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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

In the Matter of	)	
	)	
	)	CC Docket No. 98-117
1998 Biennial Regulatory Review --	)	
Review of ARMIS Reporting Requirements	)	

COMMENTS OF AMERITECH

I. INTRODUCTION AND SUMMARY.

In this proceeding the Commission proposes to modify the reporting requirements of the Automated Reporting Management Information System ("ARMIS") as part of the Section 11 statutory mandate to review all regulations biennially and to repeal or modify those regulations no longer necessary in the public interest.[1] The proposed modifications are "....designed to minimize the reporting burden on carriers, improve the quality and use of the reported information, and reduce the cost to the Commission of collection, verification, and distribution of the data."[2] As with the companion proceeding reviewing the accounting and cost allocation rules[3], the Notice proposes modifications which do not meet the stated design objective and are

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[1] See In the Matter of 1998 Biennial Regulatory Review - Review of ARMIS Reporting Requirements, Notice of Proposed Rulemaking, CC Docket No. 98-117, released July 17, 1998 at paragraph 1, "Notice".

[2] See Notice at 1.

[3] See In the Matters of 1998 Biennial Regulatory Review - Review of Accounting and Cost Allocation Requirements, CC Docket No. 98-81, United States Telephone Association Petition for Rulemaking, ASD File No. 98-64, released June 17, 1998, "the Companion Accounting Proceeding". The Commission recently combined the comment cycle in the ARMIS Notice and the companion accounting proceeding in order to recognize the effect of the accounting proceeding on ARMIS reporting, See Order in CC Docket No. 98-81 and ASD File No. 98-64, released August 3, 1998.

wholly inadequate to the Section 11 mandate. Since all of the ARMIS requirements have their origin in either rate of return/cost of service regulation or price caps with a sharing provision and all were adopted prior to the passage of the procompetitive, deregulatory framework of the Telecommunications Act of 1996 (the "Act"), their continued practical use must be evaluated in the context of changed competitive conditions and regulatory frameworks.

Ameritech[4] fully supports the simplification proposals contained in the Comments of the United States Telephone Association (USTA) filed in this proceeding. USTA's proposed simplification of the ARMIS reports should be adopted and applied to all carriers now. Specifically, Ameritech supports the USTA proposal that a single new annual report, ARMIS 43-00, replace the existing series of financial reports, ARMIS 43-01 (Annual Summary Report), ARMIS 43-02 (USOA Report), ARMIS 43-03 (Joint Cost Report), and ARMIS 43-04 (Access Report), as well as the proposed revisions to the network ARMIS reports 43-05 (Service Quality), ARMIS 43-06 (Customer Satisfaction), ARMIS 43-07 (Infrastructure), and ARMIS 43-08 (Operating Data). Alternatively, and only as a short-term interim step, Ameritech proposes that the ARMIS 43-02 schedules that have both their origin and continued practical significance in rate of return/cost of service cost regulation, be eliminated immediately for no-sharing price cap carriers. These schedules were outlined in the letter from Ms. Robin Gleason, Director - Regulatory Finance to Mr. Kenneth P. Moran dated March 13, 1998 and included in these comments as Attachment A (the "Ameritech Accounting Reform Proposal"). These tables include information which is either available from publicly filed submissions to the Securities and Exchange Commission (SEC) e.g. Table C-4 (Stockholders), or contain excruciating cost of

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[4] Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone Company Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company and Wisconsin Bell, Inc.

service detail, e.g. Table I-7 (Donations or Payments for Services Rendered by Persons Other Than Employees). There is simply no public interest reason to require no-sharing price cap carriers to incur the cost of obtaining, compiling, and reporting this information. Even if this interim alternative is adopted, however, the report simplification and consolidation as outlined in the USTA proposals should be implemented no later than December 31, 1999.

USTA's proposed modifications are consistent with the goals of the Biennial Review to eliminate regulations that are no longer necessary in the public interest. Since the marketplace is becoming increasingly competitive, the continuing need to provide detailed financial and operational information on any class of market participant is no longer necessary. The reporting requirements of the LECs should be no more stringent than for other telecommunications providers.

USTA's proposals recognize the monitoring needs of the Commission for essential information on financials, cost allocations, prices, and service quality measurements. The elimination or reduction of reporting requirements contained in the proposals does not preclude the Commission from obtaining needed information through special data requests on an as needed basis. USTA's proposals reduce the volume and complexity of current standard reports consistent with the statutory mandate. USTA's proposals provide sufficient information for the Commission to meet its enforcement and monitoring responsibilities and should be adopted now.

II. SUBSEQUENT TO REDUCING REPORTING REQUIREMENTS FOR ALL LEC's, PAPER FILING REQUIREMENTS SHOULD BE ELIMINATED.

The Notice proposes the elimination of the paper filing requirements and the transition to an electronic-only reporting system. It is proposed that filed reports would be available through the Internet.[5] Ameritech supports the elimination of the paper filings of ARMIS and an electronic-only reporting system. Paramount and prior to any consideration of the means of filing however, should be the fundamental elimination of

the need for filing any report no longer necessary under the Section 11 mandate. Ameritech estimates that the annual cost of preparation of all current ARMIS reports is approximately $1.7M. Ameritech submits that the costs associated with the preparation and filing of the ARMIS reports, irrespective of the means for filing, is not commensurate with nor required by the public interest benefit derived, especially under a regulatory framework of no-sharing price caps. Contrary to the design goals enunciated in the Notice, the Notice's electronic-only filing and the streamlining proposals neither minimize the carrier reporting burden nor improve the reported information's quality and use. The cost to the Commission may be mitigated somewhat with an electronic-only filing, but the continued filing of the existing reports, regardless of the medium, fails to be in the public interest.

With respect to implementation of an electronic-only reporting system, it is critical that the Common Carrier Bureau work closely with the industry in advance to resolve any firewall, edit check, treatment of proprietary data, and other issues that may hinder implementation.

III. THE PROPOSED REDUCTION IN REPORTING REQUIREMENTS IS INSUFFICIENT TO FULFILL THE COMMISSION'S STATUTORY MANDATE.

The Notice proposes the elimination of selected row and column information related to equal access, inside wire, and payphone investment from the ARMIS 43-04 (Access Report) and ARMIS 43-01 (Annual Summary Report) because the continuing need to monitor and report this

[5] Notice at 2, 3.

information is no longer necessary. The Notice has requested comment on additional streamlining or consolidation proposals.[6] While Ameritech supports the proposals contained in the Notice, they do not go nearly far enough in scope and do not result in minimizing carriers' reporting burden nor improving the quality or use of the information. The USTA proposal for a single ARMIS 43-00 financial report, replacing the ARMIS 43-01 through 43-04, strikes the appropriate balance in eliminating regulations no longer necessary in the public interest, while also meeting the Notice's design objectives to reduce carriers reporting burden, improving the quality and use of the information, and reducing the cost to the Commission.

The Notice proposes no changes to the ARMIS network Reports, 43-05 (Service Quality Report), 43-06 (Customer Satisfaction Report), 43-07 (Infrastructure Report), 43-08 (Operating Data). Ameritech submits that these reports should also be repealed or modified in order to fulfill the Section 11 mandate to review <u>all</u> regulations. While the Common Carrier Bureau did release and receive comment on two Public Notices on all but the ARMIS 43-08, the proposals resulted in an increased reporting burden on carriers through the further disaggregation of reported information.[7] As Ameritech showed in its comments in response to the public notices, no public interest benefits were identified in the proposed new reporting requirements.[8] Ameritech urges the Commission to consider these reports as part of its Biennial Review and to adopt the simplification proposals of the USTA.

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[6] Notice at 4, 5.

[7] See Public Notice, Common Carrier Bureau Solicits Comments on Proposed Modifications to ARMIS Service Quality Reporting Requirements, AAD File No. 98-22, released March 11, 1998; See Public Notice, Common Carrier Bureau Solicits Comments on Proposed Modifications to ARMIS 43-07 (Infrastructure Report) AAD File No. 98-23.

[8] Ibid. See Comments of Ameritech filed April 24, 1998.

IV. STREAMLINED ARMIS REPORTING REQUIREMENTS SHOULD BE ADOPTED AND APPLIED TO ALL INCUMBENT LECs.

The Notice proposes to adopt a $ 7 billion operating revenue threshold for streamlined ARMIS reporting requirements. The Notice holds that such a threshold would eliminate a costly burden on mid-sized carriers on a per access line basis while data for nearly 90% of the industry would continue to be reported.[9] The Notice proposes that for carriers that fall below the $ 7 billion threshold, 21 tables on the ARMIS 43-02 (USOA Report) would be eliminated and such carriers would be allowed to report at a Class B level of detail the ARMIS 43-02 (USOA Report), the ARMIS 43-03 (Joint Cost Report), and the ARMIS 495A (Forecast Report) and ARMIS 495B (Actual Usage Report).[10] No simplification or streamlining of ARMIS reporting requirements are proposed for the large incumbent LECs. Rather, the Notice maintains that the existing reporting requirements (apart from the equal access, inside wire, and payphone modifications) are necessary for the same reasons the Commission articulated in the Companion Accounting Proceeding, i.e. statutory obligations of Sections 254(k), 260, 271, 272, 273, 274, 275, and 276 of the Act; the identification of potential cost misallocations; the larger volume of transactions large incumbent LECs have for competitive services; audit and verification functions; monitoring the development of competition; and the burden on the large incumbent LECs not outweighing the Commission's need for data collection because the large incumbent LECs maintain a level of detail exceeding the Class A level.[11] Additionally, the Notice maintains that the Class A level reporting detail will facilitate the Biennial

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[9] See Notice at 6, 7.

[10] See Notice at 8, 9, 11, 12.

[11] See Notice at 13. See Also, the Companion Accounting Proceeding.

Audit Process and assist in administering the rules for universal service, access charges, and accounting rules.[12]

Since the ARMIS reporting requirements are the results of the level of accounting detail maintained by the carriers, it was appropriate that the Commission combined the reply comment cycle of the Notice with the Companion Accounting Proceeding. In that proceeding, Ameritech and other commenters showed that the specific justifications for the retention of Class A accounting and cost allocation requirements did not withstand scrutiny.[13] The same arguments effectively dismiss the justifications in this Notice. Therefore, the proposals in this Notice fail to meet the Commission's obligations under Section 11 of the Act.

Class A accounting and ARMIS reporting are not necessary to uphold any statutory obligations.[14] There are no statutory requirements which even speak to ARMIS reporting let alone define or specify the level of reporting required. With respect to potential cost misallocations, retaining a Class A reporting structure on carriers who are no longer on rate of return regulation makes little practical sense. In any event, a Class B reporting structure would still maintain a cost-causative allocation methodology.[15] Commenters have also debunked the justification that retaining a Class A level of detail is necessary due to a higher volume of transactions for competitive services, by showing a small amount of activity for even the largest LECs.[16] Moreover, as previously discussed with the costs for ARMIS reporting,[17] Ameritech

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[12] See Notice at Footnotes 29, 30.

[13] See Comments of Ameritech and other RBOCs in CC Docket No. 98-81, filed July 17, 1998.

[14] Ibid. 4, 6. See also Comments of GTE at 9, BellSouth at 8, USTA at 9, 10.

[15] Ibid. at 7 and Attachment 4. See also Comments of SBC at 20, Bell Atlantic at 4, USTA at 7.

[16] Ibid. at 7. See also Comments of SBC at Exhibit 2, Comments of BellSouth.

[17] See Supra at 4.

showed that there is a real additional and unnecessary record keeping cost associated with Class A accounting, and nearly all commenters have pointed out that Class A accounting and reporting detail are even less relevant for carriers under price cap regulation.[18] Finally, the Notice fails to explain how reporting at a Class A level of accounting will facilitate the Biennial Audit Process or the administration of universal service, access charges and accounting rules. There is no support for the assertion[19] that Class A ARMIS reporting detail is necessary to administer Class A accounting. Class B reporting would suffice for this purpose.

With respect to the Biennial Audit Process, the non-discrimination provisions and separate affiliate requirements do not require a Class A reporting structure and the current extensive ARMIS reporting structure. The Notice's proposal to delete selected ARMIS 43-02 tables for mid-sized LECs but not for the large incumbent LECs does not ensure or facilitate compliance with the non-discrimination and separate affiliate requirements, because the tables proposed for deletion have nothing to do with the Section 272 requirements. A Class B level of reporting does not diminish or otherwise impair the Commission's monitoring or oversight functions.[20]

V. CONCLUSION.

Rapid changes in both regulation, technology, and competition have rendered obsolete many of the ARMIS reporting requirements, which have their basis in rate of return/cost of service regulation. The modifications to the ARMIS reporting requirements as proposed in the

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[18] USTA Comments in the Companion Accounting Proceeding at 22. See also Comments of SBC at 11, GTE at 5.

[19] Notice at Footnote 30.

[20] See C.F.R. Section 53.209, Biennial Audit.

Notice do not go far enough in either scope or applicability in any significantly meaningful way to meet the Section 11 mandate or the pro-competitive deregulatory framework engendered in the Act. The Commission should adopt the simplification and streamlining proposals of the USTA now. Alternatively, and only as an interim step, the cost of service/ratebase schedules of the ARMIS 43-02 should be eliminated immediately for no-sharing price cap carriers, and USTA's proposals implemented no later than December 31, 1999 for all carriers.

Respectfully submitted,

Leander R. Valent /

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Dated: August 20, 1998

Attachment A

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Ameritech

Robin Gleason
Director - Regulatory Finance

March 13, 1998

rcvd by J. Shepherd
AAD/CCB 3-13-98
at 3:53p

Mr. Kenneth P. Moran
Division Chief, Accounting and Audits Division
Federal Communications Commission
2000 L Street, N. W. - Room 812
Washington, D.C. 20036

RE: 1998 Biennial Review of FCC Regulations

Dear Mr. Moran,

On February 5, 1998, the Commission released a list of thirty-one (31) proposed proceedings to be initiated as part of the 1998 biennial review of regulations (See General Action, Report No. GN 98-1, released February 5, 1998). The list of proceedings to be initiated includes Part 32, Uniform System of Accounts (USOA), Part 43, Automated Reporting and Management Information System (ARMIS), and Depreciation. Ameritech expects that the Common Carrier Bureau's Accounting and Audits Division will play a significant role in evaluating the changes needed to be made to the rules being considered in these proceedings. Ameritech offers its thoughts on proposed rule changes and the analytical framework for evaluating such changes.

Ameritech submits that many sections of the Part 32 and Part 43 rules and all of the depreciation regulations should not apply to price cap carriers because of their foundation in the cost of service/rate of return regulatory paradigm. These sections of the rules, further detailed on the attachment, no longer have any practical significance or purpose for price cap carriers and should not be required.

With respect to depreciation, the Commission is not required by Section 403(d) of the Act to prescribe depreciation rates. Ameritech recommends that since changes in depreciation expense receive endogenous treatment under price caps, there is no basis for the Commission to prescribe depreciation rates and the existing requirements should be eliminated for price cap carriers (See Price Cap Performance Review for Local Exchange Carriers, First Report and Order, CC Docket No. 94-1 released April 7, 1995 at Para. 274).

With respect to the Part 32 accounting rules, the Commission should move to further deregulation with the adoption of the Class B account structure for all carriers, if not immediately, by end of year 1999. The ultimate goal should be the elimination of a prescribed accounting structure. An interim option is for the Commission to consider the elimination of certain sections of Part 32 that are not relevant for price cap companies. The account structure does not need to be changed. Rather, not requiring the application of certain sections to price cap carriers can be achieved with minimal modification to the Part 32 rules by adoption of the following new section 32.2(g) and cross referenced in identified sections of Part 32:

> 32.2(g) COMPANIES UNDER PRICE CAP REGULATION, SECTION 61 OF THE COMMISSION'S RULES, SHALL NOT BE SUBJECT TO THOSE SECTIONS OF PART 32 SO IDENTIFIED. RATHER, GENERALLY ACCEPTED ACCOUNTING PRINCIPLES SHALL APPLY.

This new section would eliminate, as required under Section 11(a) of the Telecommunications Act, the application of rules that do not serve the public interest. As shown on Section (A)(1) of the attachment, there are three categories of accounting conventions that Ameritech recommends need not apply to price cap carriers: (i) those sections where unnecessary detail is specified and which provide no consumer benefit (ii) those sections where the Commission requires notification because of revenue requirement impacts (iii) those sections that impose unnecessary constraints on carrier operations.

With respect to the Automated Reporting and Management Information system (ARMIS) reports, Ameritech submits that price cap carriers should not be required to compile and file information that is relevant only for rate of return carriers. As shown on Section B(1) of the attachment, several schedules on the ARMIS 43-02 are no longer meaningful for price cap carriers and should not be required. Additionally, the Commission should continue to move to further deregulation with the streamlining and consolidation of the ARMIS reports into a more efficient grouping of information by end of year, 1999. FCC reports 43-01, 43-02, 43-03, and 43-04 should be consolidated and replaced with two new annual reports. Similarly, FCC reports 43-05, 43-06, 43-07, and 43-08 should be consolidated. These consolidations will result in the elimination of unnecessary and duplicative information and an efficient, usable reporting structure (See United States Telephone Association ARMIS/CAM Simplification Proposals of May 20, 1996). As with Part 32, the ultimate goal should be the elimination of ARMIS.

Ameritech recommends that the Commission move expeditiously in beginning to make the deregulatory framework envisioned in the Act a reality. With growing competition, the continued application of rules for selected market participants hampers the effectiveness of competitive markets by adding to the cost structure and reducing the flexibility of selected participants, which is contrary to the overarching goals of the Act.

Ameritech looks forward to participating in the announced proceedings and working with members of the Commission in making the biennial review successful. Please contact either myself or Mr. Anthony Alessi (202/326/3822) if you wish to discuss these suggestions further.

Sincerely,

Robin M. Gleason

cc: Mr. David H. Solomon, Deputy General Counsel

Attachment
Ameritech
Report No. GN 98-1
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Biennial Review of Regulations

A. Part 32 Accounting Rules

(1) Rules cross-referenced to new Section 32.2(g) for price cap companies which can be adopted immediately.

(i) Unnecessary Detail, in the specification of subaccounts and subsidiary records.

- 32.12(c) Records
- 32.22(c) Comprehensive Interperiod Tax Allocation
- 32.1160(c) Temporary Investments
- 32.2005, Telecommunications Plant Adjustment
- 32.2232(c) Circuit Equipment
- Other references to subaccounts and subsidiary records

(ii) Notification Requirements, with no significance for price cap companies.

- 32.16(a) and (b), Changes in Accounting Standards.
- 32.25, Unusual Items and Contingent Liabilities
- 32.26, Materiality
- 32.1438(b), Deferred Maintenance and Retirements
- 32.2000(b)(4), Telecommunications Plant Acquired
- 32.2002(b), Property Held for Future Telecommunication Use
- 32.5999(f)(5), Clearances

(iii) Unnecessary Constraints on business practices.

- 32.2000(a)(4), Instructions for Telecommunications Plant Accounts (expense limit for certain support assets)
- 32.2000(b)(1-4), Telecommunications Plant Acquired
- 32.2000(d), Telecommunications Plant Retired
- 32.2000(e), Basic Property Record
- 32.2000(f), Standard Practices for Establishing and Maintaining Continuing Property Records
- 32.2000(g), Depreciation Accounting
- 32.2000(h), Amortization Accounting
- 32.2000(i), Accounting for Software
- 32.2311(f), Station Apparatus
- 32.2362(b), Other Terminal Equipment

(2) Adoption of Class B accounting for all carriers by end of year, 1999.

Biennial Review of Regulations

B. Part 43 ARMIS Rules

(1) Schedules which can be eliminated immediately for price cap companies.

Table	Description
C-1	Identity of Respondent
C-2	Control Over Respondent
C-3	Board of Directors
C-4	Stockholders
C-5	Important Changes During the Year
B-2	Statement of Cash Flows
B-7	Basis of Changes for Depreciation
B-11	Long-Term Debt
B-14	Capital Stock
B-15	Stock and Reacquired Debt
I-3	Pension Cost
I-4	Operating Other Taxes
I-5	Prepaid Taxes and Tax Accruals
I-6	Special Charges
I-7	Donations or Payments for Services Rendered by Persons Other Than Employees

(2) Report Simplification by end of year, 1999.

(i) Consolidation of FCC reports 43-01, 43-02, and 43-04 into one new annual report consisting of four tables: Balance Sheet/Investment, Analysis of Plant and Accumulated Depreciation, Income Statement, and Footnotes.

(ii) Replace existing FCC report 43-03 with consolidation of income and investment information and the combination of the direct, indirect, and generally allocated columns.

(iii) Elimination of the FCC reports 495A and 495B.

(iv) Consolidation of FCC reports 43-05, 43-06, 43-07, and 43-08.