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Cincinnati Bell℠
...le you know,
you can rely on.

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September 4, 1998

Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street NW Room 222
Washington DC 20554

RECEIVED
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:	)	
	)	
1998 Biennial Regulatory Review	)	CC Docket 98-117
Review of ARMIS Reporting Requirements	)	
	)	

Dear Ms. Salas:

Enclosed are an original, and six copies plus two extra public copies of the Reply Comments of Cincinnati Bell Telephone Company's Notice of Proposed Rulemaking in the above referenced proceeding. A duplicate original copy of this letter and attached Reply Comments is also provided. Please date stamp this as acknowledgment of its receipt and return it. Questions regarding these Comments may be directed to John Wilcox at the above address or by telephone on (513) 397-5569.

Sincerely,

David L. Meier

Enclosure
cc: Anthony Dale
Accounting Safeguards Division,
Common Carrier Bureau
International Transcription Services

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

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

REPLY COMMENTS OF CINCINNATI BELL TELEPHONE COMPANY

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Filed: September 4, 1998

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

In the Matter of	)	
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1998 Biennial Regulatory Review	)	CC Docket No. 98-117
Review of ARMIS Reporting	)	
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REPLY COMMENTS OF CINCINNATI BELL TELEPHONE COMPANY

I. Introduction

Cincinnati Bell Telephone ("CBT"), an independent, mid-size local exchange carrier, submits these Reply Comments in response to the Federal Communications Commission's ("FCC" or "Commission") July 17, 1998, Notice of Proposed Rulemaking in the above-captioned proceeding. CBT takes this opportunity to respond to the comments filed by AT&T Corp ("AT&T").

II. The Commission Has Valid Reasons for Changing the ARMIS Reporting Requirements.

AT&T, on page 4 of its comments, states that the Commission has no good reason for changing the reporting requirements for mid-size companies. Unfortunately, AT&T did not pay special attention to the title of this proceeding. The Commission's reason for issuing this

NPRM is the Biennial Review requirement of the Communications Act. In particular, section 161 of the Communications Act states that the Commission "shall repeal or modify any regulation it determines to be no longer necessary in the public interest." 47 U.S.C. § 161(b). The record in this proceeding clearly demonstrates that the elimination of ARMIS regulations is in the public interest. Section 161 alone is a valid reason for the Commission to propose changes in the ARMIS reporting requirements.

AT&T also cannot disprove the cost/benefit justification offered by the Commission for the ARMIS changes; nonetheless, it makes a broad, conclusory statement that the usefulness of the reports outweigh the costs. The only justification put forth by AT&T is singular and AT&T specific. (AT&T Comments, footnote 3). In the ever-changing world of telecommunications, once useful reports can quickly become obsolete. Bell Atlantic summed this point up very well in its comments:

> In an era when carriers . . . are subject to pure price cap regulation, the Commission's original reasons for adopting the ARMIS reporting requirements – to evaluate actions under the now-abandoned rate of return ratemaking system and to determine if the shift to price caps would cause service quality or infrastructure investment to decline – clearly no longer apply. Under these circumstances, the ARMIS reports simply are no longer "necessary" to service the public interest.

(Bell Atlantic Comments, page 2).

GTE and the RBOCs are not the only carriers that operate under price cap regulation; CBT and other mid-size companies operate under price cap regulation as well. The elimination of the ARMIS requirements is in the public interest for their rate-payers.

III. The Exclusion of Data From Small Carriers Will Not Impact the Overall Industry Results.

On page 5 of its comments, AT&T states that the Commission will still get ARMIS information on 90% of the LEC industry if it changes the reporting threshold to $7 billion. It then points out that the remaining 10% of the industry, composed of mid-size and small companies, will not have to file reports. AT&T's complaint is that "LECs of significant size" will not be subject to the reporting requirements.

As a matter of fact, there are hundreds of mid-size and small LECs that make up the remaining 10% of the industry. The largest of these companies does not account for even 2% of the industry's total access lines. Clearly, there are no significant-sized LECs within the remaining 10% of the industry when viewing the industry as a whole. The exclusion of mid-size company data will not impact the overall industry results.

IV. The Elimination of ARMIS Reporting Requirements for Mid-Size Companies Will Not Provide An Incentive to Cross Subsidize.

AT&T states on page 7 of its comments that many of the mid-size companies offer in-region long distance service and "clearly have an incentive to cross-subsidize their long distance operations." Similarly, on page 6, AT&T states that ARMIS reports are needed "to detect improper cross-subsidization of nonregulated services." No further statements or supporting facts are offered by AT&T to support these conclusory assertions. AT&T is clearly implying that maintaining ARMIS reports will discourage incentives to cross-subsidize.

AT&T fails to mention, however, that there are accounting safeguards and rules in Parts 32 and 64 which the Commission created to address and prevent cross-subsidization. No one is proposing that these rules be eliminated. CBT is proud of its decade of compliance with these rules, and notes that its annual audits have not cited any cross-subsidization problems with its long distance affiliate or nonregulated services.

CBT agrees with US West, which puts this issue into proper prospective in its comments:

> Under price cap regulation, cost of service no longer bears a direct relationship to the prices charged for any given product or service. In other words, the fundamental connection between cost and price has been severed essentially eliminating the incentive and opportunity for LECs (whether large or mid-size) to cross-subsidize services. Consequently, Class A accounting detail is not necessary for the Commission to protect consumers or to comply with its obligations under Sections 254(k), 260, and 271-276 of the Communications Act.

(U.S. West Comments, page 5).

V. AT&T's Claims That ARMIS Reports Are Still Needed Because of Lack of Competition Are Without Merit.

AT&T also claims that ARMIS reports are still needed to ensure reasonable and nondiscriminatory prices. (AT&T Comments, page 7). It continues by stating that the reports have not been supplanted by the emergence of robust competition in the local markets of the mid-size carriers. (AT&T Comments, page 7).

At least as far as CBT is concerned, CBT faces robust competition in its market today. CBT has signed 20 contracts (others are being negotiated) to interconnect with competitive telecommunications carriers. Among these carriers are MCI and Time Warner, two large,

global companies with revenues much larger than CBT.[1] In CBT's territory, there is robust competition; consequently, there is no need to maintain ARMIS reports to ensure reasonable prices.

VI. Conclusion

CBT fails to see any merit in AT&T's arguments that ARMIS reports are still necessary for mid-size companies, and believes that the Commission has the statutory obligation under the Biennial Review provisions of the Telecommunications Act to review and change the regulatory rules to better serve consumers. As pointed out by nearly all of the commenting parties, the reduction or elimination of the ARMIS reports is in the public interest. However, eliminating the ARMIS reports does not mean that there are no other channels for the Commission to obtain similar information. As ALLTEL summarized in its comments:

> There are less burdensome alternatives available which will still enable the Commission to fulfill its statutory obligations. These alternatives will place competitors on a equal but not unfair footing with the incumbent LEC. Specifically, relevant financial data is available in each mid-sized LEC's 10K and annual report. Further, any specific Commission need for information involving tariffs or cost allocation can be provided to the Commission upon request.

(ALLTEL Comments, page 3).

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[1] CBT currently has interconnection/resale agreements with, among others, Frontier Telemanagement Inc., Teleport Communications Group, Inc., ICG Telecom Group, Inc., Intermedia Communications, Inc., EZ-Tele Communications, Time Warner Communications, MCImetro Access Transmission, AirTouch Cellular, Inc., Ameritech Cellular Services, AT&T Wireless Services, Inc., GTE Wireless and Nextel West.

Respectfully submitted,

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Filed: September 4, 1998

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that copies of the foregoing Cincinnati Bell Reply Comments of Notice of Proposed Rulemaking have been sent via first class United States Mail, postage prepaid, or by hand delivery, on September 4, 1998, to the persons listed on the attached service list.

Judy Piepmeier

Enclosure

cc: Anthony Dale, Common Carrier Bureau
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