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

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of	)	
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2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3	))))))	CC Docket No. 00-199

REPLY COMMENTS
of the
GENERAL SERVICES ADMINISTRATION

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July 26, 2001

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SUMMARY

In these Reply Comments, GSA agrees with those parties that find the Commission has struck an appropriate balance between streamlining the USOA account structure and updating the structure to reflect changes in technology and the adoption of the Telecommunications Act of 1996.

GSA believes that ILEC opposition to the establishment of interconnection expense accounts is based upon a misunderstanding of the intended purpose of these accounts. Under GSA's interpretation of the Commission's proposal, the creation of these accounts would not be burdensome.

GSA also believes ILEC opposition to the establishment of optical and packet switching accounts is misguided. The Commission's forward-looking approach to these technologies is commendable.

GSA agrees with the ILECs, however, that universal service fund accounts need not be established. Universal service data by carrier can be obtained instead from USAC.

Finally, GSA agrees with other parties that certain minor revisions to the Commission's proposals are appropriate.

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Incumbent Local Exchange Carriers:	)	
Phase 2 and Phase 3	)	

REPLY 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 Public Notice ("Notice") released on June 8, 2001. In the Notice, the Commission seeks additional comments and replies on proposed changes to its Uniform System of Accounts ("USOA") for Telecommunications Companies.[1]

I. INTRODUCTION

In its Comments, GSA supported most of the Commission's proposals for streamlining its Class A account list.[2] GSA commended the Commission for striking an

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[1] 47 C.F.R. Part 32

[2] Comments of GSA, July 16, 2001.

appropriate balance between the requirements for effective regulatory controls and the need for less burdensome regulatory surveillance.[3]

Comments were also filed by the following parties:

- The United States Telecom Association ("USTA") and three incumbent local exchange carriers ("ILECs");
- Three state commissions;
- WorldCom;
- Sprint Corporation ("Sprint")
- The Ohio Consumers' Counsel ("OCC"); and
- The Rural Utilities Service ("RUS")

In these Reply Comments, GSA responds to the comments and proposals of these parties.

II. THE COMMISSION'S PROPOSALS STRIKE AN APPROPRIATE BALANCE

USTA supports the Commission's proposals to eliminate many accounts and subaccounts, but opposes the relatively few additions proposed by the Commission.[4] USTA contends that these additions are unnecessary and administratively burdensome. USTA's position is supported by Verizon, SBC Communications, Inc. ("SBC") and BellSouth Corporation ("BellSouth").[5]

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[3] Id.

[4] Comments of USTA, pp. 1-4.

[5] Comments of Verizon, pp. 1-3; SBC, pp. 1-2; BellSouth, pp.1-4.

The OCC, on the other hand, contends that the lack of "meaningful economic competition" suggests that none of the Commission's proposed account eliminations are required.[6] OCC states:

> Although we realize that reductions in the accounting requirements will benefit the carriers, where there is a continuing need for this information, the detriment of losing access to the information outweighs any public interest benefit from reducing the regulatory burden on the carriers.[7]

GSA agrees with WorldCom and New York, however, that the Commission's proposals strike an appropriate balance between streamlining the account structure and updating the account structure to reflect changes in technology and the adoption of the Telecommunications Act of 1996.[8] Wisconsin also recognizes this balance and states:

> While the Wisconsin Commission agrees that it is important to minimize regulatory burdens, it believes that the proper perspective should be to determine what changes, plus and minus, are needed in the new environment. In some areas, less detail should be able to meet regulatory requirements. In other areas, greater detail may be needed to meet changing regulatory needs.[9]

GSA commends the Commission for its balanced and forward-looking proposals in this proceeding.

III. INTERCONNECTION SUBACCOUNTS ARE NOT BURDENSOME

USTA, Verizon and BellSouth complain at length that the addition of subaccounts for interconnection expenses such as unbundled network elements ("UNEs"), resale

[6] Comments of OCC, p. 2.

[7] Id., p. 3 (footnote deleted).

[8] Comments of WorldCom, p. 1; the New York State Department of Public Service ("New York"), p. 1.

[9] Comments of the Public Service Commission of Wisconsin ("Wisconsin"), p. 2.

and reciprocal compensation are contrary to the basic framework of the USOA and prohibitatively costly to implement.[10] They contend that entirely new cost studies would be necessary to capture the costs of these services.

GSA believes that these parties have misunderstood the use of these interconnection subaccounts. For example, GSA does not believe that the Commission intends an ILEC to record the costs it incurs in providing UNEs to other carriers in the UNE expense account. Such costs are properly recorded in the various capital and expense accounts by function. Rather, the Commission intends an ILEC to record the expenses it incurs when it acquires UNEs from other carriers in the UNE expense account.[11] Under this interpretation of the Commission's proposal, there is really no incremental burden on the ILECs, since these expenses must be assigned to some account in any case.

The ILECs' confusion can be understood, of course, since they currently acquire few, if any, UNEs from other carriers. The Commission's proposal is appropriate and necessary, however, since in the future various ILECs may indeed find themselves making such acquisitions from other carriers. The Commission's foresight in proposing interconnection expense subaccounts is to be commended.

IV. THE COMMISSION'S SWITCHING PROPOSALS ARE FORWARD-LOOKING

USTA, Verizon and SBC oppose the Commission's proposal to differentiate between digital and optical switching and between circuit and packet switching.[12] They

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[10] Comments of USTA, pp. 6-10; Verizon, pp. 3-7; BellSouth, pp. 2-3.

[11] SBC notes that it assumes this is the Commission's intent on p. 2 of its Comments.

[12] Comments of USTA, pp. 3-4; Verizon, P. 7; SBC, p. 4.

argue that the separate identification of optical switches is premature since widespread deployment is not imminent, and that the separation of circuit and packet switching is not meaningful since the same traffic can be carried using either technology.

GSA disagrees. The ILECs have long argued in depreciation proceedings that there will be an "avalanche" of retirements of digital switching equipment once that technology is made obsolete by more cost effective optical switching equipment. Similarly, the ILECs contend that there will be an "avalanche" of retirements of digital circuit equipment once that technology is made obsolete by more cost effective packet switching equipment. Prudence dictates that accurate monitoring of the retirement of older technologies and the deployment of new technologies be maintained. The Commission's proposals have that intent.

The time to establish new technology accounts is at the outset of their deployment. As USTA itself notes, the reclassification of equipment requires significant effort, so it is important to establish forward-looking classifications early in a technological life cycle. The less plant in service, the less such effort will be.[13]

Once again, the Commission is to be commended for its forward-looking approach to these new technologies.

V. UNIVERSAL SERVICE FUND ACCOUNTS ARE NOT NECESSARY

USTA, Verizon and BellSouth oppose the establishment of universal service fund revenue and expense accounts as proposed by the Commission.[14] They explain that the creation of these accounts would unnecessarily complicate the accounting process

[13] Comments of USTA, p. 4.

[14] Comments of USTA, pp. 3-6; Verizon, pp. 5-6; BellSouth, p. 2.

and distort proper reporting. In lieu of using these accounts, they recommend that universal service fund data be obtained directly from the Universal Service Administrative Company ("USAC").

This ILEC recommendation has merit. The accounting complexities they explain would indeed be burdensome, and the resulting reports arguably distorted. Conversely, universal service contributions and receipts by carrier should be readily available from USAC.

GSA recommends that the Commission adopt this ILEC proposal and require USAC to provide carrier universal service fund data on a timely basis for public reporting.

VI. CERTAIN MINOR REVISIONS TO THE COMMISSION'S PROPOSALS ARE APPROPRIATE

The comments of other parties support the few minor revisions to the Commission's proposals that GSA recommended in its Comments. New York and WorldCom agree with GSA that all Basic Local Service Revenue should not be consolidated into a single account.[15] Wisconsin agrees with GSA that the Commission should establish separate wholesale and retail subaccounts for the Customer Services expense account.[16] WorldCom agrees with GSA that separate ARMIS reporting of state and interstate data should be required for each network access revenue subaccount.[17]

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[15] Comments of New York, p. 1; WorldCom, p. 3; GSA, pp. 2-3.

[16] Comments of Wisconsin, p. 4; GSA, p. 5.

[17] Comments of WorldCom, pp. 1-2; GSA, pp. 3-4.

GSA also agrees with New York and Sprint that the Commission should not eliminate the Submarine and Deep Sea Cable capital and expense accounts.[18] As Sprint points out, the elimination of these accounts would result in such costs being reclassified, thereby "contaminating" other accounts.[19] To avoid this condition, GSA recommends that single capital and expense accounts be established to incorporate both Submarine and Deep Sea Cable costs.

[18] Comments of New York, p. 1; Comments of Sprint, pp. 2-3.

[19] Comments of Sprint, p. 2.

VII. CONCLUSION

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

Respectfully submitted,

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July 26, 2001

CERTIFICATE OF SERVICE

I, MICHAEL J. ETTNER, do hereby certify that copies of the foregoing "Reply Comments of the General Services Administration" were served this 26th day of July, 2001, by hand delivery or postage paid to the following parties.

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