

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
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	)	
Section 43.62 Reporting Requirements for U.S. Providers of International Services	)	IB Docket No. 17-55
	)	
	)	
2016 Biennial Review of Telecommunications Regulations	)	IB Docket No. 16-131
	)	

**VERIZON COMMENTS**

As it proposes, the Commission should eliminate the annual international traffic and revenues report and eliminate or streamline the annual international circuit capacity report.<sup>1</sup> The Commission no longer relies on the former to serve the public interest and benefits very little (if at all) from the second – yet they require providers to spend hundreds of hours to prepare and file. Eliminating these reports will significantly reduce burdensome paperwork obligations without undermining the agency’s mission to protect consumers from harm in international telecommunications services.

**I. THE COMMISSION SHOULD ELIMINATE THE INTERNATIONAL TRAFFIC AND REVENUES REPORT**

The Commission traditionally used the international traffic and revenue reports to monitor international settlement rates, including enforcement of the Commission’s competitive benchmarks.<sup>2</sup> The Commission, however, has determined that most routes are competitive and

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<sup>1</sup> *Section 43.62 Reporting Requirements for U.S. Providers of International Services*, Notice of Proposed Rulemaking, 32 FCC Rcd 2606 (2017) (“*Int’l Reporting NPRM*”).

<sup>2</sup> *See, e.g., Int’l Reporting NPRM*, ¶ 4.

ended its International Settlements Policy.<sup>3</sup> Yet despite that finding, the Commission still requires providers of international telecommunications services, including providers of international interconnected VoIP, to report annually their traffic and revenue for international voice services, international miscellaneous services, and international common carrier private lines.<sup>4</sup> The Commission staff then compile and analyze this information to publish Traffic and Revenues Reports which, at an earlier time, it used to assess competition on each route. No longer. As we confirm below, the *Int'l Reporting NPRM* correctly concludes that the burdens of producing the report far outweigh its purported benefits.

**A. The Burdens of Producing This Report Are Substantial**

The Commission's estimates on the burdens to prepare and file this report are substantially understated. While the Commission appropriately considers the burden on providers to comply with a requirement as a part of its analysis whether these reports continue to serve the public interest,<sup>5</sup> those estimates need to be accurate. The Commission currently estimates that providers will spend 203 hours annually for all aspects of this filing.<sup>6</sup> But as the NPRM notes, providers in fact spend far more. Verizon, for example, expends over 600 hours of employee time to prepare the

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<sup>3</sup> See *id.*; see also *International Settlements Policy Reform; et al.*, Report and Order, 27 FCC Rcd 15521 (2012).

<sup>4</sup> 47 C.F.R. § 43.62(b); *Int'l Reporting NPRM* ¶ 1. We note that the Commission appropriately recognized the limited value of this data and the enormous burden it imposes when it temporarily waived the filing obligation. See *Section 43.62 Reporting Requirements for U.S. Providers of International Services*, Order, IB Docket No. 17-55, DA 17-406 (May 1, 2017) (waiving the obligation to file the Traffic and Revenues report until 60 days after a Commission Order on these reporting requirements).

<sup>5</sup> *Int'l Reporting NPRM* ¶ 16.

<sup>6</sup> *Id.* ¶ 16.

international traffic and revenue reports each year – over three times the estimated burden.<sup>7</sup> And, AT&T has asserted that the burden is approximately 50 percent greater than the Commission estimates.<sup>8</sup>

Verizon’s process for developing the data required for this annual report is similar to that outlined by AT&T.<sup>9</sup> As detailed in the attached Declaration, the complexity of the data required by this report requires significant staff resources.<sup>10</sup> For example, Verizon pulls some of this data from numerous internal data sources and systems on a monthly basis throughout the year. Further, to ensure accuracy and consistency, we engage in the time-consuming task of validating and reconciling our numbers, including supervisory review, at each stage of data collection and analysis. Further, we note that standard turnover and job rotation within the company requires a near constant re-education of experts and managers in the relevant business units, further adding to the accumulated effort required to produce consistent, certified reports to the Commission. This time and effort consumed by the production of this report has a real cost because it distracts focus and diverts resources from providing the competitive international communications services at issue.

#### **B. Eliminating This Report Does Not Cause Any Harm**

In addition to the Chairman’s statement that “the Commission doesn’t need this information in order to discharge its duties,” these reports are not otherwise particularly useful, especially in

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<sup>7</sup> See Attachment A, Declaration of Robert Mutzenback, ¶ 7 (“Mutzenback Decl.”).

<sup>8</sup> *Int’l Reporting NPRM* ¶¶ 12, 16; Ex Parte Letter from Amy Alvarez, AT&T, to Marlene H. Dortch, FCC, IB Docket Nos. 17-55 & 16-131 (March 22, 2017) (“*AT&T March 22 Letter*”) (estimating an annual burden of “approximately 300 hours,” excluding revisions and other several other factors).

<sup>9</sup> See *id.*

<sup>10</sup> See Mutzenback Decl.

comparison to more timely commercial sources of data on industry traffic and revenue.<sup>11</sup> For example, reports like the GW Tracker report or Ovum Global Wholesale reports provide market detail and analysis of global voice and other markets and are available on a monthly or quarterly basis.<sup>12</sup>

As the Commission recognizes, these international services are highly competitive. Recognizing this, the Commission has correctly moved from a highly regulatory to a highly dynamic, market-driven regime.<sup>13</sup> Should a specific market deteriorate, the Commission maintains authority separate from these reports to investigate possible anti-competitive activities on U.S.-international routes, including the ability to request traffic and revenue information.<sup>14</sup> Further, carriers have a process in which they can raise concerns about competitive problems, such as above-benchmark routes, to the Commission for review and possible remedial action.<sup>15</sup> And if, in the course of such a review, the Commission requires specific data for a particular investigation, it has mechanisms by which it can request data maintained in the ordinary course.<sup>16</sup> Thus, the

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<sup>11</sup> *Int'l Reporting NPRM*, Statement of Chairman Pai.

<sup>12</sup> Global Wholesale Tracking Service, “Service Description,” <https://www.gwtracker.com/service.aspx> (last visited May 17, 2017) (“GWTracker is a market tracking service designed to provide member carriers with timely and accurate data on their performance in the global wholesale industry each month. It is a valuable, analytical tool that provides comparative data on 1000 + routes, highlights industry trends, and can help a carrier in its tactical and strategic decision making.”); Ovum, “Wholesale International Voice Market Outlook: 2016–21,” <https://ovum.informa.com/resources/product-content/te0012-000595> (last visited May 17, 2017).

<sup>13</sup> *Int'l Reporting NPRM* ¶ 4.

<sup>14</sup> *See id.* ¶ 19.

<sup>15</sup> 47 C.F.R. § 63.22(g).

<sup>16</sup> The Commission should not establish *ex ante* requirements for such investigations that would require companies to maintain records or establish standing internal procedures beyond those the company maintains in the ordinary course of business.

Commission retains its ability to act, but without unnecessarily collecting data suited to a bygone era.

## **II. THE COMMISSION SHOULD ELIMINATE THE INTERNATIONAL CIRCUIT CAPACITY REPORT**

In addition to collecting the international traffic and revenues data described above, the Commission also collects data annually on the capacity of submarine cables owned or leased and circuit data for international terrestrial and satellite facilities.<sup>17</sup> As described below, this reporting obligation imposes a burden on providers but provides little benefit to the Commission or public. The Commission should seize this opportunity to eliminate this report.

### **A. The Commission Underestimates the Industry Burden to Produce Data for this Report**

The Commission significantly underestimates the burden of preparing the Circuit Capacity report. The Commission estimates that compiling and filing the required data imposes a total of 14 hours burden on each industry filer.<sup>18</sup> In Verizon's experience, this number is understated by almost a factor of ten.<sup>19</sup> To compile the data required by this report, Verizon engineers must pull data from multiple systems, disaggregating data that does not natively exist in our business systems by comparing multiple data sources. Verizon employees devote a total of more than 14 days to compile this report – well over 100 hours.<sup>20</sup>

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<sup>17</sup> 47 C.F.R. § 43.62(a); *Int'l Reporting NPRM* ¶ 5.

<sup>18</sup> *Id.* ¶ 22.

<sup>19</sup> *See* Mutzenback Decl. ¶ 10.

<sup>20</sup> *Id.* Verizon's internal certifications and other federal requirements, such as *Sarbanes-Oxley* requirements, require strong internal procedures.

**B. There is Limited Justification At Best for Maintaining the Circuit Capacity Report and Eliminating the Report Will Not Cause Harm**

The Circuit Capacity report is redundant of other information the Commission has. As such, there is not a reasonable benefit gained by the costs submitting this report imposes on service providers. The Commission should eliminate this report, or at the very least, streamline it substantially.

1. *There is Limited Justification for Maintaining the Circuit Capacity Report*

While the Commission has used this report in the past to review international transport markets and regulatory fee assessments, it has other sources for the same information. First, the Commission has observed that information in the circuit capacity report may help it to understand U.S.-international transport markets. In particular, the Commission says it has used this information in considering the facilities-based competition on major international routes, assisting its review of mergers, applications for entry by foreign providers, and for national security and public safety.<sup>21</sup> But the Commission already obtains and maintains ownership data about undersea cables, satellites, and other international facilities through its separate cable landing license and satellite license processes. The ownership of these facilities, thus, is already known to the Commission and is updated when changes occur. Moreover, the Commission retains the ability to request information from undersea, terrestrial and satellite providers whenever it has a specific need. For example, the Commission in the past has sought the information it needs from third parties in its merger review process. Likewise, carriers can provide useful data should a specific competitive, national security, or other policy issue arise on a particular cable route or region. Removing the report will not diminish the agency's ability to obtain and understand data when needed.

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<sup>21</sup> See *Int'l Reporting NPRM* ¶¶ 5-7.

Second, while the Commission currently bases its regulatory fee assessment for certain facilities on information derived from this report, it has providers file the same information with its regulatory fee submissions.<sup>22</sup> And again, the Commission has other sources of information to support its regulatory fee assessments. Many international circuit fees are system-based, rather than capacity-based, making the Commission’s licensing system more than adequate to identify facilities. And alternative payment schemes can be derived for any remaining fees. For example, parties have already suggested in the regulatory fee context alternatives to a capacity-based regime, such as flat-rate fees, or just having carriers self-report their active capacity at the time of the regulatory fee filing, as the Commission notes in the NPRM.<sup>23</sup> Moreover, for regulatory fees on cable systems, virtually every system today operates at capacities that exceed the highest 20 Gbps benchmark for regulatory fees and thus pays the same fee amount, making the capacity certification both unnecessary and redundant.<sup>24</sup>

2. *If the Commission Retains the Circuit Capacity Report, It Should Streamline the Report in Several Important Ways*

Should the Commission determine to maintain the Circuit Capacity Report in some form, the Commission at a minimum should streamline several burdensome elements. Based on Verizon’s experience filing this report as both a cable operator and a significant capacity holder in each of the Commission’s identified global regions, the following modifications would reduce the burden on industry filers.

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<sup>22</sup> See *Assessment and Collection of Regulatory Fees for Fiscal Year 2016*, Report and Order, 31 FCC Rcd 10339 (2016) (“*2016 Regulatory Fees Order*”).

<sup>23</sup> See *Int’l Reporting NPRM* ¶ 27.

<sup>24</sup> See *2016 Regulatory Fees Order*, at App. C; *FY 2016 Regulatory Fees; Listing of Submarine Cable System Owners*, Public Notice, at Att. “International Cables Operational on December 31, 2015” (Sept. 7, 2016) (showing only two out of 42 cable systems report less than the highest capacity threshold).

First, this report requires holders of capacity on cables to report the amount of active and inactive capacity held. The Commission should eliminate the required breakdown of net capacity by cable ownership, IRUs, and inter-carrier leaseholds.<sup>25</sup> Capacity holders could still report the total net capacity of their holdings on each cable system (the sum of the three sub-categories we propose not to report), broken down by activated and non-activated capacity. The need for the breakdown of net capacity by type of ownership accomplishes little, but adds complexity to the data collection process.<sup>26</sup> Eliminating this aspect of the filing will save providers time and effort yet would continue to provide the Commission with total cable capacity information, assuming such needs are justified.

Second, the report requires cable operators to show available current capacity on the reporting date and planned capacity for two years from the reporting date. The Commission should eliminate the requirement to provide an estimate of planned capacity in two years.<sup>27</sup> There is no reason or justification for this information and it harkens back to an era of government-managed industrial policy that does not reflect the competitive market today.<sup>28</sup>

Finally, should the Commission maintain a requirement to collect circuit capacity

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<sup>25</sup> We note that this requirement does not require a rule change because this level of detail was not codified. See 47 C.F.R. § 43.62(a)(2)(ii). See also *Reporting Requirements for U.S. Providers of International Telecommunications Services*, Second Report and Order, 28 FCC Rcd 575, ¶ 100 (2013) (“2013 Int’l Reporting Requirements”) (describing the requirement, but not discussing a rationale for including this detail); *Filing Manual for Section 43.62 Annual Reports February 2015*, DA 15-206, ¶ 138, (Feb. 13, 2015) (“*Filing Manual for Section 43.62 Annual Reports*”).

<sup>26</sup> In addition, the process introduces problems caused by rounding very small numbers and the dual summation requirements, *Filing Manual for Section 43.62 Annual Reports*, ¶¶ 138-39. As discussed above, eliminating the need for the disaggregation of owned, IRU, and leased circuits eliminates this problem.

<sup>27</sup> 47 C.F.R. §43.62(a)(2)(i).

<sup>28</sup> See *2013 Int’l Reporting Requirements*.



information, the Commission should improve its systems and processes in simple ways that would save filers time and resources. Providers are currently required to certify the accuracy of its filings.<sup>29</sup> But the Commission's data submission portal does not enable our certifying officers to review and certify the report in a uniform, printable, and recordable manner. Rather than rely on screen shots that do not capture information in a consistent and complete manner, the Commission could improve its portal to include a feature that permits a filer to readily print a consistent copy of the entire draft filing for internal certification purposes.<sup>30</sup>

### III. CONCLUSION

The Commission should eliminate both the annual traffic and revenues reporting requirements and the annual circuit capacity reporting requirements applicable to U.S. providers of international services.

Respectfully submitted,

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<sup>29</sup> *Filing Manual for Section 43.62 Annual Reports*, ¶¶ 32-35.

<sup>30</sup> For example, the filer summary pop-up no longer visibly shows any of the submarine cable licenses – only 214 authorizations – and these print a differing number of 214 authorizations depending upon the web browser used.

**ATTACHMENT A**

**DECLARATION OF ROBERT MUTZENBACK**

## **DECLARATION OF ROBERT MUTZENBACK**

1. My name is Robert Mutzenback and I am the Director of Tax – Regulatory at Verizon. In my current position, I am responsible for the appropriate collection and remittance of various governmental taxes and fees assessed on Verizon and the collection, certification, and submission of several periodic reports required by regulators, including the Federal Communications Commission (FCC). Among these responsibilities, I am the certifying officer for the accuracy of the FCC’s International Traffic and Revenues report and the International Circuit Capacity report, filed pursuant to FCC Rule 43.62.
2. The purpose of my declaration is to describe the work that I, my team, and other colleagues at Verizon do to file the annual Section 43.62 reports with the FCC.

### Traffic and Revenues Report

3. My team organizes the collection of data for the Traffic and Revenues report from different work units at Verizon, compiles and analyzes the data, and performs the data modelling necessary to derive the revenue and costs of providing international telecommunications services. Finally, my team ensures that internal certifications are secured from all cooperating business units; finalizes, formats, and files the report; and ensures that we maintain proper records of our filings to meet Commission and internal document retention requirements.
4. This report requires a significant amount of effort by my team and others at Verizon. A complicating factor is that the underlying data from which Verizon derives this report comes from several data sources within different units of our business. For example, the international finance team must pull traffic, inbound revenues, and other data on a monthly basis and analyze it for correctness. These data come from a myriad of systems that track the network traffic, financial returns, and individual carrier billing to provide the traffic and inbound revenue information on an individual country-by-country route specific basis. Then, the Tax – Regulatory organization must develop and add in estimates for outbound revenues, based on complex, country-specific modelling.
5. At each step, these data are reviewed, validated, and certified by the managers who oversee the development of this report and its data inputs. This validation and reconciling of our numbers, including supervisory review and constant comparison to General Ledger entries, takes substantial time.
6. Ultimately, the data is then aggregated, formatted, and certified for filing. In addition to the time spent collecting and processing this data, standard turnover and job rotation within the company requires a near constant re-education of experts and managers in the relevant business units, further adding to the accumulated effort required to produce consistent, certified reports to the Commission.

7. I estimate that the total effort required to collect, evaluate, aggregate and disaggregate this data, format and certify its accuracy, and file the report by Verizon's primary international carrier business unit involves at least a dozen different people from several different business organizations within Verizon, including two on my own team.
8. For the primary international carrier business, I estimate that Verizon devotes at least 4 months (i.e., over 600 hours) of employee effort annually to produce the Traffic and Revenues report. I also oversee the traffic and revenues report filings by other Verizon entities, including the domestic wireless and incumbent local exchange companies that must separately report resale minutes, requiring approximately 40 additional hours of employee time annually. Verizon estimates that in a typical year, its combined annual effort to compile and report the required traffic and revenues data approaches or exceeds 600 hours of employee time.

#### Circuit Capacity Report

9. My team also organizes the collection and filing of data for the Circuit Capacity report from different work units at Verizon. My team ensures that internal certifications are secured from all cooperating business units, finalizes, formats, and files the report, and ensures that we maintain proper records of our filings to meet Commission and internal document retention requirements.
10. Collecting this data involves working with engineering teams in three different business units to pull together the required information. Verizon engineers must pull data from multiple systems, disaggregating data that does not natively exist in our business systems by comparing multiple data sources. Much of this effort results from the need to identify in various systems how the capacity is owned or obtained from others. Verizon employees devote approximately 9 employee days (i.e., 72 hours) annually to the collection, review, and verification of the data. Additionally, partly due to formatting limitations in the Commission's filing portal, an additional 5 employee days (40 hours) are devoted to formatting, certifying, and submitting the data.

I certify under penalty of perjury that the foregoing is true and correct.

May 17, 2017

  
Robert Mutzenback