

commenting parties agreed with USTA's analysis.¹ While the General Services Administration stated that streamlining of the ARMIS reports should not be permitted for the largest incumbent LECs, USTA does not agree that the largest LECs should be required to prepare and file the current ARMIS reports. As the record fully explains, the current ARMIS reports are not required to fulfill any statutory obligations contained in the 1996 Act. It makes little sense to only require carriers which are subject to price cap regulation to continue to prepare and file these reports when price cap regulation breaks the link between costs and prices and there is no evidence to suggest that price cap regulation has in any way reduced the high quality service which the incumbent LECs traditionally have provided to their customers.

USTA also provided proposals to streamline the reports, if retained, to eliminate duplication and ensure a meaningful reduction in the regulatory burden. USTA proposed that the Commission consolidate the current financial reports into a single, annual report. The new report would: eliminate cash flow information which is available from external sources; eliminate demand data since usage and lines are reported in the Tariff Review Plans; eliminate tables related to rate of return regulation; eliminate the plant and depreciation reserve tables; reduce the Part 69 reporting categories from sixteen to six; reduce the Part 64 level of detail; eliminate the Joint Use Forecast and Actual Reports, and utilize the Class B level of detail. USTA also proposed to streamline the ARMIS network reports by eliminating Tables I, II, III, IV.A and V of the 43-05; the 43-06 report; Tables I, II, III and IV of the 43-07; and columns d through o of Table I and Tables II, III and IV of the 43-08. Several other parties recommended significant

¹ALLTEL at 3, Ameritech at 5, Bell Atlantic at 1-2, BellSouth at 2, Cincinnati Bell at 3, GTE at 3, ITTA at 2, Sprint at 4 and U S WEST at 7.

streamlining and consolidation of the ARMIS reports.² USTA also supports the recommendations of BellSouth and Cincinnati Bell to place a limit on revising old reports.³ The burdens imposed by the current ARMIS reports are particularly unreasonable when incumbent LECs are forced to refile old reports.

USTA supported the Commission's proposal to eliminate the paper filing requirements and to transition to an electronic-only reporting program. As USTA pointed out, this will provide a modest reduction in administrative costs. However, USTA agrees with GTE that the Commission must not require any system modifications in order to make an electronic filing that would increase a carrier's costs. The purpose of transitioning to an electronic-only reporting system should be to reduce costs, not increase them. For that reason, USTA opposes AT&T's request that incumbent LECs submit ARMIS reports in LOTUS spreadsheets. AT&T should be responsible for converting to LOTUS from the standard the Commission selects for the Internet posting platform. That standard should be non-software dependent.

Only two parties suggested that the Commission retain the ARMIS reports. Neither party provides adequate justification for their assertions. AT&T claims that the ARMIS reports are required to ensure that rates are just and reasonable.⁴ AT&T's claim is incorrect. The Commission utilizes the tariff process to scrutinize incumbent LEC rates. And, AT&T itself has argued that price cap regulation, without sharing, is sufficient to ensure that rates are just and

²Comments of Ameritech, BellSouth and SBC.

³BellSouth at 6-7 and Cincinnati Bell at 4.

⁴AT&T at 7.

reasonable.⁵

MCI claims that reducing the level of reporting detail from the current Class A to Class B reporting would eliminate cost and revenue detail which the Commission has relied on in the past.⁶ ARMIS is not required to provide such information. As noted above, the Commission can utilize the tariff process to request cost and revenue information it determines is necessary to ensure that rates are just and reasonable. Any information which may be required to justify a low-end adjustment under the price cap rules should be filed with the request. ARMIS reports are not required to support such a filing. In addition, the use of Class A accounting and reporting is not required to provide information on either billing and collection revenues or pole attachment fees. Class B accounting and reporting provides information on total billing and collection revenues which is sufficient. Many entities, such as electric, gas and water utilities, own or control poles or conduit which are not subject to the Commission's Class A accounting or reporting requirements. There is no reason for the Commission to use calculating pole attachment fees as an excuse to maintain Class A accounting and reporting requirements. Finally, ARMIS is not needed to develop SLC rates. These rates are based on a forecast and the Commission has not adopted a standard methodology to forecast SLC rates. ARMIS contains historical data.

Contrary to MCI's claims, Class A detail is not necessary to estimate avoided costs, or to improve cost allocations. Avoided costs are relevant in the state jurisdiction and there is no

⁵Comments of AT&T, CC Docket No. 93-251, December 10, 1993 at 11-12.

⁶MCI at 3-4.

reason for the Commission to require Federal reporting of state issues. The CAM provides much more information on how costs are allocated by cost pool than the ARMIS reports. There is no reason to duplicate this information in ARMIS. Cost allocations can only be improved through streamlining, not through maintenance of the current Class A requirements.

MCI also claims that Class A reporting is necessary to track competitive changes. However, the Commission is considering adopting a local competition survey which would apply to all LECs, including CLECs.⁷ Clearly, the current ARMIS reports are not designed to track competitive changes. Forcing incumbent LECs to make competitive information public places these LECs at a disadvantage in the marketplace. If the Commission is to implement a pro-competitive, de-regulatory telecommunications policy, it must consider the competitive effect of its requirements and eliminate those which are in any way contrary to that policy. If the requirements will enhance that policy the Commission should impose the least burdensome and least costly means to obtain information and ensure that any requirement is justified based on a cost/benefit analysis.

MCI's claim that the ARMIS infrastructure reports are required to meet the Commission's statutory responsibilities under Section 254(c)(1) is also incorrect.⁸ There is nothing in that section which requires the submission of annual ARMIS reports. In fact, the Commission itself recognized in its Universal Service Order that "complying with reporting

⁷*Public Notice*, CC Docket No. 91-141, CCB-IAD File No. 98-102, DA98-839 (rel. May 8, 1998).

⁸MCI at 8.

requirements is burdensome for carriers..."⁹ The Commission noted that it would not impose any additional reporting requirements and that it would utilize surveys or statistical analysis to make the evaluations necessary under Section 254(c)(1) and encouraged the states to provide information necessary to re-evaluate the definition of universal service.

It is ludicrous to argue that forcing incumbent LECs to update the infrastructure reports is the only way the Commission can ensure that incentive regulation continues to encourage incumbent LECs to develop their infrastructure and promote innovation.¹⁰ Unnecessary regulations, such as the ARMIS reports, impede carrier efforts to invest in the infrastructure and offer new services. Resources must be diverted from providing customers with the services they demand, in order to compile, maintain and file these reports. Any competitive information which can be obtained from the reports is used by the competitors of incumbent LECs to thwart their efforts. The competitive marketplace provides ample incentives for all carriers to provide innovative and high quality products and services to retain current customers and to obtain new ones. If the Commission wants to encourage carriers to deploy advanced telecommunications services, it should direct its efforts toward the elimination of regulatory barriers. Imposing additional regulatory requirements only provides disincentives for carriers.

⁹Federal State Joint Board on Universal Service, CC Docket No. 96-45, *Report and Order*, (rel. May 8, 1997) at ¶ 107.

¹⁰MCI at 8.

Based on the forgoing, USTA urges the Commission to eliminate the ARMIS reports, or, at the very least, adopt the streamlined reporting proposed in USTA's comments.

Respectfully submitted,

UNITED STATES TELEPHONE ASSOCIATION

By:  _____

Its Attorneys:

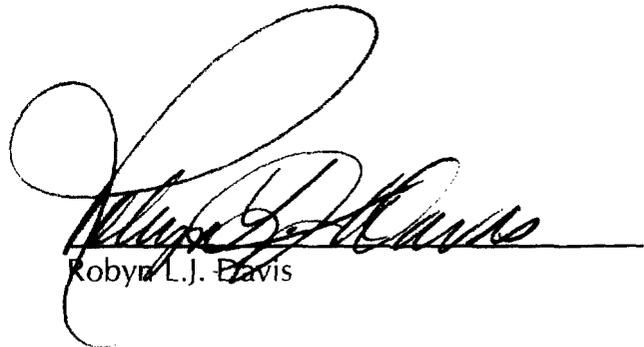
Lawrence E. Sarjeant
Linda L. Kent
Keith Townsend
John W. Hunter

1401 H Street, NW, Suite 600
Washington, D.C. 20005
(202) 326-7248

September 4, 1998

CERTIFICATE OF SERVICE

I, Robyn L.J. Davis, do certify that on September 4, 1998 copies of the 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.



Robyn L.J. Davis

Alan Buzacott
MCI
1801 Pennsylvania Avenue, NW
Washington, DC 20006

Emily C. Hewitt
George N. Barclay
Michael J. Ettner
GSA
1800 F Street, NW - Room 4002
Washington, DC 20405

David L. Meier
Cincinnati Bell
201 E. Fourth Street
P.O. Box 2301
Cincinnati, OH 45201

Kathryn A. Zachem
J. Wade Lindsay
U S WEST
Wilkinson, Barker, Knauer & Quinn LLP
2330 N Street, NW
Washington, DC 20037

Jay C. Keithley
Sprint Local Telephone Cos.
1850 M Street, NW
11th Floor
Washington, DC 20036

Michael H. Shortley, III
Frontier
180 South Clinton Avenue
Rochester, NY 14646

David W. Zesiger
Independent Telephone & Telecommunications Alliance
1330 Connecticut Avenue, NW - Suite 600
Washington, DC 20036

Leander R. Valent
Ameritech
9525 West Bryn Mawr
Suite 600
Rosemont, IL 60018

Snively King Majoros O'Connor & Lee, Inc.
1220 L Street, NW
Suite 410
Washington, DC 20005
(Economic Consultants for GSA)

James T. Hannon
U S WEST
1020 19th Street, NW
Suite 700
Washington, DC 20036

Jay C. Keithley
Sprint Local Telephone Cos.
1850 M Street, NW
11th Floor
Washington, DC 20036

Carolyn C. Hill
ALLTEL
655-15th Street, NW
Suite 220
Washington, DC 20005

Robert M. Lynch
Durward D. Dupre
Darryl W. Howard
Jonathan W. Royston
Southwestern Bell, Pacific Bell and Nevada Bell
One Bell Plaza - Room 3022
Dallas, TX 75202

Joseph DiBella
Bell Atlantic
1320 N. Court House Road
Eighth Floor
Arlington, VA 22201

M. Robert Sutherland
Stephen L. Earnest
BellSouth Corp.
1155 Peachtree Street, NE
Suite 1700
Atlanta, GA 30309

John F. Raposa, **HQE03J27**
CTE
600 Hidden Ridge
P.O. Box 1452092
Irving, TX 75015

ITS
1231-21st Street, NW
Washington, DC 20036

Mark C. Rosenblum
Judy Sello
AT&T
295 North Maple Avenue
Room 324511
Basking Ridge, NJ 07920

Andre J. Lachance
GTE
1850 M Street, NW
Washington, DC 20036