

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of

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Common Carrier Bureau Seeks Comment
On Proposed Streamlined ARMIS 43-04
(Jurisdictional Separations) Report

CC Docket No. 80-286

REPLY COMMENTS OF AT&T CORP.

Pursuant to Section 1.415 of the Commission's rules, and its Public Notice, DA 01-1496, published in 66 Fed. Reg. 34672 (June 29, 2001) ("Public Notice"), AT&T Corp. ("AT&T") submits these reply comments on the issues raised by USTA and other carriers in response to the Common Carrier Bureau's proposal to streamline the ARMIS 43-04 Report.¹

I. THE COMMISSION SHOULD RETAIN SEPARATE REPORTING IN THE ARMIS 43-04 SEPARATIONS AND ACCESS REPORT FOR LOCAL SWITCHING AND LOCAL TRANSPORT SERVICES.

Although (like other commenters), AT&T does not object to many of the Bureau's proposed changes to the ARMIS 43-04 Separations and Access Report that would eliminate a large number of row and column data, in at least one respect, the Bureau's proposal goes too far. Currently, traffic sensitive access services are separately identified as local switching, equal access, information and local transport in columns j, k, l and m on

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¹ ALLTEL, GSA, SBC, Sprint and USTA filed Comments on July 20, 2001.

the ARMIS 43-04 Report. The Bureau has proposed in the Attachment to its Public Notice² that the separate identification of these four access services be eliminated and only the total traffic sensitive column remain. This change should *not* be adopted. Rather, local switching and local transport services should continue to be separately identified in the ARMIS 43-04 Report, in addition to the total traffic sensitive services column, for the following reasons.

The local switching and local transport rate elements are developed and billed separately by the LECs. In addition, the Tariff Review Plans (TRPs) filed by the LECs when making rate changes, have separate indices (PCI, API, SBI) computed for local switching and local transport rates, which reside respectively in the traffic sensitive and trunking baskets and together represent nearly 20% of interstate access revenues of price cap carriers.³ When discrepancies have been found in a carrier's tariff filings pertaining to local switching or local transport services, the ARMIS rate element detail and history have facilitated the analysis considerably and have provided the industry with a valuable resource to assist in the investigation. Indeed, absent separate local switching and local transport data, access customers will be unable to conduct proper cost analyses and determine whether price cap carriers are computing their average traffic sensitive rates in compliance with CALLS. Likewise, the Commission's recent FNPRM⁴ seeking comment

² Public Notice at Attachment (Table 1-Separations and Access Table).

³ 2000 ARMIS 43-01, Row 1090, Operating Revenues, Columns N and P divided by Column T. The rate-of-return carriers also develop their local switching and local transport rates separately, and the FCC Form 492 earnings report requires them to report traffic sensitive earnings by end office (*i.e.*, local switching), information, and local transport.

⁴ *Access Charge Reform*, CC Docket No. 96-262, CC Docket No. 94-1, Fifth Report and Order and Further Notice of Proposed Rulemaking, FCC 99-206, released August 27, 1999.

upon the restructure of the local switching rate element also required the evaluation of element specific details from the ARMIS 43-04 reports. Accordingly, separate reporting of local switching and local transport data is useful in a variety of contexts and should be retained.

II. THE COMMISSION SHOULD REJECT COMMENTERS' OVERBROAD STREAMLINING PROPOSALS THAT ARE OUTSIDE THE SCOPE OF THIS PROCEEDING AND ARE UNWARRANTED.

USTA *et al.* attempt once again to reiterate their previously unjustified recommendations to further streamline the ARMIS reporting into one single report.⁵ USTA even suggests that the reporting be performed at an operating telephone company level, which could deny the industry of any relevant study area or state-specific information.⁶ USTA and other commenters also suggest that certain ARMIS information be eliminated altogether.⁷ These commenters fail to recognize that the accurate and detailed reporting of the information contained in the ARMIS reports is still used for many regulatory purposes

⁵ USTA at 2; ALLTEL at 2-3; SBC at 4.

⁶ USTA at 2.

⁷ USTA at 2-3; SBC at 2-4. USTA (*id.*) has also proposed an unwarranted change to eliminate the local calls column from the ARMIS 43-08 Operating Data Report. This column is currently used by the industry in its local cost models and the information cannot be obtained publicly elsewhere. USTA (*id.*) and SBC (*id.*) also recommend the premature elimination of the ARMIS 43-01 Annual Summary Report that summarizes the results of the other ARMIS reports, namely, the 43-02 USOA Report, 43-03 Joint Cost Report, and 43-04 Separations and Access Report. Because the data from these other ARMIS reports would not be reflected in the ARMIS 43-04 Report, even with the minor additions to the 43-04 Report these parties suggest, this proposal should be rejected.

and is especially important as competition continues to evolve.⁸ Any further modifications to other ARMIS reports must be reviewed and commented upon separately.

In the instant proceeding, it is only because the Commission has adopted the recommendation of the Federal-State Joint Board to impose an interim freeze of certain jurisdictional cost categories and allocation factors that the Commission has decided to streamline its current separations reporting requirements for the ARMIS 43-04 Report.⁹ The Commission's intent is, nevertheless, to retain sufficient information within the ARMIS 43-04 Report to allow it to adequately evaluate the impact of the freeze and to determine whether further separations reform is required.¹⁰ The commenters' self-serving proposals for sweeping changes are not only outside the scope of this proceeding but are also unwarranted and should be rejected.

Another issue raised by the commenters that is outside of this proceeding is the Commission's proposal to relieve mid-size carriers of the requirement to file the

⁸ See AT&T Reply Comments, *In the Matter of 2000 Biennial Regulatory Review of the Accounting and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers Phase 2 and Phase 3*, CC Docket No. 00-199, filed January 30, 2001, at 2-5. As AT&T noted therein (at 14) ILECs should report metallic and non-metallic cable investment and expense information in ARMIS Reports 43-02 and 43-04, because these data are important for the development of appropriate universal service cost models, and would place no appreciable burden on the ILECs to provide. Second, ILECs should report revenues from interstate access services offered pursuant to contract tariff and revenues excluded from price cap regulation pursuant to the *Pricing Flexibility Order*. Pricing flexibility represents a sea change in the Commission's approach to regulating interstate access services, and it will be critically important to monitor and evaluate the performance of the LECs (who concededly have market power over the services at issue) in the absence of price regulation.

⁹ *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, FCC 01-162, released May 22, 2001, ¶¶ 46-47 ("*Separations Freeze Order*").

¹⁰ *Id.*

ARMIS 43-04 Report.¹¹ Contrary to USTA's and other carriers' positions, this proposal should *not* be adopted because ARMIS separations data for these carriers continue to serve a useful function for regulatory analysis and reviews. Mid-size carriers are defined as carriers with annual operating revenues of more than \$117 million and affiliate-aggregated ILEC operating revenues of less than \$7 billion.¹² As such, while mid-sized carriers are smaller than BellSouth, Qwest, SBC or Verizon, they have substantial operating revenues that are significantly higher than the majority of the small LECs. It is precisely for this reason that ALLTEL's recommendation¹³ that the Commission revise its Part 32 definition of "mid-sized ILEC" to ILECs that are part of a holding company with fewer than two percent of the access lines installed in the aggregate nationwide, or carriers that have aggregated ILEC revenues equal to or less than \$7 billion dollars should *not* be adopted. This definition would eliminate nearly all of the currently designated mid-sized LECs from ARMIS reporting with the exception of Sprint. Moreover, the two percent access line criteria to determine the reporting threshold has been previously considered and rejected by the Commission as being unmanageable.¹⁴ After soliciting industry comment, the

¹¹ ALLTEL at 1-2; Sprint at 1-2; USTA at 1-2. *See In the Matter of 2000 Biennial Regulatory Review of the Accounting and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers Phase 2 and Phase 3*, CC Docket No. 00-199, Notice of Proposed Rulemaking, FCC 00-364, released October 18, 2000, ¶ 84.

¹² *See* 47 CFR Part 32.9000 Glossary of Terms for "Mid-size incumbent local exchange carrier." *See also* Public Notice, Annual Adjustment of Revenue Threshold, DA 01-903, released April 11, 2001.

¹³ ALLTEL at 2.

¹⁴ *In the Matters of Implementation of the Telecommunications Act of 1997: Reform of Filing Requirements and Carrier Classifications*, CC Docket No. 96-193, Report and Order, FCC 97-145, released May 20, 1997, ¶ 69.

Commission concluded that it would be simpler for the reporting threshold to be based on operating revenues adjusted annually for inflation.

Contrary to commenters' proposals to exempt mid-size carriers from filing the ARMIS 43-04 Report, because the Commission has implemented a five-year freeze on jurisdictional cost allocation factors for all carriers and of Part 36 category relationships for price cap carriers, it becomes even more important that the ARMIS 43-04 reporting is maintained for all carriers. Carriers' submission of the ARMIS 43-04 will help ensure compliance with the freeze and allow the Commission and interested parties to adequately evaluate the effect of the freeze upon the industry on an on-going basis.

In addition, ARMIS 43-04 data provide the industry with an historical record of costs that will enable it to better assess further separations and access reform if required. Until the Commission has completed its investigation of separations and access reform, the industry will require information to allow it to properly perform its analysis of future separations or access reform rule changes. Except for the information reported on the current ARMIS 43-04 Report, there is no publicly available jurisdictional cost information for the filing carriers. Accordingly, the ARMIS 43-04 Report for mid-sized carriers, as for the large-sized carriers, is needed to provide consistency and uniformity among carriers and across states when evaluating the various accounts and categories of cost data not available elsewhere.

CONCLUSION

For the reasons stated above, the Commission should continue to require that: (1) local switching and local transport be identified as separate elements in the ARMIS 43-04 Report, and (2) both large and mid-size LECs file the ARMIS 43-04 Report.

Respectfully submitted,

AT&T CORP.

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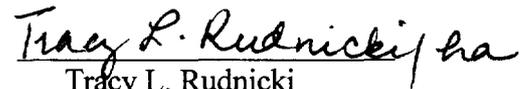
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August 6, 2001

CERTIFICATE OF SERVICE

I, Tracy L. Rudnicki, do hereby certify that on this 6th day of August, 2001, a copy of the foregoing "Reply Comments of AT&T Corp." was served by U.S. first class mail, postage prepaid, on the parties named on the attached Service List.


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