

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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

REPLY COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC.

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October 27, 2008

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I. INTRODUCTION AND SUMMARY

Qwest Communications International Inc. (“Qwest”) submits these reply comments in response to the Federal Communications Commission’s (“Commission”) September 4, 2008 *Public Notice* seeking comments as part of its 2008 Biennial Review of Telecommunications Regulations.¹

For the reasons articulated in more detail below, Qwest urges the Commission to 1) eliminate its Continuing Property Records (“CPR”) requirements; and 2) modify Rule 32.26’s materiality standard to follow generally accepted accounting principles (“GAAP”).

II. THE COMMISSION’S CONTINUING PROPERTY RECORDS REQUIREMENTS ARE OUTMODED AND UNNECESSARY

Qwest agrees with Verizon that the Commission’s CPR requirements found in the Commission’s Rule 32.2000 should be eliminated. As Qwest contended in its initial Comments, the Commission should at the very least focus on those rules that are vestiges of older regulatory approaches and have been determined by the Commission itself to be no longer useful. The CPR rules are a vestige of rate-of-return regulation and serve no purpose in price-cap regulation

¹ See *Public Notice*, “The Commission Seeks Public Comment in the 2008 Biennial Review of Telecommunications Regulations,” FCC 08-201, rel. Sept. 4, 2008.

because the property records and associated accounting costs do not impact interstate rates in a price-cap regime.² Furthermore, these rules are not necessary for accurate recordkeeping regarding incumbent local exchange carrier (“ILEC”) assets. If the CPR rules are eliminated, Qwest will continue to follow GAAP, but will no longer be obliged to maintain two sets of property records (one pursuant to Part 32 and one pursuant to GAAP). In addition, Qwest will remain subject to Sarbanes-Oxley requirements, the Foreign Corrupt Practices Act, federal and state income tax statutes and rules, and property tax statutes and rules.³ For instance, income and property tax accounting rules require detail such as vintage, asset classification, location and book basis. In some areas, such as buildings, Qwest’s internal accounting practices utilize greater asset detail than that required under Part 32 of the Commission’s Rules.

As Verizon noted, in 2001, the Commission had tentatively concluded that the CPR rules were ill-suited for price-cap regulation and imposed substantial burdens on ILECs such that they should be eliminated in three years.⁴ Yet, seven years later, the rules are still on the books. Not only would eliminating these rules lift many time and resource-intensive burdens from ILECs, but it would increase their responsiveness and flexibility. ILECs will be able to modify their property records to respond to changing internal and external conditions without waiting for rule changes. ILECs will also be able to adopt more efficient and effective accounting processes and systems without first seeking and obtaining rule revisions.

² See Verizon Comments at 13, filed Oct. 6, 2008 (“Verizon Comments”).

³ See, *Ex Parte* Letter from Ms. Melissa Newman, Vice President – Federal Regulatory, Qwest to Mr. Jeffrey Carlisle, Bureau Chief, Wireline Competition Bureau at 3 (February 3, 2005) (“Qwest Phase 3 *Ex Parte*”).

⁴ See Verizon Comments at 14.

Qwest urges the Commission to cut the wheat from the chaff of its regulatory rules by eliminating rules such as its CPR rules which by everyone's admission, including the Commission's, serve no purpose and impose significant burdens.

III. THE COMMISSION SHOULD MODIFY RULE 32.26 TO ESTABLISH A MATERIALITY STANDARD BASED ON GAAP

AT&T echoes Qwest's call for the Commission to modify Rule 32.26 to establish a materiality standard in line with GAAP.⁵ As with the elimination of the CPR rules, application of the GAAP materiality standard allows ILECs flexibility to adapt accounting procedures to changing market conditions by jettisoning the uniform account approach of the Commission's cost accounting rules for the flexibility of financial accounting.⁶ As Qwest has previously noted, the primary concerns in adopting Part 32 were cross-subsidization and the reasonableness of rates. These concerns have diminished with the advent of price cap regulation where stringent price cap constraints replaced "bottom-up" cost-based ratemaking and ILECs' profits are constrained by competition and the price cap productivity adjustment.⁷ In fact, the Commission explicitly relied upon GAAP financial accounting in its decision to forbear from its Cost Assignment Rules for Qwest, AT&T and Verizon.⁸ GAAP financial accounting is more in accord with today's very competitive marketplace and the Commission's current regulatory approach.

⁵ See Qwest Comments at 13-14, filed Oct. 6, 2008; AT&T Comments at 5-6, filed Oct. 6, 2008 ("AT&T Comments").

⁶ See AT&T Comments at 6, n. 11, citing, *AT&T Cost Assignment Order* at ¶ 23.

⁷ See Qwest Phase 3 *Ex Parte* at 4.

⁸ See note 6, *supra*.

IV. CONCLUSION

For the foregoing reasons, and based on determinations the Commission has already made in other proceedings, Qwest urges the Commission to repeal or modify the rules and regulations per Qwest's recommendations in both its Comments and Reply Comments. Simplification of its own rules, and elimination of superfluous rules, will ease the Commission's regulatory tasks by allowing it to use the most relevant and precise rules at its disposal.

Respectfully submitted,

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October 27, 2008

CERTIFICATE OF SERVICE

I, Eileen Kraus, do hereby certify that I have caused the foregoing **REPLY**
COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC. to be: 1) filed
with the FCC via its Electronic Comment Filing System in WC Docket No. 08-183; 2) served via
First Class United States Mail, postage prepaid, on the parties listed on the attached service list
and 3) served, via e-mail on the FCC's duplicating contractor Best Copy and Printing, Inc. at
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/s/ Eileen Kraus

October 27, 2008

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