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

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Federal Communications Commission
Office of Secretary

In the Matter of:	)	
	)	
Implementation of the Telecommunications Act of 1996:	)	CC Docket No. 96-193
	)	
Reform of the Filing Requirements and Carrier Classifications	)	
	)	
Anchorage Telephone Utility Petition for Withdrawal of Cost Allocation Manual	)	AAD 95-91

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REPLY COMMENTS
OF THE
UNITED STATES TELEPHONE ASSOCIATION

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November 5, 1996

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SUMMARY

The Commission should implement the Act in a manner consistent with the pro-cmpetitive, de-regulatory objective of the Act and reduce and/or eliminate current regulatory requirements imposed on incumbent LECs. In order to meet that objective, the Commission should adopt the following recommendations.

The Commission should increase the current reporting threshold to exempt those companies with less than two percent of the Nation's subscriber lines installed in the aggregate nationwide from any CAM or ARMIS requirements. This is consistent with Congressional intent as specified in the Act and the Commission's intent not to impose regulatory burdens on small and mid-sized incumbent LECs.

Further, new or competitive LECs should have the same reporting requirements as incumbent LECs to avoid conferring a competitive advantage on one class of competitor.

The existing sixty day notice requirement for CAM changes should be eliminated as it is contrary to the requirements of the Act. Since no party supported the Commission's alternative that LECs be required to file a waiver, there is no basis to adopt that alternative. The waiver process only adds delay and burdensome regulation.

A common reporting date for all ARMIS reports should not be adopted. The Commission should instead adopt USTA's proposal to require LECs to file the financial reports on April 1 and the infrastructure reports on July 1.

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REPLY COMMENTS
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The United States Telephone Association (USTA) respectfully submits its reply to the comments filed October 15, 1996 in the above-referenced proceeding.

In its comments, USTA urged the Commission to reduce and/or eliminate current regulatory requirements for incumbent local exchange carriers (LECs) consistent with the de-regulatory objective of the Telecommunications Act of 1996. In order to accomplish that objective, USTA recommended that the Commission increase the reporting threshold to exempt those companies with less than two percent of the Nation's subscriber lines installed in the aggregate nationwide from any Cost Allocation Manual (CAM) or ARMIS requirements. In addition, USTA proposed that the Commission eliminate the sixty day notice requirement and that the Commission adopt the filing schedule for ARMIS reporting specified in USTA's comments. USTA will address these issues in its reply comments.

I. RAISING THE REPORTING THRESHOLD IS CONSISTENT WITH THE ACT AND IS NECESSARY IN AN INCREASINGLY COMPETITIVE ENVIRONMENT.

As USTA pointed out, the current threshold for reporting is inconsistent with the intent of the Act and must be raised to comply with Congress' intent to reduce current regulatory burdens, particularly on small and mid-sized LECs. USTA explained that Congress specifically recognized that small and mid-sized LECs cannot be expected to compete against large, global businesses without regulatory relief. USTA also observed that the Commission itself never intended to impose the same reporting requirements on small and mid-sized LECs as it did on larger entities. USTA strongly urged the Commission to exempt those LECs with less than two percent of the Nation's subscriber lines installed in the aggregate nationwide from the reporting requirements.[1]

Pacific Telesis also commented on the need to raise the reporting threshold. "Moreover, Congress clearly distinguished large carriers from other carriers, for example, by enacting the interconnection exemption for companies with less than 2% of the national access lines. The $100M threshold set in 1988 may no longer accomplish the Commission's intent of exempting some carriers from the previously cited reporting and auditing requirements of the Commission's rules. Moreover, the Commission has increased incentive to be sure that its regulations are fair to small and mid-sized carriers when their competitors are not also subject to those rules. As Competition increases in small and mid-sized carriers' markets, their burden will take on greater disadvantgages."[2]

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[1]USTA at 2-5.

[2]Pacific Telesis at 6.

Other carriers supported USTA's recommendation to change the current reporting threshold. Anchorage Telephone Utility stated that, "[i]t would also provide the Commission with meaningful information on the telecommunications market, enable the Commission to focus its enforcement efforts where the consequences of non-compliance with its rules are greatest, and relieve smaller local exchange carriers from burdensome reporting and filing requirements of marginal value at best."[3] Cincinnati Bell observed, "[this] recommendation will lower administrative costs and regulatory burdens currently imposed upon small and mid-sized companies which will allow these carriers to fully compete in the emerging competitive market for telecommunications services."[4] USTA strongly urges the Commission to change the threshold as recommended by USTA and other parties.

Teleport requests clarification that the reporting requirements only apply to incumbent LECs regardless of competitive local exchange carrier (CLEC) revenues.[5] Teleport offers no evidence to support its argument except to refer to the NPRM which in turn provides no evidence as to why the CAM and ARMIS reporting requirements should only apply to incumbent LECs.

Requiring only incumbents to file CAMs and ARMIS reports is contrary to the development of fair competition. Such reports provide a great deal of information regarding costs, revenues, facilities and operations. In any other competitive market, this information would not be required at all, let alone from only one class of competitor because it would give

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[3]Anchorage Telephone Utility at 2.

[4]Cincinnati Bell at 8.

[5]Teleport at 4.

the other market participants a competitive advantage. This is particularly true for smaller incumbent LECs. As Anchorage points out, "in smaller companies, there are fewer opportunities to aggregate information on costs, revenues, facilities and operations, so that the ARMIS reports are even more revealing. If only incumbents are required to file ARMIS reports and cost allocation manuals, then their new competitors will have the incumbent's highly sensitive business information, but will not have to reveal their own comparably sensitive business information. Especially for smaller incumbent local exchange carriers, the result is unfair, and it potential impact on competition is severe".[6] The Commission should not apply more burdensome requirements on incumbent LECs.

II. THE EXISTING SIXTY DAY NOTICE REQUIREMENT FOR CAM CHANGES SHOULD BE ELIMINATED.

Many parties agreed that the existing sixty day notice period for CAM changes is contrary to the Act and should be eliminated.[7] While it is not surprising that the competitors of incumbent LECs would recommend that the notice period be retained, for they know the advantage they have in the marketplace if incumbent LECs are burdened by unnecessary regulation, none offered any reasonable explanation as to why it should be retained.

No party supported the Commission's proposal that, in the alternative, LECs be required to file a waiver if any CAM change is to be implemented during the year. The waiver process is

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[6]Anchorage at 6.

[7]USTA at 6, Ameritech at 2, Bell Atlantic at 2, BellSouth at 4, Cincinnati Bell at 7, GTE at 1, Southwestern Bell at 2 and U S WEST at 3.

unduly burdensome and will only serve to delay incumbent LEC operations since the Commission is under no time constraints to act on a waiver. As Sprint explained, the waiver process will not accelerate deployment of advanced telecommunications and will not foster competition as the Act intends.[8] The Commission should require that the CAM be updated on or before the last working day of the calendar year for all changes that were effective in that calendar year. The annual filing could indicate the changes that were implemented and the effective date. LECs could provide the Commission with preliminary notice of significant CAM changes on an informal basis, so long as the changes were kept confidential.

III. A COMMON REPORTING DATE FOR ALL ARMIS REPORTS SHOULD NOT BE ADOPTED.

The Commission should adopt USTA's proposal to require LECs to file the financial reports on April 1 and the infrastructure reports on July 1. As USTA explained a common filing date would be unduly burdensome for incumbent LECs. There is no need to add specific report numbers to the Commission rules as suggested by Sprint.[9] This would only serve to eliminate the ability of the Commission to consolidate the reports except by specific rulemaking. The Commission should make every effort to consolidate redundant reporting requirements and to eliminate specific data that is no longer necessary or meaningful.

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[8]Sprint at 2-3.

[9]Id. at 3-4.

IV. CONCLUSION.

The Act requires that the Commission reduce and/or eliminate regulatory burdens on incumbent LECs as it seeks to promote fair and efficient competition. The adoption of USTA's proposals, as discussed in its comments and replies, will serve that objective.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, David L. Anderson, do certify that on November 5, 1996 Reply comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.

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