnings to have us fail.

### **End of Tape 3, Side B**

### **Tape 4, Side A**

Hilary: Okay, so during that whole antitrust thing, TCI decided to divest itself.

Bob: Right, right. Well, we were negative. They had poured a lot of money into us and so to avoid having GCI's ledger show on TCI's income, profit and loss statement, they – I'm sure that's the motivation – decided to get rid of us. And so they gave a share of GCI stock to every owner of a share of TCI stock. So suddenly, instead of being under TCI, the shareholders owned us one for one.

Hilary: Right.

Bob: Which is sort of interesting. It is a tax-free technique.

Hilary: Yeah.

Bob: And so there we were. So then Ron's and my warrants were converted back to shares.

Hilary: Uh-huh.

Bob: And we have been that way ever since.

Hilary: Have you thought about looking for another owner, trying to be bought out again? How does that work?

Bob: Oh, we consider everything and we are actively considering everything and we try like crazy to increase the value of the company to its shareholders because that is one of our obligations. We have the shareholders. We have the customers. We have the employees, and also the community at large to consider, and balancing these things off is quite a task. I... well, I can't get specific.

Hilary: Sure. How... what's your relationship with TCI then? How did that continue?

Bob: Well, it is with TCI itself sort of nonexistent. I mean, (I have) no quarrel over that.

Hilary: Right, that's gone and...

Bob: And some of the large shareholders, stakeholders in TCI, are still large shareholders in GCI, but that has changed quite a lot. And we do have TCI and ex-GCI people on our board of directors. Larry Romwell, who is still at TCI, I guess, after all this AT&T purchase and everything... I don't know...

Hilary: Yeah, yeah.

Bob: ...is on our board. Don Fisher, who (was) the chief financial officer of TCI and retired totally, is on our board. We are going to have a board meeting on November 18<sup>th</sup> or something at his golf course in Palm Desert, California, that he owns; and Carter Page, who (was) the president of WTCI and now retired, is our chairman.

Hilary: Huh, uh-huh. So that connection has stayed on many levels.

Bob: Yeah, yeah.

Hilary: So the antitrust settlement came...

Bob: That came in '88.

Hilary: That came in '88 and what did that... what happened after that? I mean, clearly then you didn't have the same kind of...

Bob: Well, it was clear we were established and we were independent, traded on the market, and we had arrived. We had gotten through our adolescence, I guess, and we were (in) early adulthood.

Hilary: GCI's moved onto the legitimate radar screen at this point?

Bob: Well, of course, by then we built... now this is – see, this is where I am just no good – we built the Fairbanks and Juneau earth stations and had a number more scattered around the state. And I am really just... you know, shortly after that I retired and I had (discusses medical issue).

Hilary: Wow! Was that here?

Bob: That was in Anchorage, yeah.

Hilary: In Anchorage, wow.

Bob: Yeah, yeah, John Gerster. He is a college buddy of Ron's. He's an (internist) doctor and, yeah, he really did save my life and especially because Vernon Gates, the old doctor was (his) partner and, I guess, (a) senior partner with John at that time. I mentioned him once. "Oh, he is always doing things like that you know," said Dr. Gates, very disapproving.

Hilary: Oh, no.

Bob: And I didn't say, "Look, you old coot."

Hilary: You're even pretty terrific at that point.

Bob: Saved my life, yeah. Well, we talked to a doctor of our friend in California. He said that really was ingenious. He said nobody was doing that at that time.

Hilary: Wow!

Bob: That was really just unique.

Hilary: I'll be a guinea pig in situations like that.

Bob: Yeah, yeah.

Hilary: Yeah, yeah. So you retired – but obviously you're still around!

Bob: Well, I was getting... I was just... this stuff was just not interesting to me, you know, all the corporate battles and all that, and so I actually retired in '89 and Ron became president. And then I went over to (Australia for) six months, and I'm on retainer still and I was really pretty active for a while but went to Australia for six months in 1990, worked

with Bill Melody. Communication... hired for internet, no: international research communication information technology, CIRCIT, C-I-R-C-I-T, and that was really great.

Hilary: It is great to have a perspective from down under.

Bob: (An) academic atmosphere and then we had...the supply closet was filled with wine, so...

Hilary: Well, at this point still you're interested up until you actually took retirement – the exciting thing, it seems to me, for you with GCI was not only putting the company together but all the technology that you now had at your fingertips.

Bob: Yeah, right, right, right. And, of course, expanding out into the smaller communities. And, of course, we had to purchase increasingly expensive and complex switches to handle the traffic, and (to) work out agreements with other carriers to carry the traffic, all over the country and all over the world – which, of course, we had to have right at the beginning too, but that's very common...

Hilary: Right.

Bob: ...with everybody that carries everybody else's traffic. We can cooperate really quite well behind the scenes in engineering and operations spaces – and fight tooth-and-nail for the market.

Hilary: This fascinates me. It seems to be true in broadcast. It seems to be true in the telephone industry, all the crafts, communication...

Bob: If there is an emergency, if a fiber gets cut or satellite goes down, the other carriers really pitch in – and that is really wonderful.

Hilary: I find that fascinating that here the engineers in the back room are all exchanging equipment and helping each other out while on the marketing and business side they are going at each other tooth-and-nail.

Bob: Yeah, right, right.

Hilary: So that was true on the engineering side?

Bob: Yeah, I would say with Alascom engineers, we didn't have much cooperation in the early days, but they had to let us use their fiber and so forth, and we felt like failures and so forth – and now we are really working together very closely trying to share fibers and everything, backing each other up.



Hilary: What were the big technological leaps that GCI could take advantage of? You came in with digital so you started off...

Bob: Yeah, we were, I am quite certain, the first company to be all digital. Now that isn't saying much when you think about a link between Seattle and Anchorage, but still I'm positive – well, I can't be positive... But, well after that, it was more evolutionary rather than revolutionary, I'd say. Improvements in echo-cancelling techniques, higher efficiency coding techniques. We're getting more channels through transponders on satellites with higher-power transponders and so on, but nothing... In general, everybody goes along together in these things because everything needs to be sort of compatible. That's one thing in the telephone business: you have to be able to transfer signals from one company to another and so standardization is pretty nearly a hundred percent.

Hilary: But when you have a situation like where Alascom inherited a lot of original White Alice from the military –

Bob: Well, you eventually phase it out and, of course, they phased out the White Alice and everything. We no longer have a wireline telegraph system.

Hilary: Right, right.

Bob: Billy Mitchell's system.

Hilary: Yeah. Well, you know, that's true. I was thinking about the analogy with the computer industry too, and everything from VCRs... at some point there has to be a standardization.

Bob: Yeah, yeah, right, right.

Hilary: So equipment could communicate with other people's systems. When you look at GCI's system now what are the sort of the high points of it technically? It is... you are using DAMA (Demand Assigned Multiple Access), right?

Bob: I'm not so sure we are any more.

Hilary: Is that old already?

Bob: It isn't so important any more because of the increases in other areas and in higher coding levels. I really don't know. I can't imagine that the original DAMMA couldn't still being used. Richard would know more of that stuff. Why wouldn't it be used? I'm just so far away from this.

Hilary: Yeah, yeah, I'll check with him on the recent stuff. When you look back – I want to go back to the same two questions that you answered before when we were talking about the OT period – and that is: what was your... what's your greatest satisfaction having started GCI and the whole GCI phase of your career?

Bob: The fact that it succeeded and got to where it is. I mean, the fact that we actually did it, you know, that's... and the fact that there really weren't any great surprises. I didn't especially envision a company that would be as comprehensive as we are, but I sort of had the conviction that we would be able to do a better job than anybody else and have since become a major factor – not just a minor player.

Hilary: And the converse of that: what was your greatest challenge?

Bob: Well, the greatest challenge was keeping the company alive during the early days – financing and Alascom's legal maneuvering. Just a continuum, you know.

Hilary: They were always out there, weren't they?

Bob: Well, of course they were. I mean, my God, they were all there was and then we came along – and I can't blame them. Some of the tactics may not have been 100% ethical, but one has to forgive people who are going overboard occasionally, too, you know. You don't hate anybody and I'm just so glad we won the game, you know, in that respect. And I guess I feel sorry for George Shaginaw 'cause George got caught in the middle of all this and so forth... and he is one of the "smoking guns" as something... he had a memo saying, "I don't care how much we lose. We're getting that job." You know, with respect to GSA (General Services Administration). That's probably not even like what he said but effectively it was (a command), "You get this job." And I think that was probably because of me (and GCI). He wasn't going to let me succeed because we had... (he later) became my friend. We had some good e-mail communications recently. I'd love to see him again. I saw him a few years ago – he came through and we chatted for a while.

Hilary: He looks just the same.

Bob: He is a little brassy.

Hilary: Yeah.

Bob: And he, but well, I... During OT days, you know, he used to always joke and say, "I'm going to take Chuck Robinson out for... or Ben Agee or somebody... out for a fishing trip and come back without him because he fell overboard," or something, implying that he probably shoved him overboard... Then, on the small earth station ownership issue, he started wondering why they shouldn't own it and we started arguing about that. And then somewhere in '77, I guess, I decided to move part of the office up to Anchorage because I was spending all my time in Anchorage and that is exactly we had the (falling out). Thought about this a lot. I didn't talk to George about it because he was an adamant Juneaite and I put together a case and talked to Governor Hammond about it at some length, and he said, "By all means," you know. So I did that and that sparked a real revolt with Richard Dowling and Dan Boyette, both GCI employees now. (They) really gave me hell. I had to go down and have a meeting with all the employees and give my reasons and so forth and so I did that. So it sort of split OT into small groups and I fired George's

brother-in-law, Leno Burrel, who wasn't doing a thing. Nobody did a thing and I tried... gosh, it was Rex somebody.

Hilary: Yes.

Bob: He was another incredibly nice guy but I had him write a paper for the PTC Conference, in '82 it was, on something and I edited a collection of about 30 papers on telecommunications in Alaska. Have you seen that?

Hilary: Yes, I have a copy, yeah, that you wrote the forward for, yeah.

Bob: Yeah, and Rex's paper was just absolutely hopeless. I would edit some papers a bit you know and send them back. (On) Rex's, I just said, "Oh, the hell (with it," and) I just totally rewrote it and put his name on it and sent it in and...

Hilary: I'll go back and read that with a new eye. And this...

Bob: Anyway, anyway... then shortly after that, George decided to take the summer off and go fishing and then he came back working for Alascom and so obviously he had been wooed somehow or other and...

Hilary: And this actually goes to the other part of this question, and that is: who were the people along the way in the evolution of GCI who really made a difference?

Bob: Well, Ron Duncan – and Ron is just incredible. He wasn't too active in the first year or two until we got up and rolling. And Richard Dowling, who put the system together; and Jack Hughes, who did our marketing; and then as we went along John Lowber, who is our chief financial officer and who is really a terrific person. Off the record, I mean, he is my choice in some of the significant (ways) and, besides, John is just darn competent and understands the whole company very well. Dana Tindall, who was our master strategist, and (VP of Legal and Regulatory affairs.)

Hilary: And Judge Coughenour had a role.

Bob: Pardon me?

Hilary: Judge Coughenour may have had a...

Bob: Oh, Coughenour. I want... Bill Melody and Judge Coughenour. Poor Mr. White (of Alascom). We have a T-shirt that says that "Seattle campaign" or something "1986 to 1988", it says the ... oh God, Mr. White... oh, shoot. I can't remember it now. He said, "The course of least resistance..." and he used the wrong word somewhere – and now I can't think of what it is. Well, I'll send you an e-mail when I get back to Pasadena and let you know.

Hilary: Okay.

Bob: Isn't that terrible? Isn't that terrible (that I can't remember...)

Hilary: Was there any moment or many moments during the growth of GCI that you thought, "Maybe this won't fly?"

Bob: Well, I didn't have quite that feeling. I felt, you know, that certainly "flying" wasn't 100%, (but) enough so that when, oh, before GCI's divesture by TCI, Ron and I borrowed some money and from GCI and secured it with shares and part of it was guaranteed with our other assets and so forth and part was not – and because I was fairly into my career and Ron wasn't, I sold my ones that were guaranteed because if we had gone down the tubes, I would have lost everything we had – the house and all that – and whereas (for) the other ones, it wouldn't (have been so serious). So that was an indication... that gives Ron more shares than I have now. He has got more and more options than anything else for all his work. And so that's indication that I wasn't convinced we were going to succeed. But I never really thought... well, I never really thought we weren't going to do it. You don't worry about that; you fight for survival.

Hilary: Was there ever a time that you thought maybe it wasn't a good idea or that you should be going in a different direction?

Bob: Oh, I thought sometimes we were going in the wrong direction on some of our strategies and so forth, but I'm not confident enough that I'm right. We fought very hard to get rid of the subsidy, you know, the one that sort of relied on... in starting the company... After we got started, we wanted to eliminate Alascom's subsidy and so we would level the playing field. That we worked on for some time, you know.

Hilary: Talk about that a little bit. That gave them a real edge didn't it, their subsidy from AT&T?

Bob: Yeah. Well, the concept, you know, when we started GCI was that, without the subsidy, we could break even – and once the playing field was level, we would be in a commanding position because we are so much more efficient. And Alascom was getting a total of roughly three-hundred million (dollars) in revenue back in those days, of which 100 million was subsidy payments – so it (to eliminate the subsidy) would be substantial. And my feeling was that if we both got the same subsidy, then we could price way under them. Moreover, (if the) subsidy went away, they'd have to raise their prices. It was sort of naive not to think past that but with that basic principle there, in a competitive market, you can't have such disparity, but it took a long time. It wasn't until AT&T, well, yeah... it wasn't until AT&T bought Alascom...

Hilary: That the subsidy...

Bob: The subsidy went away, but then it became an internal subsidy.

Hilary: Right.

Bob: Now, right at the beginning of that, I started saying, “Why are we going for elimination of the subsidy?” Why don’t we...” Because we were flying in the face of the conventional wisdom that “rural is much harder to serve” and we were maintaining somewhat incorrectly that we could handle rural Alaska, all of Alaska, without subsidy – and you really can’t, but it is close and, of course, if we had the entire state, you know, a monopoly of the entire state (then) we could internally subsidize rural versus...

Hilary: And the truth is it is more expensive.

Bob: It is somewhat, yeah, you know. Some people still argue that and I don’t think Ron would any more, but that was our company philosophy that we don’t need subsidy to the Bush. I thought, why get rid of the subsidy if everybody... if we ask... first of all, you have to overturn the theory that subsidy is not needed.

Hilary: Right, right.

Bob: And so why not just say that GCI obviously should get the same subsidy, basically on a per-minute basis that any other carrier does up here, because of the higher costs – and then that would have been great, but there may be some real flaws in that.

Hilary: That never happened?

Bob: No, I discussed this with our legal crew right at the beginning and they were intrigued, but I guess I didn’t, you know... I wasn’t here that much to really pursue it and I’m sort of sorry I didn’t really pursue it. At least I would have known if I was totally wrong or not, and such. The trouble, of course, is that now they’re internally subsidized and it is the same thing for AT&T. They are stuck with subsidizing to whatever extent it takes. Now AT&T is split up four ways and that is going to be interesting to see what happens. I don’t know. So, we will see. No, I can’t think of any major thing, you know, we have made, but (it’s) past my day, you know... (maybe some) poor decisions in buying some hardware and you don’t always do the best thing and so on.

Hilary: When you look at the situation now with ACS and AT&T and GCI?

Bob: This is, “What goes around comes around,” isn’t it? Having Chuck (Robinson) in this thing...

Hilary: So was Chuck a real major player all the time when you were starting up with GCI?

Bob: I believe so. I think he probably was the mastermind behind all the higher stuff. Ben Agee was president then, but I think Chuck called the shots and sort of feel... and George, then George became president and that...

Hilary: Is there room for three companies in Alaska?

Bob: Yes, I think so, absolutely, yeah. I don't think any of us is optimizing our share of the market in the right way. I start thinking about that. If... it depends on how companies operate basically. There is probably room for three efficient, well-run companies, and I don't know if any of us is efficient and well-run but, I guess, we basically are.

Hilary: What made a difference for GCI? It wasn't just serving the telephone market, was it? You started to expand. You talked about (how) you expanded into...

Bob: Yeah, into cable and Internet and so forth and so on... and we haven't yet gone heavily into wireless and so forth. And it may be (that) acquiring somebody else's system or something is the easiest way there as it was in cable naturally. I guess it is the imagination and creativity of our top management, Ron and Dana and Richard, and the guidance of a competent board of directors.

Hilary: Did you see some of this expansion coming down the road? Cable... you mentioned cable earlier and...

Bob: Yeah, that's something we discussed off and on for a long time and, yeah, you know, we weren't in a position to do it until more recently and so on. Once again, you know, after 1990 or so I just haven't been, I haven't been... only peripherally involved in the developments and you have to give Ron Duncan credit, basically, for the growth of the company. And I like to feel that the body is my spirit and philosophy of fairness and support to the employees as well as the customers – and honesty, integrity, all these things. I mean, a fine company.

**End of Tape 4, Side A**

(Nothing on Tape 4, Side B)