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FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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

**REPLY COMMENTS OF SPRINT LOCAL TELEPHONE COMPANIES**

The Sprint Local Telephone Companies ("Sprint") hereby respectfully submit their reply to the comments filed August 20, 1998 in this matter.

Sprint responds specifically to comments offered by AT&T Corp. ("AT&T") and MCI Telecommunications Corporation ("MCI"). Both of these carriers discourage the Commission from adopting its tentative conclusion that certain ARMIS reporting burdens be lessened. Neither AT&T nor MCI offer any valid rationale for maintaining what the Commission itself has recognized to be unnecessary and costly regulatory requirements for mid-sized incumbent local exchange carriers ("ILECs").

The impetus for the biennial review process in which the Commission is engaged is the Congressional mandate that the Commission repeal or modify unnecessary regulations. In crafting their comments, AT&T and MCI each ignore this fact. While both acknowledge that there may be ARMIS reports that are outdated or accompanying costs that are burdensome, both carriers call for the preservation of most, if not all ARMIS reporting requirements. AT&T, for

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example, suggests that, even assuming the Commission is correct in its conclusion that the cost burden imposed on mid-sized ILECs by the annual ARMIS filing is substantially higher than for larger ILECs, the "regulatory benefits" of maintaining ARMIS in its current form outweighs these costs (AT&T at p. 4). AT&T does not, however, disclose what these regulatory benefits might be.

Similarly, MCI opposes a suggestion proffered by SBC and Ameritech to consolidate several ARMIS reports that contain duplicative information (i.e. 43-01, 43-02, 43-03 and 43-04). MCI admits that duplication of information does exist among these reports, but maintains that the Commission should not "expend its limited resources on the extensive redesign of ARMIS reports that would be required by the proposed consolidation" (MCI at p. 7). MCI's suggestion that the Commission maintain what are, by MCI's own admission, unnecessary reporting requirements disregards totally the stated purpose for the biennial review. The Commission should dismiss MCI's recommendation on this point.

MCI opposes the proposed elimination of payphone, equal access and inside wire data from ARMIS reports. MCI acknowledges that the data for payphone, equal access and inside wire are no longer used for regulatory purposes. Even so, MCI urges the Commission to maintain the columns containing these data, albeit in an unpopulated state, claiming that to do so

would be more efficient for the ILECs, since they would otherwise be forced to change their ARMIS reporting systems to delete the information (MCI at p. 2). While Sprint appreciates MCI's interest in eliminating any "unnecessary cost and effort" facing the Sprint LECs with respect to ARMIS reporting, Sprint does not believe adopting MCI's suggestion will have that effect. The fact is that, should the Commission adopt any of the changes proposed in the NPRM, changes to the ARMIS system will be required. Consequently, the deletion of the columns mentioned here will not result in unnecessary cost and effort. Moreover, Sprint asserts that maintaining unpopulated columns on the report will merely lend confusion to the ARMIS process and likely will add cost and effort to the process as ILECs are required to respond to questions about or requests for the missing data. The Commission should, therefore, reject MCI's suggestion.

One proposal with which AT&T does agree is the recommendation to do away with paper filings, replacing them exclusively with electronic versions of ARMIS reports (AT&T at p. 2). AT&T however, urges the Commission to require the ILECs to submit an additional version of the reports in LOTUS spreadsheet format so that "industry members...can readily utilize the data contained in the reports" (*Id.*). Sprint objects to AT&T's proposal. The addition of yet another filing format for ARMIS would negate any benefit gained from moving to the electronic filing system by creating additional preparation burdens and expense for the Sprint LECs. In any event, the data contained in the electronic version of

the filing can easily be downloaded from the Internet, thus allowing AT&T to obtain and use the data as it wishes. Consequently, because AT&T's concerns are easily cured with the implementation of the electronic system alone, the added costs that would result from instituting AT&T's proposal cannot be justified. The Commission should, therefore, reject AT&T's suggestion and adopt its original proposal as set forth in the NPRM.

Both AT&T and MCI object in general to the proposal to afford mid-sized ILECs Class B reporting status for ARMIS. MCI alleges that Class A accounting-level detail is necessary for tariff review purposes, to identify cost misallocations, to estimate avoided costs, and to track competitive changes (MCI at pp. 2-4). Similarly, AT&T expresses its belief that Class B system of account level detail would reduce the amount of information provided in ARMIS reports (AT&T at p. 3). AT&T argues that Class A detail is required in order for the Commission, and others, to ensure that ILEC prices are just and reasonable (AT&T at p. 6).

MCI and AT&T are incorrect. Adoption of the proposal to reduce reporting burdens on mid-sized LECs would in no way imperil the Commission's ability to carry out properly its regulatory oversight responsibilities. The fact is - as the Commission is aware - the information necessary to perform the various functions delineated by AT&T and MCI will still be available with the implementation of Class B reporting responsibilities for mid-sized LECs. The difference is simply that the information will appear in a

summarized fashion. To the extent the Commission requires additional detail, it is, of course, able to request that information from the carrier. There is, therefore, no rational basis for continuing to impose upon mid-sized LECs – which, by the Commission’s own calculations, serve only 10% of the nation’s access lines – the detailed reporting requirements currently associated with the annual ARMIS filing. Reducing the ARMIS reporting requirements for mid-sized companies would eliminate a significant and costly reporting requirement that is of questionable value.

Finally, AT&T advises the Commission of the dangers of lessening ARMIS reporting requirements for mid-sized companies since many of these ILECs, either themselves or through affiliates, are active players in the in-region long distance market. AT&T is quick to note that Sprint’s long distance affiliate, Sprint Communications, L.P., is the “third largest long distance carrier in the nation” (AT&T at p. 7). AT&T reasons that the existence of this relationship equates to a clear incentive, on the part of carriers like the Sprint LECs, to improperly cross-subsidize their long distance affiliates (*Id.*).

As AT&T is no doubt aware, ARMIS is not by any means the Commission’s primary device for monitoring affiliate transaction compliance. The affiliate transaction rules, found in Part 32<sup>1</sup> of the Commission’s rules, as

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<sup>1</sup> 47 C.F.R Part 32

revised in CC Docket 96-150,<sup>2</sup> along with the annual filing of the cost allocation manual ("CAM") and independent audits are the tools on which the Commission relies most heavily to deter and disclose improper cost assignment. Lessening ARMIS reporting requirements will do nothing to reduce the efficacy of these rules.<sup>3</sup>

The Commission must not allow its review of the ARMIS reporting requirements to be thwarted by the gratuitous comments of AT&T and MCI. As the Sprint LECs noted in their initial comments in this matter, changes to ARMIS are sorely needed. The Commission should not only adopt the tentative conclusions outlined in the NPRM, but also go further and eliminate ARMIS in its entirety for mid-sized LECs. Detailed ARMIS reporting is unnecessary to monitor regulatory compliance for mid-sized LECs. The Commission gains the necessary information through CAM filings and external attestation audits, as well as from public sources of information like SEC 10K filings. These facts should be weighed against the cost of preparing and filing ARMIS which, as noted by virtually every commenter, is immense. Such a comparison should

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<sup>2</sup>*In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards under the Telecommunications Act of 1996*, CC Docket 96-150, Report and Order rel. December 24, 1996.

<sup>3</sup> Enforcement of these rules has given rise to no evidence that the Sprint LECs have acted to take advantage of the incentives about which AT&T expresses concern.

lead the Commission to find that any regulatory purpose that ARMIS may once have served has waned and that the costs associated with ARMIS for mid-sized LECs outweigh any regulatory necessity for the continuation of the report.

Respectfully submitted,  
SPRINT LOCAL TELEPHONE COMPANIES

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September 4, 1998

## CERTIFICATE OF SERVICE

I, Melinda L. Mills, hereby certify that I have on this 4<sup>th</sup> day of September 1998, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Reply Comments of Sprint Local Telephone Companies" in the Matter of 1998 Biennial Regulatory Review – Review of ARMIS Reporting Requirements, CC Docket No. 98-117, filed this date with the Secretary, Federal Communications Commission, to the persons on the attached service list.

  
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