Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

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 3	))))))	CC Docket No. 00-199
	)	
Local Competition and Broadband Reporting	))	CC Docket No. 99-301

REPLY COMMENTS OF VERIZON

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Introduction and Summary

Commenters have offered no justification for continuation of the Part 32 accounting rules (including the CPR and affiliate transaction rules) or ARMIS. The Commission stated that commenters who argue that parts of the accounting rules or the ARMIS reporting requirements should not sunset by a date certain, "should identify with specificity which rules should remain in place and provide a full analysis of the justification for that rule, on a rule-by-rule basis." NPRM, ¶ 209. That approach is the right one. The Commission should ignore efforts to keep unnecessary rules in place through unsubstantiated and tenuous concerns about eliminating these rules, suggestions that the regulations not be removed until "there is clear and incontrovertible evidence" of the public interest, and exhortations to

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1 Verizon initially filed joint comments with several other ILECs. *See* Joint Comments of BellSouth, SBC, Verizon, Qwest, Frontier, and CBT ("Joint ILEC Comments"). Although Verizon is filing separate reply comments to emphasize certain points, it generally concurs with the reply comments being filed by the other ILECs who participated in the Joint ILEC Comments.

"study" the issues further. These comments are designed to bring the Commission's deregulatory efforts to a standstill, and are contrary to the direct mandate of the Act.

The Commission has a continuing duty to eliminate regulations that are not "necessary" in the public interest. 47 U.S.C. §§160, 161. As the District of Columbia Court of Appeals has recently reaffirmed, the Act "is clear that a regulation should be retained only insofar as it is necessary in, not merely consonant with, the public interest."[2] Thus, commenters cannot simply argue that the Commission should keep existing regulations or that carriers prove that they are unnecessary. Rather, if commenters cannot articulate *specific* reasons why there is a "federal need" for a *specific* rule or regulation, the Commission simply is "not justified in maintaining such a requirement at the federal level." NPRM, ¶ 207. The duty to eliminate regulations that are not "necessary" should be rigorously applied in every proceeding, but particularly so in the context of accounting and ARMIS requirements, which are based on "original justifications" that the Commission has noted "may no longer be valid," and impose inordinate burdens on only one class of carriers. *See* NPRM, ¶ 206.

Unable to come up with specific reasons why the accounting rules must be maintained, some commenters have resorted to hyperbole: indeed, several have argued that the accounting and ARMIS reporting requirements are needed to avoid the next "Enron," and some even have gone so far as to suggest that eliminating the regulations would endanger "national and homeland security." These alarmist arguments have no basis in fact. Eliminating burdensome accounting rules (including the CPR and affiliate transaction rules) and ARMIS reporting requirements – which are currently imposed on only one class of carriers – will not eliminate accounting, property records, reporting, or restrictions on affiliate transactions. These carriers would still be subject to the requirements of Generally

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2 *Fox Television Stations, Inc. v. FCC*, 280 F.3d 1027, 1050 (D.C. Cir. 2002).

Accepted Accounting Principles ("GAAP") – which are already being used by every other class of carriers, and for many regulatory requirements – and other FCC rules will remain in place. The Commission should reject irrational exhortations, and maintain only those regulations for which it finds there is a *specific* federal need. Because commenters have failed to articulate such specific needs, these burdensome regulations should be eliminated immediately.[3]

I. The CPR Rules Are Burdensome and Unnecessary, and Should Be Eliminated Immediately

The Commission should go forward with its tentative conclusion to eliminate the detailed CPR rules. NPRM, ¶ 212. As the Commission has recognized, the record already demonstrates that these "detailed requirements, which include rigid rules for recording property, impose substantial burdens on incumbent LECs." *Id.* (footnote omitted). In a paper already presented to the Commission, one independent accounting firm estimated that moving to GAAP in lieu of the current USOA Class A accounting and reporting requirements would result in average cost efficiencies of $20 million *per year* for *each* ILEC.[4] An estimated $5 million per year of that savings could be realized just by allowing ILECs to operate under simplified CPR procedures. *Id.*

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[3] The accounting rules related to depreciation, 42 C.F.R. 32.2000(g) and 47 C.F.R. § 43.43, should be eliminated, but the implementation should be phased in over time and the carriers allowed to amortize depreciation expense differences over a reasonable period as an above the line expense while continuing to amortize excess deferred tax and investment tax credits according to the tax normalization rules. There is a difference between Verizon's financial books of account and its regulated books of account in the treatment of depreciation. While gross plant investment on both sets of books is the same, Verizon's financial reports are based on its best estimate of the future economic lives of equipment. Verizon's regulated depreciation is based on lives approved by the FCC.

[4] *See* November 10, 1998 Supplement to July 15, 1998 Position Paper, "Accounting Simplification in the Telecommunications Industry," attached to November 10, 1998 Letter to Magalie R. Salas, FCC, from Carl R. Geppert, Arthur Andersen LLP, at 8.

And the burdens imposed on ILECs are completely unnecessary because, as the Commission has also noted, "[i]ncumbent LECs are subject to a number of other regulatory constraints and appear to have ample incentives to maintain a detailed inventory of their property." NPRM, ¶ 212 (footnote omitted). Indeed, many commenters – including state regulators – recognized that the existing CPR rules are unnecessarily burdensome, and have advocated that they be streamlined.[5] For example, Oregon pointed out that "[t]he present set of rules frequently force plant transactions to be monitored at levels of detail that are in excess of what is required by the states" and that the present rules have "ambiguous, open-ended sections that, if strictly followed, could result in superfluous data collection." Oregon Comments, at 8. In fact, Oregon listed *two pages* of "sample" problems with the existing CPR rules. *Id.* at 9-11.

Some commenters appear to have confused the proposed elimination of the CPR *rules* with the elimination of the continuing property records themselves. For example, NARUC argued that the Commission should not eliminate the CPR rules because "*[t]hey are necessary to ensure that the largest and most important accounts, the network plant accounts, accurately reflect those assets actually in service.*" NARUC Comments, at 20 (emphasis in original). However, just because ILECs will be freed from the "rigid" requirements of the CPR rules does not mean they will stop keeping continuing property

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5 *See, e.g.*, Oregon Comments, at 8 (The CPR rules "should be modified to make them simpler and more useful"); GSA Comments, at 8 ("The Commission's CPR rules may indeed be overly rigid and burdensome relative to current state regulatory requirements. GSA encourages the Commission, therefore, to streamline its CPR rules as much as possible consistent with the legitimate needs of state regulators"); Wisconsin PSC Comments, at 10 ("The current [CPR] requirements may be more than is needed in a competitive environment."); Michigan PSC Comments, at 8 ("The MPSC believes that there may be ways to streamline the CPR rules without destroying their usefulness or integrity"); NARUC Comments, at 21 ("[T]here may be ways to streamline or modify the CPR rules without destroying their integrity or usefulness").

records. Quite to the contrary – ILECs will continue to maintain a detailed inventory of their property, because, like any business, they "have ample incentives" to do so. NPRM, ¶ 212. In addition to business reasons, ILECs will be required to maintain detailed records of their assets in accordance with GAAP, and pursuant to SEC requirements, and the records will continue to be subject to independent audits.[6] However, like other businesses, ILECs should have the flexibility to keep those records according to business needs, not according to "rigid rules" that "impose substantial burdens." NPRM, ¶ 212.

NASUCA's comments, which were devoted entirely to the CPR rules, appear either to misunderstand the rules, or to have confused the continuing property records with engineering records. For example, NASUCA argues that if a national disaster were to occur, the CPR would "make possible needed access to a catalogue of quick replacement parts." NASUCA Comments, at 5. However, that simply is not correct, because the CPR only contains information on equipment *currently* providing service or installed and available for future use. *See* 47 C.F.R. § 32.2000(e)(4).[7] A company would need to access its system for tracking inventory – something that is kept separate from the CPR accounting requirements – to identify available replacement parts. Verizon maintains its inventory system in accordance with GAAP, and will continue to do so even if the CPR rules are eliminated.

Some commenters also incorrectly suggests that the continuing property records are detailed blueprints or "maps" of the network. NASUCA Comments, at 2; California PUC

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[6] As one commenter has pointed out, IXCs, who were relieved from the Commission's CPR requirements, continue to keep continuing property records. NARUC Comments, at 21. The ILECs will have business reasons to keep these records, because internal controls are necessary to ensure that asset purchases, transfers, and retirements or dispositions are made in accordance with management's authorization and are properly valued in the company's financial records.

[7] Very few assets are categorized as installed and available for future use. And an ILEC typically would not use such assets as replacement parts, because they would have to be uninstalled and reinstalled where needed.

Comments, at 15-16. That also is not true. The CPR rules govern how records must be maintained for *accounting* purposes, and are not designed for (or even necessarily useful for) field use. Thus, for outside plant records (*e.g.*, poles, cable, and conduit), the CPR typically contain only *summary* accounting records for geographic areas. For example, a continuing property record on telephone poles might indicate that during a certain year, X number of telephone poles were placed in the geographic area, at an average cost of $Y each. The summary geographic area for the CPR outside plant records may be at a level that reflects only the total number of telephone poles installed that year within a given number of city blocks, or an entire county. When a pole must be replaced, Verizon sends persons to the location of the pole, and uses the engineering plats (*not* the CPR) to find information about that *particular* pole. And, as stated above, if replacement is needed, Verizon turns to an inventory system (*not* the CPR) to find the replacement parts.

The CPR provide only the embedded dollar investment in facilities in the area. In any actual disaster, it takes engineers on site, and actual engineering records, to determine the extent of the damage and the need for replacement equipment.

II. Eliminating the Rigid Accounting Rules and ARMIS Does Not Result in the Elimination of Accounting Guidelines or Information Necessary for Regulatory Purposes

A. It Is Not Necessary To Impose Rigid Accounting Rules on a Handful of ILECs in Order to Assure Complete and Reliable Accounting

Some commenters appear to presume that, if the Commission eliminated the burdensome Part 32 accounting rules, reliable information necessary for regulatory purposes (universal service, UNE and interconnection prices, pole attachments, etc.) would suddenly disappear. *See, e.g.*, NARUC Comments, at 7; NCTA Comments, at 2. That is absurd. The ILECs will continue to keep detailed accounting records, not only because they need to for basic business purposes, but also because such accounting is required by GAAP, Generally Accepted Auditing Standards ("GAAS"), SEC regulations, and other regulatory requirements. The ILECs are not advocating that they be free to run their businesses without any records of accounts. They are only asking to be freed from rigid, unnecessary, and outdated accounting rules that do not apply to any other business – or indeed, to any other carriers.

Some commenters have raised alarmist concerns about the collapse of Enron and Global Crossing, and insist that those companies' accounting irregularities create sufficient reason to maintain the Part 32 system of accounts. *See, e.g.*, AT&T Comments, at 2; NARUC Comments, at 18; Oregon Comments, at 6. However, as those comments themselves demonstrate, the accounting concerns raised by those companies are not something unique to the telecommunications industry – much less, to specific Class A carriers – and cannot warrant specific regulations from the Commission. Any concerns about accounting irregularities can be (and are being) addressed by the SEC, so that they can be applied to *all* publicly reported companies. Certainly, the commenters have not stated any reason why applying antiquated accounting requirements to only one set of carriers (and stricter Class A accounting rules to a handful of ILECs) would stop the next Enron from occurring.[8]

GSA's comments argue that the Commission must consider its "statutory responsibility with respect to accounting matters," citing the portion of the Act that states the Commission "shall, by rule, prescribe a uniform system of accounts for use by telephone companies." 47 U.S.C. § 220(a)(2). However, there is nothing in that regulation that

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[8] If the Part 32 accounting regulations really were uniquely designed to avoid some of the accounting irregularities presented by Enron and other companies, they should be extended to other carriers as well – a solution that no commenter supports.

prohibits the Commission from setting a rule prescribing that the uniform system of accounts ("USOA") be based on GAAP.[9] And GSA fails to note that the majority of the statutory section regarding accounts and records is *discretionary*.[10]

Moreover, the Act *requires* the Commission to "forbear from applying" any regulation or provision of the Act that cannot be shown to be "necessary" to ensure reasonable rates or to protect consumers. 47 U.S.C. § 160(a). Indeed, the Act requires the Commission to not only "forbear" but to eliminate regulations that are not "necessary." *See* 47 U.S.C. § 161(b) (requiring Commission to "repeal or modify any regulation it determines to be no longer necessary in the public interest"). In other words, the Act "is clear that a regulation should be retained only insofar as it is necessary in, not merely consonant with, the public interest." *Fox Television Stations*, 280 F.3d at 1050. Even if the Commission were somehow required to maintain a uniform system of accounts, nothing would prevent it from eliminating the burdensome regulations regarding the procedures necessary for implementing those accounts.

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9 NARUC also argues that the Commission's accounting system already "follows GAAP" but that "Part 32 does not replace GAAP." NARUC Comments, at 17. That is correct. Part 32 is a system of accounting regulations in *addition* to the detailed accounting requirements set forth in GAAP. To have both is unnecessary.

10 *See, e.g.*, 47 U.S.C. § 220 (a)(1) ("The Commission *may, in its discretion*, prescribe the forms of any and all accounts, records, and memoranda to be kept by carriers subject to this Act . . .") (emphasis added).

B. ARMIS Is Not An Efficient Method for Gathering Information, and Methods Other Than ARMIS and Part 32 Accounting Can Easily Satisfy Regulatory Needs for Information

1. Regulatory Needs Already Are Being Met Through Targeted Data Requests, Without Relying on the Accounting Rules and ARMIS Reports

It is evident that neither Part 32 accounting rules nor ARMIS are needed to ensure reliable reporting. Indeed, much of the information that is necessary for federal purposes already is being provided in other data collection processes initiated by the Commission, states, and other regulatory entities, and is often being collected from carriers that do not file ARMIS or use Part 32 accounting.[11]

The information that Class A carriers must report in ARMIS is far more than is needed for regulatory purposes. Indeed, much of what is still reported in ARMIS either is not required, or is available from other publicly available sources. *See* Joint ILEC Comments, at 3-5, 14-18; Comments of ITTA, at 3-4. As one commenter pointed out, "the Commission's limited use of isolated data points that happen to be contained in [certain ARMIS reports] does not justify retaining these reports." ITTA Comments, at 4. If the Commission needs additional data not already provided in those other sources, it should

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[11] For example, IXCs, Wireless, CLECs, etc., provide financial information for assessments for Universal Service, Local Number Portability Support, Telecommunications Relay Service, and Number Administration (Form 499A), even though they are not subject to Part 32 accounting requirements. Similarly, wireless providers, CLECs, and others – again, not subject to Part 32 accounting – provide infrastructure information on Local Competition/Broadband Report (Form 477). *See also* Comments of ITTA, at 3 n.10 (noting that the Commission decided to rely exclusively on data submitted to NECA to determine switch allocation for the universal service model, not ARMIS, because ARMIS was incomplete). Some of this information is being gathered by entities other than the FCC. For example, the GAO recently issued a report on federal and state universal service programs and challenges to funding, which included information on state-specific rates, and which was not based on ARMIS data. Financial information is routinely reported in SEC filings. In addition, Wisconsin states that it already collects financial data from CLECs, which do not use Part 32 or report ARMIS. *See* Wisconsin Comments, at 6. *See also* Joint ILEC Comments, Attachment B (showing that states generally collect their own financial service quality and infrastructure data).

acquire that information through data requests, targeted to get only the information needed. It should not require ILECs to systematically continue to report information that is no longer necessary for federal regulatory needs, or to stick with an outmoded system of accounting that is not necessary for tracking such information.[12]

Additionally, because only certain ILECs are required to abide by ARMIS reporting, the information is also incomplete. Many commenters have agreed with this assessment, and point out that reporting infrastructure information on Broadband and Local Competition Form 477 would provide a more inclusive representation of the national network. For example, Oregon argued that, "[m]oving the ARMIS 43-07 information collection to the Local Competition and Broadband Data Gathering Program would help provide a more adequate assessment of infrastructure status." Oregon Comments, at 8. Similarly, another state regulator argued that "this data should be collected on a mandatory basis from the larger universe of carriers rather than only the price-cap companies." Wisconsin Comments, at 7.[13]

While some have expressed concern that the information reported on Form 477 is protected as proprietary, the Commission can aggregate the data in a way that would satisfy needs for the data, while still satisfying proprietary concerns.[14] In any event, if the data truly is proprietary, the Commission should create consistent rules about its protection. It should

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[12] Although NCTA argues that it needs certain specific pieces of ARMIS information to be continued so it can maintain information regarding pole rates, NCTA Comments, at 5, that information can be obtained through the a separate report, of the type shown in Joint ILEC Comments, Attachment D.

[13] *See also* NARUC Comments, at 19 ("More information regarding telecommunications infrastructure is needed, especially as competitive carriers own more of the infrastructure").

[14] The Commission already summarizes proprietary data provided in Form 477 into the Local Telephone Competition Status report. Tables 6 through 10 and Table 13 provide state-specific information.

not require some ILECs to publicly report this information while their competitors are allowed keep the same information confidential.

2. The Accounting Rules and ARMIS Reporting Requirements Are Not Necessary for Universal Service, UNE Rates, or Cross-Subsidization Issues

Commenters also appear to mistakenly believe that if carriers are allowed to move to GAAP, they will lose information needed for the universal service program and UNE rates. Again, these fears are unfounded. The Commission already gathers data for universal service from carriers not subject to Part 32 accounting and ARMIS reporting. *See* footnote 13, *supra*. Specific cost factors that are applied to UNE rates are not applied to the booked costs, but to forward-looking costs that are developed in a model, not in the Part 32 accounting system. UNE models largely ignore actual booked costs.[15] Moreover, even if the UNE requirements were modified to recognize the need for recovery of actual costs, such information is available from GAAP accounts.[16]

Michigan and Wisconsin ostensibly are concerned that elimination of the accounting and affiliate transaction rules would allow cross-subsidization between the ILEC and a non-regulated affiliate, such as a holding company, and predatory pricing. *See* Michigan Comments, at 5-6; Wisconsin Comments, at 8-9. They do *not* (and cannot) argue that these regulations are *necessary* to regulate such concerns; rather, they argue only that, "[w]ithout reporting uniformity, such market abuses will be difficult to detect." Michigan Comments, at

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[15] The limited use of booked accounting data is in the development of factors that create a relationship between assets and maintenance expenses or assets and overhead expense.

[16] Michigan quotes at length from a prior Michigan PSC Order which states that, "In performing some imputation calculations [for UNEs], booked access expenses and revenues are used." Michigan Comments, at 4. However, in annual imputation filings, Verizon compares a tariffed rate to the latest approved TSLRIC rate. This is a comparison of rates, not of booked accounting data.

6.[17] Regardless, these fears are based on phantom concerns or have already been addressed through changes in regulation. For example, as some commenters have admitted, many of the original concerns with cross-subsidization issues have largely been eliminated by the move to price cap regulation and pricing flexibility.[18] And "predatory pricing" makes no sense for telecommunications carriers where even when competitors exit the market, the competitive facilities remain. *See Voicestream Wireless Corp., and Powertel Application for Transfer of Control to Deutsche Telekom AG,* 16 FCC Rcd 9779 (2001). In addition, predatory pricing is essentially an antitrust concern, and is not specific to the telecommunications industry, and does not require unique, arcane accounting rules in order to "detect."[19]

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[17] *See also* Wisconsin Comments, at 9 (arguing that "[a]ppropriate affiliate transaction accounting is intended to prevent a string of transactions from hiding the full cost of providing services in order to accurately apply the price floor test").

[18] *See* Wisconsin Comments, at 8 ("It is true that with price-cap regulation the cost to rates relationship has been eliminated so there is limited potential for regulated services to be burdened with non-regulated expenses"). Curiously, while recognizing that the original justification for these rules has been eliminated, Wisconsin and other commenters now have come up with a new theory – that the large ILECs should be regulated in a way different from the rest of the industry in order to prevent them from investing too heavily in areas where they unquestionably are not the dominant players – such as "the emerging advanced services market" or long distance service. *See, e.g.*, Wisconsin Comments, at 8-9. While these concerns are phrased in terms of potential "cross-subsidization" problems, these commenters state no rational reasons to expect cross-subsidization concerns in these areas, and certainly no reason why this would be a basis for imposing disproportionate regulatory burdens on ILECs, who are not the dominant players in these fields.

[19] Sprint (at 10) argues that the rules relating to the Cost Allocation Manual ("CAM") and related audit must be retained to ensure nondiscrimination. But this is simply the same flawed cross-subsidization argument in another guise. The CAM merely sets forth cost allocation between regulated and nonregulated services, and how transfer pricing for transactions with affiliates is accounted for on the operating telephone company's regulated books.

NARUC concerns related to Part 64 cost allocation also are unfounded, as carriers can still allocate costs between regulated and nonregulated operations by mapping their GAAP dollars to cost pools. *See* NARUC Comments, at 6.

C. Claims that Accounting and ARMIS Regulations Allow for "Uniformity" and "Comparability" Do Not Establish that they are "Necessary"

NARUC argues that the "national system of accounting requirements" provides "uniformity and comparability among companies." NARUC Comments, at 1, 6. Another commenter argues that the Commission should not eliminate the "uniform" accounting and reporting rules because a "single interpretation for an entire industry provides a level playing field for comparison of companies and ensures that all companies benefit from a uniform set of rules." Rural Utilities Service Comments, at 2-3. However, the truth is that there is no "uniformity" of accounting rules or "a single interpretation for [the] entire industry" under the current system. The Part 32 system of accounts applies only to ILECs, and Class A accounting and ARMIS reporting requirements apply only to a handful of ILECs. Today, telecommunications carriers consist of more than just RBOCs or large ILECs; they include smaller ILECs, CLECs, IXCs, and many other telecommunications carriers, none of whom are subject to Part 32 Class A accounting or ARMIS reporting. The only system that is truly "uniform" among carriers is not the Part 32 "uniform" system of accounts, but GAAP. In fact, by setting up accounting requirements that are different from GAAP and that apply to only one class of carriers, the Part 32 accounting rules actually undermine "uniformity."

In addition, even among the carriers subject to Class A accounting, there is not uniformity because the ILECs already face different accounting requirements from states. For example, Oregon has stated that some reporting requirements under the federal rules are inconsistent with Oregon' statutory requirements. *See* Oregon Comments, at 4-6. Thus, under the current system, Class A carriers already face differing state and federal accounting requirements.

And the information that is being tracked also is not "uniform." Even among the Class A carriers, there exist different services, different network designs, and the markets carriers serve have differences in demographics and in geography. Even if the rules are the same, comparisons based purely on accounting or ARMIS data often will not reveal anything useful about the ILECs vis-à-vis each other. Within markets, neither Part 32 nor ARMIS provides uniformity, because the ILECs' competitors are not required to comply with those regulations.

Finally, even if the accounting rules and ARMIS reports allow states to compare one set of data that is kept on a "uniform" basis according to accounting rules, that is not a sufficient ground for finding the accounting and reporting requirements "necessary." The Commission has properly recognized that if it cannot identify a "federal need" for a regulation, it "is not justified in maintaining such a requirement at the federal level." NPRM, ¶ 207. Federal accounting rules must relate directly to the FCC's jurisdiction over the federal costs. *See Louisiana Pub. Serv. Comm'n v. FCC*, 466 U.S. 355 (1986). Rules that are merely convenient for state purposes cannot be turned into a federal requirement under the Act, especially when (as here) that convenience is bought at the expense of the ILECs who must comply with these burdensome accounting and reporting obligations.

III. The Commission Should Eliminate the Accounting and ARMIS Rules Immediately, Rather than Requiring Findings of Nondominance, or Waiting for Further Study

Some commenters have proposed impossibly high burdens, or vaguely defined tests, in order to delay the removal of the Part 32 accounting and ARMIS regulations. For example, NARUC has proposed that accounting and reporting requirements be "the last requirements that are removed" and that they be eliminated "only after there is clear and incontrovertible evidence" that doing so would be in the public interest, among other criteria. NARUC Comments, at 24. They also propose convening a "Federal-State Joint Conference" to further study the issue of whether to eliminate the Part 32 and ARMIS rules. *See* NARUC Comments at 2, 5. Another commenter has suggested that the Commission delay eliminating the rules for a "minimum" of "a five to seven year transition period" because "the states *may* decide to work together to develop a substitute of the FCC's USOA." Illinois Commerce Commission Comments, at 2 (emphasis added). Others have stated that the Commission should require a nondominance finding in order to eliminate the Part 32 Accounting and ARMIS reporting regulations.[20] However, these commenters state no credible reasons why it is "necessary" to delay the elimination of these rules, set up complicated requirements for deregulation, or further "study" the issue of eliminating these regulations. These requests must be categorically rejected. The Act simply does not allow the Commission to continue rules that are not demonstrably necessary for the public interest. *See* 47 U.S.C. §§ 160, 161. Moreover, that requirement is even stronger here, where the Commission has imposed these requirements on a subset of competitors in a market. *See Fox Television Stations*, 280 F.3d at 1052. In addition, these commenters ignore the fact that the Commission has already spent several years studying these rules. States have been a party to all Biennial Review

[20] *See, e.g.*, NARUC Comments, at 11-15; Indiana Comments, at 1; Michigan Comments, at 5; WorldCom Comments, at 1; GSA Comments, at 5. Arguments for a nondominance test may be based on a misreading of the statute. Section 11's mandate to remove regulations that are "no longer necessary as a result of meaningful economic competition" does not require the Commission to examine the current state of competition before eliminating such regulations. The test is not whether there exists "meaningful economic competition," however defined; it is whether the regulation is "no longer necessary *as a result* of meaningful competition." 47 U.S.C. § 161 (emphasis added). Here, "as a result of meaningful economic competition," ILECs were able to move from rate-of-return regulation to price cap and pricing flexibility, and as a further result, they should be allowed to move away from unnecessary accounting and reporting obligations.

proceedings, including this proceeding, and have had ample time and opportunities to present their views.[21] The record is complete. If the commenters cannot *now* articulate a reason why these regulations are necessary, on a rule-by-rule basis, they must be eliminated *now*.

Conclusion

The Commission should eliminate the Part 32 accounting regulations, including the CPR and affiliate transaction rules, and ARMIS reporting requirements immediately.

Respectfully submitted,

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21 *See* AT&T Comments, at 1 ("Each of the above issues has been the subject of extensive and repeated briefing, by AT&T and other interested parties, over the past several years").