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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase I	CC Docket No. 99-253

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COMMENTS
of the
GENERAL SERVICES ADMINISTRATION

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Table of Contents

Page No.

Summary

In these Comments, GSA addresses proposals to streamline accounting and reporting procedures for the large local exchange carriers. GSA offers recommendations that should help to balance the requirements for effective regulatory controls with the need for less burdensome surveillance in order to increase the opportunities for end users to benefit from more competition.

First, GSA urges the Commission to continue to require incumbent carriers to maintain accounting data in expense matrices. The Notice cites applications for these data in updating price cap factors, detecting potential cross–subsidies, and maintaining high service quality levels.

GSA also urges the Commission to continue the requirements for annual financial audits by independent firms. Recent reductions in auditing requirements for mid–sized LECs do not support similar reductions for the larger carriers. Because of the scope of their operations, the large LECs have many more opportunities to engage in cross–subsidies which can be detected by comprehensive auditing procedures. Moreover, the large LECs have greater resources to conduct comprehensive audits than mid–sized carriers.

On the other side of the coin, GSA concurs with many of the proposed changes in accounting procedures that are described in the Notice. Also, GSA agrees with a number of the proposals to eliminate and combine tables presenting organizational and administrative information in the ARMIS 43–02 report.

Concerning the tables supporting summary financial statements, a key issue is whether similar data are available from other sources such as a carrier's Securities and Exchange Commission Report 10–K or *ad hoc* requests. GSA explains that information in most 10–K reports is highly aggregated, and therefore will probably shed little light on the activities regulated by the Commission. Thus, if specific financial data must be readily available, it would be preferable to continue the present procedures for most parts of the ARMIS 43–02 report. However, reporting thresholds for two tables in this report should be increased significantly.

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COMMENTS
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GENERAL SERVICES ADMINISTRATION

The General Services Administration ("GSA") submits these Comments on behalf of the customer interests of all Federal Executive Agencies ("FEAs") in response to the Commission's Notice of Proposed Rulemaking ("Notice") released on July 14, 1999. The Notice seeks comments and replies on measures that can be implemented as the first phase of a comprehensive review of the Commission's accounting and ARMIS reporting requirements.

I. INTRODUCTION

Pursuant to Section 201(a)(4) of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. 481(a)(4), GSA is vested with the responsibility to represent the customer interests of the FEAs before Federal and state regulatory agencies. From their perspective as end users, the FEAs have consistently supported the Commission's efforts to bring the benefits of competitive markets to consumers of all telecommunications services.

On June 30, 1999, the Commission released orders specifying new procedures to streamline accounting and reporting requirements for local exchange carriers ("LECs").[1] The Commission observed that additional streamlining is potentially warranted, but stated that more changes would be adopted only after the views of all parties have been evaluated.[2] The instant Notice continues this process by outlining possible additional changes in accounting rules, as well as reductions in ARMIS reporting requirements.[3]

GSA has a vital stake in this proceeding because Federal agencies are end users of telecommunications services and facilities provided by nearly all carriers subject to the Commission's accounting and reporting regulations. On the one hand, GSA is concerned that accounting and reporting requirements are sufficiently strong to ensure the orderly development of competition, and also ensure that incumbent carriers do not exploit their market power where competition has not developed. On the other hand, GSA is also concerned that accounting and reporting requirements not be so burdensome or complex that they themselves pose barriers to the development of more competition.

GSA offers the following Comments to help the Commission balance the requirements for effective regulatory controls with the need for less burdensome

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1 *1998 Biennial Regulatory Review — Review of Accounting and Cost Allocation Requirements, et al.*, Report and Order in CC Docket No. 98–81, Order on Reconsideration in CC Docket No. 96–150, Fourth Memorandum Opinion and Order in AAD File No. 98–43, FCC 99–106, released June 30, 1999 ("*Accounting Reductions Report and Order*"); and 1998 Biennial Regulatory Review — Review of ARMIS Reporting Requirements, Petition for Forbearance of the Independent Telephone and Telecommunications Alliance, *Report and Order in CC Docket No. 98–117, Fifth Memorandum Opinion and Order in AAD File No. 98–43*, FCC 99–07, released June 30, 1999 ("*ARMIS Reductions Report and Order*").

2 *Accounting Reductions Report and Order*, para. 6.

3 Notice, para. 6.

regulatory surveillance in order to increase the opportunities for end users to receive the benefits of more competition for all telecommunications services.

II. THE COMMISSION SHOULD CONTINUE TO REQUIRE INCUMBENT CARRIERS TO MAINTAIN ACCOUNTING DATA IN EXPENSE MATRICES.

A. Expense matrices display accounting data in a uniform format that is useful for regulation of interstate and intrastate services.

The Commission's rules require incumbent carriers to maintain financial data in subsidiary record categories displayed in an expense matrix.[4] Under these rules, expenses are divided into four major groups: (1) plant specific operations expenses; (2) plant nonspecific operations expenses; (3) customer operations expenses; and (4) corporate operations expenses. Class A carriers must maintain records in about 70 expense accounts in these four groups, but Class B carriers aggregate the expenses in 20 accounts.[5] In the *Accounting Reductions Report and Order* the Commission ruled that only the Bell Operating Companies ("BOCs") and GTE would henceforth be considered as Class A carriers.[6]

In the Notice, the Commission tentatively concludes that it should eliminate the expense matrix or reduce the data requirements to the minimum necessary to meet regulatory objectives.[7] Parties are invited to comment on this conclusion.[8] Parties are also invited to comment on whether the burden on reporting companies would be

4 47 C.F.R. § 32.5999(f).

5 *Id.*

6 *Accounting Reductions Report and Order*, para. 25.

7 Notice, para. 8.

8 *Id.*

significantly cut by reducing the expense matrix to two classifications: (1) salaries and wages and (2) other expenses.[9]

GSA urges the Commission to maintain the expense matrix in its current form. The existing framework provides important information to regulators and others in a format that has been used for years. The burdens on carriers maintaining the information are no greater than previously, and the efforts required to maintain the expense matrices are commensurate with the size of the regulated entities and their control over telecommunications services essential to end users.

The market power of the incumbent LECs and their abilities to fund accounting activities is shown by the level of earnings they have achieved. According to a report recently released by the Industry Analysis Division, the interstate rates of return of the BOCs ranged from 10.78 percent to 22.72 percent for the year ended December 31, 1998.[10] The corresponding rate of return for all of the GTE companies was 21.75 percent.[11] While the Sprint Companies enjoyed a return of 19.48 percent for the year, the combined total for all Commission–regulated LECs was 19.81 percent.[12] In GSA's view, these returns do not indicate that reductions in reporting requirements are necessary to alleviate financial burdens.

Even if the existing procedures for maintaining data concerning the incumbent LECs' interstate services were no longer necessary, the Commission's accounting rules are vital because state regulatory bodies must continue to maintain surveillance over the intrastate activities of the incumbent LECs. Indeed, regulation of local

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9 *Id.*

10 Interstate Rate of Return Summary, Industry Analysis Division, May 13, 1999.

11 *Id.*

12 *Id.*

exchange services is necessary to ensure universal service through the nation, as contemplated by the Telecommunications Act.[13]

The Commission's accounting rules apply to all costs incurred by the carriers — not simply the costs of the resources used to provide interstate services. In fact, the majority of the LECs' costs are assigned to the intrastate jurisdiction, and thus under the direct purview of state regulatory bodies. While some state commissions employ subsidiary accounting records for use in local ratemaking, these regulators depend upon the Commission's maintenance of appropriate accounting, cost allocation and jurisdictional separations rules. Theoretically, state regulators could continue control over intrastate services through direct reporting, without depending on a uniform accounting system administered by the Commission. However, such a procedure would potentially require 50 accounting systems and sets of rules.

A single accounting system that serves as a focal point is especially important because local exchange and most other intrastate services are less competitive than interstate message toll services. The presence of less competition is particularly significant for local services provided to users outside of major metropolitan areas. State regulators must continue to maintain control over the rates, terms and conditions for these services. This surveillance is partly conducted using accounting systems and data that the Commission proposes to eliminate.

Diverse and potentially incompatible systems for the respective states would be expensive to administer, difficult for interconnecting carriers to use, and confusing for end users such as the FEAs who require telecommunications services throughout the nation. GSA urges the Commission to reverse its tentative conclusion to reduce the

13 Telecommunications Act of 1996, Pub. L. No. 104–104, 110 Stat. 56, *codified at* 47 U.S.C. §§ 151 *et seq.* ("Telecommunications Act").

Commission's role in providing a centralized accounting base for all telecommunications services.

B. The Notice cites many applications for the information presented in expense matrices.

Although the Commission tentatively concludes that it should eliminate or at least moderate the requirements for expense matrices, the Notice contains many references to the value of the information in these presentations in helping the Commission to perform its work. Indeed, the Notice states:

- the Commission uses the detailed data in the carriers' subsidiary record categories in performing studies and trend analyses, and in its overall monitoring efforts;
- the additional information provided by the expense matrix helps the Commission analyze a carrier's expenses;
- the Commission uses the salaries and wages data in calculating productivity factors used to adjust price cap indices;
- expense matrix data is also used in tracking the salaries and wages and rents portion of maintenance expense in the analysis of service quality; and
- carriers, competitors and the Commission use the pole rents information contained in the expense matrix to employ the formula for calculating carriers' pole attachment rates.[14]

Except for the information on pole rents, there is no discussion in the Notice of alternative means for performing these tasks if the Commission's tentative conclusion to cut the expense matrix is adopted.

The Notice states that information could be provided by the carriers on an as-needed basis even if the Commission did not require it to be maintained.[15] Although GSA is confident that carriers would be able to maintain records so that the information

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14 Notice, para. 7.

15 *Id.*, para. 8.

could be provided, it is questionable that they would actually do so voluntarily. Indeed, the Petition for Rulemaking submitted to the Commission by the United States Telephone Association ("USTA") on September 30, 1998, demonstrates that incumbent LECs are unlikely to maintain the accounting information of their own will.[16] In its petition, USTA asked the Commission to eliminate nearly all current accounting rules and to permit carriers to follow Generally Accepted Accounting Principles ("GAAP").[17] As a transition mechanism, all carriers would be allowed to eliminate sub–accounts and subsidiary records, streamline property records, and follow Class B accounting procedures, now authorized only for smaller LECs.[18]

As end users, the FEAs urge the Commission to continue to obtain the information needed to update the productivity factor for the LECs under price cap regulation. Recently, the Commission released a Further Notice of Proposed Rulemaking to obtain comments and replies on the inputs for a model for determining the economic costs of network facilities and functions used to provide the services addressed by universal service support mechanisms.[19] In its Comments and Reply Comments in response to that Notice, GSA explained that the increasing earnings of LECs under price cap regulation demonstrates that these carriers have achieved annual productivity improvements exceeding the current 6.5 percent productivity factor.[20] In their comments in the same proceeding, interexchange carriers explained

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16 *In the Matter of United States Telephone Association Petition for Ruling — 1998 Biennial Regulatory Review*, ASD 98–97.

17 ASD 98–97, Comments of GSA, November 30, 1998, p. 3, referencing USTA Petition, p. 26.

18 ASD 98–97, USTA Petition, p. 29.

19 *In the Matter of Federal–State Joint Board on Universal Service*, CC Docket No. 96–45, and Forward–Looking Mechanism for High–Cost Support for Non–Rural LECs, CC Docket No. 97–160, Further Notice of Proposed Rulemaking, released May 28, 1999.

20 *Id.*, Comments of GSA, July 23, 1999, p. 4; and Reply Comments of GSA, August 6, 1999, pp. 2–3. The current 6.5 percent productivity factor includes a 0.5 percent consumer dividend.

that this factor should be increased to 8.4 percent to reflect achieved productivity gains.[21] Certainly, the Commission should maintain the capability to evaluate productivity improvements, because price cap systems that do not reflect the correct allowance for the productivity gains that the incumbent LECs are achieving require competitive carriers and end users to pay too much for telecommunications services.

In addition to its interest in rates and charges, the FEAs also have a stake in the quality of the services that LECs provide to end users and interconnected carriers. Thus, GSA is concerned with the observation in the Notice that expense matrix data has been employed in analyses of service quality because quality levels that are vital to end users may be compromised if the requirements for the expense matrix are reduced as the Commission proposes.[22]

GSA explained in its Comments on the USTA petition referenced above that high quality access is required for competitors to serve their customers, as envisioned by Federal legislation and the Commission's pro–competitive initiatives.[23] Since high quality access is necessary to foster competition, GSA urges the Commission to make no changes in accounting or reporting procedures that would impair its ability to maintain surveillance over the quality of services provided by the incumbent carriers.

III. THE COMMISSION SHOULD CONTINUE REQUIREMENTS FOR OUTSIDE FINANCIAL AUDITS OF LARGE INCUMBENT CARRIERS.

In the *Accounting Reductions Report and Order*, the Commission relaxed the requirements for outside audits of mid–sized LECs in two significant respects.[24] First,

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21 *Id.*, Comments of AT&T Corp. and MCI Telecommunications Corporation, p. 46.

22 Notice, para. 7.

23 ASD 98–97, Comments of GSA, November 30, 1998, p. 16.

24 *Accounting Reductions Report and Order,* para. 21.

the Commission changed the required audit cycle from annual to biennial.[25] Second, the Commission changed the required type of review from a "financial audit" to an "attestation."[26] The former procedure requires the independent auditor to provide a "positive opinion" that the financial data are fairly reported, while the latter only requires the auditor to certify that specific assertions by management are fairly stated.

In the Notice, the Commission tentatively concludes that it should similarly reduce the audit requirements for the Class A LECs — the BOCs and GTE — by adopting the same changes for these firms.[27] The Notice requests comments on this tentative conclusion.[28]

Moreover, the Notice requests comments on a proposal that the auditing requirements for the large LECs be relaxed even further by permitting "agreed–upon procedures" audits for these firms.[29] Under that structure, the carrier would submit a proposed "scope" of the audit to an oversight team.[30] The team would review the proposal, and presumably discuss any shortfalls in meeting the audit objectives with the carrier. After agreement on the specifications for the audit, the carrier would engage an independent firm to perform the work.

GSA urges the Commission to continue the requirement for annual financial audits of the BOCs and GTE. The auditing and reporting cycle generally employed in this country is one year, not two. Moreover, a financial audit provides a direct review of accounting procedures and data, with an affirmative statement as to compliance with

25 *Id.*

26 *Id.*

27 Notice, para. 13.

28 *Id.*

29 *id.*

30 *Id.*, para. 12, n. 21.

pre–established requirements. Almost certainly, because of greater exposure, the auditor will devote more resources to this type of review. Indeed, the Commission acknowledges that based on a study by the Common Carrier Bureau, when BOCs and GTE were first required to submit to a "positive opinion" audit, rather than an "attestation," audit fees increased by nearly 80 percent and the time necessary to complete the auditing work increased by nearly 75 percent.[31]

The previously ordered reductions in auditing requirements for mid–sized LECs should not serve as a basis for a reduction in the requirements for the large carriers. The aggregate annual revenues for the BOCs and GTE are approximately $100 billion, and the revenues for the smallest of these firms, U S WEST, exceed $10 billion.[32] The magnitude of their revenue base provides large LECs with far greater capabilities to meet comprehensive auditing requirements than their Class B counterparts.

Moreover, it is appropriate to audit the large carriers more completely for the protection of consumers. Because of the scope of their operations, the larger LECs have more opportunities to engage in cross–subsidies which are more likely to be detected by comprehensive auditing procedures. The Commission acknowledged the greater ability of the larger LEC to cross–subsidize earlier this year:

> The largest Incumbent LECs conduct a much greater transactional volume of nonregulated services than small and mid–sized carriers. This situation creates additional opportunities to shift costs from nonregulated services, resulting in subsidization of nonregulated services with the revenues earned from the provision of regulated services and a greater risk of harm to consumers and competitors from such cross–subsidization.[33]

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31 *Id.*, para. 12, n. 19.

32 Industry Analysis Division, *Preliminary Statistics of Communications Common Carriers*, May 28, 1999, Table 1.1.

33 *ARMIS Reductions Report and Order,* para. 28.

In addition, financial reporting systems that may still be required by other regulatory agencies, such as the Securities and Exchange Commission ("SEC"), will not generally substitute for the Commission's financial surveillance of large LECs. First, the Commission has no control over the requirements of other regulators — other agencies may be able to modify their own rules at their discretion. More importantly, at least for the SEC, entities are permitted to consolidate audited financial results for all units with common ownership, regardless of their functional diversity. Thus, the operations of all subsidiaries may be consolidated as long as they do not have separate stock issues.

For large and highly diversified firms, such as the BOCs and GTE, consolidated reports provide little information on the financial matters relating to the provision of regulated telecommunications services and facilities. Bell Atlantic is a good example. This carrier's Securities and Exchange Commission Report 10–K shows consolidated financial results for dozens of units with 1998 revenues totaling more $30 billion.[34] Some data are fully consolidated for all Bell Atlantic activities, while some data are disaggregated into four "reportable" segments — domestic telecommunications, global wireless, directory, and "other businesses." Virtually all the activities in the last three segments are not regulated by the Commission. In fact, the "other businesses" category consists of "international wireline telecommunications investments primarily in Europe and the Pacific Rim, and lease financing and other businesses."[35] Even the "domestic telecom" segment includes unregulated activities such as customer premises equipment distribution and Internet access services, aside from all the company's operating telephone subsidiaries in the United States.[36]

34 Bell Atlantic Corp. SEC Form 10–K, 1998, Financial Statement F–1.

35 *Id.*, Part I, Item 1.

36 *Id.*

The Commission should have direct access to data pertinent to its own regulatory focus. Therefore, the Commission should continue to require financial audits relating to the specific activities of these highly diversified firms in the telecommunications field.

IV. THE COMMISSION SHOULD ADOPT ADDITIONAL CHANGES IN ACCOUNTING RULES DESCRIBED IN THE NOTICE.

The Notice contains a number of tentative conclusions to implement additional changes in the accounting rules for incumbent LECs. Specifically, the Commission proposes:

(1) to eliminate the requirement that carriers make a good faith determination of the fair market value of transactions with affiliated entities for each service for which the total value of the transaction is less than $250,000, and permit transactions below this threshold to be recorded at fully distributed costs;[37]

(2) to eliminate the 15–day pre–filing requirement for changes that update the carriers' Cost Allocations Manuals ("CAMs");[38]

(3) to abolish the requirement for a 30–day notification of revisions to temporary or "experimental" accounts;[39]

(4) to cut the requirement for filing journal entries that detail extraordinary items, contingent liabilities, and prior period adjustments, before recording them in the carrier's books of account;[40]

(5) to eliminate the requirement that carriers reclassify the costs of property held for a definite plan for use from Account 2002 (Property held for future telecommunications use) to Account 2006 (Non–operating plant) after two years, and maintain the costs in Account 2002;[41] and

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37 Notice, para. 15.

38 *Id.*, para. 17.

39 *Id.*, para. 18.

40 *Id.*, para. 19.

41 *Id.*, para. 20.

(6) to simplify the accounting treatment of construction projects that have been suspended for at least six months.[42]

Based on the considerations discussed in the Notice, the Commission should adopt all of these proposed changes, with one condition. Several of the changes affect information now obtained through the Commission's audit program. These changes should be implemented only if the requirement for financial audits is maintained, as recommended previously in these Comments.

The first change is intended to reduce the burden of determining the fair market value of small transactions. According to the Commission Staff, the change should not lessen the effectiveness of the affiliate transaction rules.[43] GSA concurs with this observation, and urges the Commission to adopt the proposed change.

The second modification is in response to an observation by a large LEC that the existing procedures disclose competitive information because CAM changes are frequently associated with a new offering.[44] With the proposed plan, carriers would be required to disclose CAM changes only when implementing them.[45] GSA concurs with this reasoning, and urges the Commission to adopt the proposed modification.

The third change would eliminate the requirement in Section 32.13(a)(3) of the Commission's rules, which states that carriers may establish temporary or "experimental" accounts if they notify the Commission of their existence and purpose within 30 days of establishing them.[46] The Notice explains that carriers employ such accounts as clearing accounts that are closed at the end of the financial period. These

42 *Id.*, para. 21.

43 *Id.*, para. 15.

44 *Id.*, para. 17

45 *Id.*

46 *Id.*, para. 18.

accounts do not affect the Part 32 accounting structure.[47] Moreover, the Commission Staff explains that other accounting safeguards such as ARMIS reporting and the audit program are sufficient for regulatory oversight.[48] GSA agrees with these assessments. Therefore, GSA concurs with the tentative decision to abolish the notification requirement providing the audit program and ARMIS reporting structure are continued as recommended in these Comments.

The fourth change is intended to eliminate the requirement that the Commission be given advance notice of certain types of accounting entries through pre–submission of journal entries. The advance notice requirement was established as an additional protection against actions by carriers to inflate their rate bases.[49] The Notice states that this protection has not proved to be necessary in view of other safeguards such as ARMIS reporting and the audit program [50] GSA also agrees with this assessment, and concurs with the tentative decision to abolish the requirement to submit journal entries providing the audit program and ARMIS reporting structure are continued as recommended in these Comments.

The fifth change is in response to an observation by a large LEC that the investment for plant that is not in service could be excluded from rate base through a less cumbersome procedure than now followed.[51] Under the proposed plan, costs would continue to be recorded in Account 2002, investments and reserves would be excluded from rate base, and all associated expenses would be excluded from

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47 *Id.*

48 *Id.*

49 *Id.*, para. 19.

50 *Id.*

51 *Id*, para. 20.

ratemaking computations. GSA urges the Commission to adopt this proposal, which achieves the same result with no loss of information or regulatory control.

Finally, the last change is intended to simplify accounting for projects that have been suspended for six months or more by abolishing the rule that the costs in Account 2003 (Telecommunications plant under construction) be reclassified to Account 2006 (Non–operating plant).[52] Under the proposed plan, carriers would be permitted to continue to hold the costs in Account 2003, but remove the amounts from rate base, discontinue capitalization of the allowance for funds used during construction, and charge Account 7370 (Special charges) if the project is subsequently abandoned.[53] As with the previous proposal, this plan achieves the same result with no loss of information or regulatory control, and GSA recommends that it be adopted.

V. THE COMMISSION SHOULD ELIMINATE SOME REPORTING REQUIREMENTS, BUT NOT ASSUME THAT FINANCIAL DATA ON REGULATED SERVICES WILL BE AVAILABLE FROM OTHER SOURCES.

A. The Commission proposes to abolish a variety of ARMIS reporting requirements.

Incumbent carriers report a wide variety of financial information in the Uniform System of Accounts through the ARMIS 43–02 report. This report, which is one of the most voluminous requirements in ARMIS, consists of 27 tables, organized into three "series" or groups:

- the "C" series of five tables that provide corporate organizational information;

52 *Id.*, para. 21.

53 *Id.*

- the "B" series of 15 tables that provide information on balance sheet accounts; and
- the "I" series of seven tables that provide information on a carrier's income and expenses.[54]

The Notice contains the tentative conclusion that the Commission should streamline the ARMIS 43–02 USOA Report by eliminating several tables in each of the three series.[55] The Notice acknowledges that access to some of this data is crucial for the Commission and for the state regulatory authorities.[56] However, the Notice asserts that it is likely that most of the information can be obtained from other sources.[57] In this vein, the Commission seeks comments on whether alternative sources of the information provide sufficient protection against the potentially anti–competitive practices of incumbent carriers.[58]

B. The proposed consolidation of Series "C" tables should not impair regulatory surveillance.

Four of the Series "C" tables contain information on the management and organization of the reporting companies. To reduce the filing burden on large incumbent carriers, the Notice proposes consolidation of this information into a single table.[59]

The burden of preparing this material would not seem too great, particularly since organizational structures do not generally change much from year–to–year. However, the Notice indicates that the information in these tables has limited value to

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54 *Id.*, para. 22.

55 *Id.*, para. 23.

56 *Id.*, para. 24.

57 *Id.*

58 *Id.*

59 *Id.*, para. 25.

the Commission in performing surveillance functions[60] Therefore, GSA concurs with this proposed modification of the reporting procedures.

The fifth table in the series summarizes "Important Changes During the Year" for the carrier. The Commission acknowledges the need for this data, but suggests that the presentation could be improved by specifying that only changes above a certain threshold must by reported.[61] The Notice requests recommendations on the threshold level to be employed for this purpose.[62] GSA suggests a breakpoint of $250,000, which is consistent with the threshold established for the fair market value determination discussed previously in these Comments.

C. In evaluating the proposed elimination of several Series "B" and "I" tables, the Commission should not depend on SEC 10–K Reports as a substitute.

The Commission Staff proposes to eliminate seven tables in Series "B" that provide supporting information on capital leases, deferred charges, long–term debt, and other data supporting the "Balance Sheet" and the "Statement of Cash Flows" presented in other tables in the series.[63] The Staff also proposes to eliminate three Series "I" tables that support the carrier's "Income Statement."[64] The Notice requests comments on these steps, particularly from the viewpoint of whether alternative sources of information provide a sufficient level of detail to meet the Commission's needs.[65]

60 *Id.*

61 *Id., para. 26.*

62 *Id.*

63 *Id.*, para. 27.

64 *Id.*, para. 28.

65 *Id.*, para. 27.

The discussion in the Notice indicates that the tables to be eliminated, while supporting in nature, have significant value in several regulatory functions. The primary issue is thus whether "information concerning these accounts are readily available from other sources, such as in the carrier's Annual 10–K Report or through other internal records."[66] GSA offers two observations. First, information in the 10–K reports is highly aggregated, and will probably shed only a dim light on the financial affairs of regulated telecommunications activities. Second, the only additional approach identified for obtaining the information is through a special request of the carrier, for which response would be substantially voluntary. In short, if the Commission needs the information to be "readily available," it would be preferable to continue the present reporting procedures.

D. The reporting threshold for two "I" series tables should be increased significantly.

The Notice states that the Staff's review indicates that the information contained in Table I–6 (Special Charges) and Table I–7 (Donations or Payments for Services by Persons Other than Employees) continue to be essential for the Commission's monitoring activities.[67] However, the Notice seeks recommendations on possible increases in the reporting thresholds employed for both of these tables in view of the revenue growth of Class A carriers since the start of ARMIS reporting in 1989.[68]

The present reporting threshold for all special changes in Table I–6 is $100,000. The threshold for Table I–7 depends upon the type of payment. Indeed, the

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66 *Id.*

67 *Id.*, paras. 29–30.

68 *Id.*

threshold ranges from $10,000 for membership fees and dues to $250,000 for advertising and information services.[69]

GSA suggests that the reporting threshold be set at $250,000 for all types of information in both tables. This breakpoint would be consistent with the threshold recommended by GSA for the other ARMIS presentations, as discussed above. The greater reporting threshold should reduce the volume of information presented in these tables considerably.

69 *Id.*, para. 30.

VI. CONCLUSION

As a major user of telecommunications services, GSA urges the Commission to implement the recommendations set forth in these Comments.

Respectfully submitted,

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I, MICHAEL J. ETTNER, do hereby certify that copies of the foregoing "Comments of the General Services Administration" were served this 23rd day of August, 1999, by hand delivery or postage paid to the following parties.

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