

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)
)
2008 Biennial Regulatory Review) WC Docket No. 08-183
of Regulations Administered)
by the Wireline Competition Bureau)

REPLY COMMENTS OF AT&T INC.

In its comments in the Commission’s 2008 Biennial Review proceeding, Verizon urged the Commission to eliminate its basic and continuing property record requirements,¹ codified in Part 32.² For the reasons discussed below, AT&T Inc., on behalf of itself and its affiliates (“AT&T”), fully supports that request and urges the Commission to eliminate those requirements.

Section 11 of the Act, 47 U.S.C. § 161, requires the Commission to review its regulations comprehensively every two years, cull those regulations that are no longer necessary in the public interest due to increased competition, and repeal them.³ The basic property and continuing property records (CPR) rules, which form part of Part 32’s total property accounting system for recording ILECs’ investments in property, plant and equipment, are prime candidates for Section 11 repeal.

¹Public Notice, *The Commission Seeks Public Comment in the 2008 Biennial review of Telecommunications Regulations*, FCC 08-201 (Rel. Sept. 4, 2008).

²See Verizon’s Comments at 12-14. The continuing property recordkeeping and reporting requirements are found at 47 C.F.R. §§ 32.2000(e) and (f).

³ 47 U.S.C.A. § 161.

The rules preserve certain information relating to ILECs' basic property (*e.g.*, identity, vintage, location and original cost of property units, original and ongoing transactional data with respect to such units, and other specified information), for the lifetime of the property, and further set forth certain standards for the establishment and maintenance of such records.⁴ The requirements were “developed under rate-of-return regulation” to serve the Commission’s functions in that ratemaking system, as Verizon describes.⁵

The ROR system was premised on carriers’ historic, embedded costs. Today’s price cap system for some ILECs, however, divorces the prices permitted for the ILECs’ interstate services from the carriers’ underlying accounting costs. The information the property record rules were designed to preserve and maintain, thus, no longer serves the purpose for which it was intended (nor, indeed, does it serve any other legitimate Commission purposes). The property records requirements, moreover, not only serve no useful purpose, but also impose enormous costs. They require ILECs to establish and maintain voluminous records for their *entire plant asset base “throughout the life”* of such property (which may be *decades*).⁶ That is why the Commission itself recognized *seven years ago* that its property records rules impose burdens on

⁴ See 47 C.F.R. §§ 32.2000(e) and (f); Verizon’s Comments at 12-13.

⁵ Verizon’s Comments at 13.

⁶ See 47 C.F.R. § 32.2000(e)(2); Verizon’s Comments at 13-14. For example, the CPR “life of asset” standard is particularly difficult and burdensome with respect to retired equipment (*i.e.*, still in AT&T’s possession but no longer used in the network), and causes AT&T to incur substantial storage expenses in order to ensure compliance, among other things. Also, the CPR rules prevent AT&T (and presumably others) from being able to adopt more efficient tracking systems for assets (*e.g.*, serialization), because of the requirements of the standing CPR numbering system in use. Presently, AT&T’s equipment vendors pay several hundred dollars per equipment item to Telcordia in order to get CPR numbers for those items; these costs, which can be extremely high, are passed on to AT&T in the prices it pays for that equipment. These are just a couple of examples, of which there are several, of wasteful and expensive burdens imposed upon AT&T in order to ensure compliance with these rules. If the rules were eliminated, AT&T would immediately be in position to devise and adopt a simpler, standardized and more efficient set of recordkeeping practices for all of its property.

price cap ILECs without conferring corresponding regulatory benefits.⁷ It is thus long past time for the Commission to eliminate these archaic requirements. It should do so promptly.⁸

Prompt action is all the more imperative since the ILECs' competitors are not subject to these requirements. Competition for telecommunications services is exploding. Indeed, on October 22nd, AT&T reported a 10.5% decline in access lines from the 3rd quarter of 2007 through the 3rd quarter of 2008, and the rate of decline was accelerating. Under these circumstances, the Commission cannot stand idly by and allow indefensible regulatory disparities to persist. Those disparities distort competition and deny consumers the full benefits of properly functioning markets.

Like most commercial entities, AT&T's competitors presumably establish and preserve property records in accordance with Generally Accepted Accounting Principles ("GAAP"). The Commission recently has recognized the reliability of GAAP to ensure appropriate accounting practices by ILECs in the absence of forbore legacy rate-of-return accounting rules.⁹ The Commission now should apply that same logic here under Section 11 and eliminate these

⁷ See 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 19911, ¶ 212 (2001) (FCC tentatively concluded that it should “eliminate our detailed CPR rules in three years”); Verizon’s Comments at 14.

⁸ Verizon’s Comments at 13.

⁹ See *Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160(c) From Enforcement of Certain of the Commission’s Cost Assignment Rules and Petition of BellSouth Telecommunications, Inc. for Forbearance Under 47 U.S.C. § 160(c) From Enforcement of Certain of the Commission’s Cost Assignment Rules*, WC Docket Nos. 07-21 and 05-342, Memorandum Opinion and Order, 23 FCC Rcd 7302 at ¶ 38 (2008) (*Cost Assignment Forbearance Order*).

vestigial ROR property record rules which have no regulatory use and impose significant burdens uniquely on ILECs.¹⁰

CONCLUSION

For the foregoing reasons, the Commission should find that the specified rules and requirements, in accordance with Section 11, are no longer “necessary in the public interest” and, accordingly, repeal them.

Respectfully submitted,



Theodore C. Marcus
James J. R. Talbot
Gary L. Phillips
Paul K. Mancini

Attorneys for
AT&T Inc.
1120 20th Street, NW
Washington, D.C. 20036
(202) 457-3048 (phone)
(202) 457-3073 (fax)

Dated: October 27, 2008

¹⁰ The other recordkeeping requirements cited by Verizon (Foreign Corrupt Practices Act, Sarbanes-Oxley, and SEC requirements) as applicable to itself and its competitors, of course, similarly apply to AT&T. *See* Verizon’s Comments at 14. These requirements, in addition to GAAP, lend additional assurance that AT&T will have sufficient accounting obligations going forward to ensure that its property is accounted for appropriately. *See Cost Assignment Forbearance Order*, 23 FCC Rcd at ¶ 38.

CERTIFICATE OF SERVICE

I, Otis Robinson, state that copies of AT&T's Reply Comments were delivered via First Class US Mail on this day, Monday, October 27, 2008, to the following:

Harisha Bastiampillai
Qwest
607 14th Street, N.W.
Suite 950
Washington, DC 20005

Leslie V. Owsley
Verizon
1515 North Courthouse Road
Suite 500
Arlington, VA 22201 -2909

Jerry Ellig
Mercatus Center at
George Mason University
3301 North Fairfax Drive
Hazel Hall, Suite 450
Arlington, VA 22201

Ms. Dorothy M. Hartman
822 So. 5th Street
Philadelphia, PA 19147

/s/ Otis Robinson
Otis Robinson