February 10, 2005

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket No. 017

Dear Board Members:

We appreciate the opportunity to comment on PCAOB Rulemaking Docket Matter No. 017, "Proposed Ethics and Independence Rules Concerning Independence, Tax Services, and Contingent Fees." We would like to specifically address the portion of the proposal that would implement Rule 3523, providing that audit firms will not be deemed independent if the firm provides any tax services to selected senior officers of an audit client. We believe that Rule 3523 would disproportionately penalize senior officers of public companies that operate in geographically remote or rural areas and could have a chilling effect on economic development in these regions. In addition, we submit that the proposed *per se* prohibition of such tax services is unnecessary in light of the availability of adequate safeguards to ensure that auditor independence is not compromised, such as those safeguards that permit auditors to provide routine tax services to audit clients.

By way of background, our company is the leading integrated, facilities-based communications provider in Alaska, offering local, wireless and long-distance voice, cable video, data and Internet communications services to residential and business customers under our GCI brand. We are one of approximately one-half dozen public companies in all of Alaska, three of which are bank holding companies. This absence of public companies has also created a paucity of audit firms in the region that are properly staffed to service public companies and their officers. At the moment, KPMG is the only one of the so-called "Big Four" registered public accounting firms that maintains an office in Alaska. KPMG has been our audit firm for the past 16 years, during which time they frequently have provided routine tax preparation services for some of our senior officers.

We are fortunate at GCI to have a management team that is instilled with a unique entrepreneurial spirit. It is this entrepreneurial spirit that often precipitates some rather intricate and involved tax returns that realistically can be prepared only with the assistance of a professional that is well versed in not only the rules and regulations universally applicable to an officer of a publicly held company, but also in certain provisions of Alaska law. For example, one of our senior officers filed a tax return for 2003 that was in excess of 100 pages, covering

issues pertaining to the taxation of deferred compensation and the appropriate taxation with respect to certain capital leases. Although Alaska does not have a state income tax, the return still addressed certain provisions of Alaska law such as the treatment of transactions pertaining to real property located in Alaska. If proposed Rule 3523 were to be implemented, this officer would be required to seek the assistance of a professional in a major metropolitan area outside of Alaska who likely would have a very low level of familiarity with Alaska specific tax issues. Because this officer personally meets several times per year with his tax professional in order to go over the documents, spreadsheets and supporting materials that go into the preparation of such an elaborate return, and further considering the logistical difficulties attendant to traveling in and out of Alaska, proposed Rule 3523 would mandate an unnecessary diversion for our corporate officers.

Another adverse byproduct of proposed Rule 3523 is the chilling effect that it could have on economic development in our region. Given the nature of our business, we have an acute interest in encouraging locally developed businesses to remain in the region during all phases of their maturation process and in encouraging public companies to relocate their operations to Alaska. In furtherance of this pursuit, local officials constantly need to convince businesses that operating out of Alaska will not present any unmanageable logistical issues. This obviously is a somewhat daunting task given our relative geographic isolation. However, when you couple this isolation with onerous and unnecessary regulations such as proposed Rule 3523, then our obstacles become even more formidable.

We would like to stress that we take issue only with the portion of the proposal dealing with the provision of routine tax services to senior officers of an audit client. We applaud the PCAOB's efforts in the proposal to curtail any conflicts of interest between an audit firm and its client that could undermine the integrity of audited financial statements. We have no reservations in concurring with the PCAOB that the audit firm should not be permitted to provide tax advice to senior officers on potentially abusive tax transactions such as tax shelters or other tax-motivated financial products.

The situation is vastly different with respect to the provision of routine tax services, which simply do not create the same "mutual interest" that the proposal is attempting to curtail. The PCAOB's own proposed rules recognize this distinction, in that public companies will still be able to engage their auditor to provide routine tax services as long as the services have been approved in advance by the audit committee. As stated in the PCAOB's initial release for this proposal:

> Research and tax planning in connection with routine and even non-routine business transactions initiated by the audit client generally have not raised auditor independence concerns, except in

> the case of aggressive strategies, and so long as the management of the audit client makes all decisions relating to, and takes responsibility for, both the tax work and the presentation of tax-related accounts and other matters in the financial statements. For example, these types of routine services do not appear to create the *mutuality of interest* that exists with regard to aggressive tax transactions.[1]

We cannot perceive any reason why the situation should be different for the provision of routine tax services to audit client officers. An entity obviously can act only through its natural persons who serve as officers and agents. To allow an auditor to provide routine tax services to its client, but not to the client's officers is tantamount to an assertion that the client's officers are preoccupied only with their own personal tax situations and do not have any sort of vested interest in tax issues of their employer. This assertion could not be further from the truth, especially considering the onus and personal accountability placed on individual officers by the Sarbanes-Oxley Act of 2002.

The underpinning rationale for the rule permitting the provision of routine tax services to an audit client seems to be that any potential conflict of interest on behalf of the auditor can be appropriately managed through audit committee oversight. We would in fact welcome a rule that would extend the audit committee's authority to the approval of routine tax services provided to senior officers. Such an extension would be well within the emerging paradigm of the post-Sarbanes-Oxley Act audit committee as the overall manager of the relationship between the auditor on the one hand and the client and its representatives on the other.

Given the onus and personal accountability placed on modern audit committee members, it would indeed be imprudent to approve the provision of any tax services that could hinder the auditor's independence. As is the case for routine tax services provided to audit clients, installing the audit committee as the gatekeeper for routine tax services to audit client officers should abrogate the need to implement any sort of *per se* prohibition. Even if the audit committee were to be derelict in its oversight duties, Securities and Exchange Commission Rule 2-01(b) would continue to render an auditor as not independent if "a reasonable investor with knowledge of all relevant facts and circumstances would conclude that the accountant is not capable of exercising objective and impartial judgment." The upshot of this discussion is that the PCAOB and the Securities and Exchange Commission have a full panoply of available

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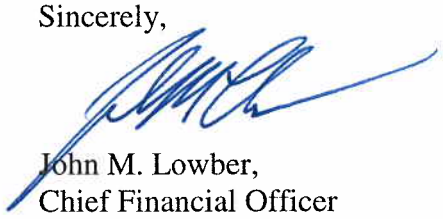
[1] PCAOB Release 2004-105 (the "Release"), December 14, 2004, at page 15 (emphasis added). *See also* the Release at page 7 (providing that the Securities and Exchange Commission does not consider "conventional tax compliance and planning" to be a threat to auditor independence).

safeguards at their disposal to address any perceived independence issues and there is simply no need to implement a *per se* prohibition of the provision of tax services to senior officers.

In case the PCAOB does elect to implement proposed Rule 3523, we would like to provide one additional comment that is not unique to companies located in geographically remote or rural areas. Our auditor has expressed an opinion that under the proposal it would not be able to have any contact whatsoever with our officers with respect to their personal tax situations, even if the communication relates only to past periods for which the auditor has provided tax advice. This would preclude each of our officers from contacting our auditor about their personal tax situations even if any such officer becomes subject to an audit for a period in which he or she received tax services from our auditor. If the PCAOB does implement the proposed prohibition, we would urge it to explore an appropriate exemption for tax services related to prior tax years.

Please contact me at (907) 868-5628 or our Chief Executive Officer, Ron Duncan, at (907) 868-5640 if you would like to discuss the views raised by this comment letter. We would also welcome the opportunity to travel to Washington to personally present our position on the proposal to the PCAOB.

Sincerely,



John M. Lowber,
Chief Financial Officer