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

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

COMMENTS OF AT&T CORP. ON PHASE 3

Pursuant to Section 1.415 of the Commission's Rules, AT&T Corp. ("AT&T") submits these comments on the Phase 3 issues raised in the Commission's Notice of Proposed Rulemaking ("NPRM"), FCC 00-364, on accounting requirements and ARMIS reporting requirements for incumbent local exchange carriers ("LECs"), released October 18, 2000, in the above captioned docket.

In this third phase of the Commission's examination of its accounting and ARMIS reporting rules, the Commission seeks comment on "what roadmap we should follow for accounting and reporting deregulation." NPRM ¶ 89. The Commission asserts that "[a]s the local exchange industry becomes more competitive, we expect that our needs for accounting and reporting information will diminish," but "at the same time, we must be careful not to eliminate requirements that are necessary to promote universal service, foster efficient competition, and protect consumers before significant market changes occur." *Id.* ¶ 88. With these competing concerns in mind, the Commission asks "specifically, . . . whether there are certain triggers that will allow the Commission to significantly modify or relieve certain accounting and reporting requirements that currently apply to incumbent LECs." *Id.* ¶ 89.

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This inquiry is premature. The record in Phase 2 of this proceeding has amply shown that both the FCC and the state commissions depend on the FCC's accounting and reporting rules for many purposes. In particular, both regulatory authorities rely on those rules for numerous determinations relating to (among other things) tariffed rates, unbundled network element ("UNE") rates, universal service subsidies, and pole attachment rates. *See, e.g.*, Comments of NARUC at 4-5 (Dec. 21, 2000). Even as competition develops in local exchange markets, there will be a continuing need for UNE rates, universal service subsidies, pole attachment rates, and other regulatory tools that depend on the FCC's accounting rules. Any consideration of deregulatory "triggers" is thus premature, because none of these programs (UNEs, universal service, etc.) is likely to become obsolete in the foreseeable future. Under these circumstances, the Commission should simply rely on the biennial review process itself to determine whether any of its accounting rules can be eliminated, rather than sinking scarce Commission resources into designing competition-based "triggers" for deregulation.

In all events, the possible "triggers" suggested in the NPRM are unrelated to the programs for which the accounting rules are actually used, and therefore would be inappropriate. For example, entry into the interLATA market under Section 271 of the Act (47 U.S.C. § 271) would be an inappropriate trigger, because Section 271 relief clearly does not eliminate the need for UNE rates, USF subsidies, pole attachment rates, and the rest. *See* NPRM ¶ 90. Expiration of the separate subsidiary requirements under Section 272 would be an inappropriate trigger for the same reasons; indeed, as the FCC itself suggests, elimination of the separate subsidiary would only heighten the need for accurate and detailed accounting information. *See* NPRM ¶ 96 ("[a]s carriers were allowed to provide nonregulated services without the need for structural separations, the accounting and reporting rules served the additional purpose of ensuring that the

ratepayers of regulated services did not bear the costs and risks of nonregulated services"). Pricing flexibility for access services would be an equally inappropriate trigger (*see* NPRM ¶ 93); as AT&T and WorldCom have shown, the pricing flexibility regime has created a need for new accounting and reporting information. *See* Comments of WorldCom at 6-7 (Dec. 21, 2000); Reply Comments of AT&T at 14 (Jan. 30, 2001).

Moreover, the Commission should not consider state-by-state or LEC-by-LEC relief, because such relief would defeat one of the main purposes of the federal accounting rules. As the Phase 2 comments amply demonstrated, one the principal benefits of the FCC's nationally uniform accounting rules is that it is far more efficient than having fifty different standards and it facilitates benchmarking among the states. If the FCC were to eliminate its nationally uniform rules, either piecemeal or all at once, the affected states would have no choice but to readopt those rules at the state level, but with an enormous loss of efficiency and utility. *See, e.g.*, Comments of Wisconsin at 4 (Dec. 21, 2000). Providing the benefits of a nationally uniform accounting and reporting system is a uniquely federal function that cannot duplicated by the states.

Finally, as the comments in Phase 2 abundantly show, the fact that the accounting rules apply only to the incumbents does not hinder competition. *See* NPRM ¶ 92. The LECs already maintain accounting systems for their internal needs that are much more detailed and elaborate than what the FCC's rules require, and the LECs will continue to maintain those systems whether the FCC repeals its accounting rules or not. *See* Reply Comments of AT&T at 8 (according to even USTA's estimates, complete repeal of the accounting rules would result in miniscule savings for the LECs). Moreover, even if the FCC did repeal those rules, the state commissions would almost certainly reinstate many of those requirements at the state level,

which may actually be costlier for the LECs because of the inevitable lack of uniformity in state requirements.

For these reasons, the FCC's accounting and reporting requirements cannot seriously be considered an impediment to the incumbents' ability to respond to competition (especially when counterbalanced against their continuing market power). Indeed, neither the FCC nor the states uses these requirements as an instrument of direct regulatory control over the LECs (unlike, for example, price or rate averaging regulations). These regulations do not directly inhibit the LECs' freedom of action. Rather, their major purpose is to allow the Commission and the public to monitor whether the LECs are adhering to their direct regulatory requirements, or to determine whether direct regulatory requirements need to be changed. Even as competition develops in the local exchange markets, those monitoring functions will remain critically important. Because of the continuing importance of these requirements, and because the Phase 2 record has shown that these requirements clearly are not onerous for the LECs, the Commission should not eliminate these requirements altogether out of a misguided notion that they in any way hinder the LECs' ability to respond to competitive entry.

CONCLUSION

For the foregoing reasons, the Commission should not adopt mechanisms for the removal of accounting and reporting requirements at this time.

Respectfully submitted,

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February 13, 2001

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of February, 2001, I caused true and correct copies of the forgoing Comments of AT&T Corp. to be served on all parties by mailing, postage prepaid to their addresses listed on the attached service list.

Dated: February 13, 2001
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Peter M. Andros

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