

Part 32, Uniform System of Accounts for Telecommunications Companies

SUPPORTING STATEMENT

A. Justification:

1. Section 220 of the Communications Act of 1934, as amended, 47 U.S.C. § 220, allows the Commission, in its discretion, to prescribe the forms of any and all accounts, records, and memoranda to be kept by carriers subject to this Act, including the accounts, records and memoranda of the movement of traffic, as well as of the receipts and expenditures of monies.

Section 219(b) of the Communications Act, as amended, 47 U.S.C. § 219(b), authorizes the Commission by general or special order to require any carrier subject to this Act to file monthly reports of earnings and expenses and to file periodical and/or special reports concerning any matters upon which the Commission is authorized or required by law to act.

Section 11 of the Communications Act of 1934, as amended, 47 U.S.C. § 161, requires the Commission, in every even-numbered year beginning in 1998, to review its regulations applicable to providers of telecommunications services to determine whether the regulations are no longer in the public interest due to meaningful economic competition between providers of such service and whether such regulations should be repealed or modified. Section 11 further instructs the Commission to repeal or modify any regulation it determines to be no longer necessary in the public interest.

On November 5, 2001, the Commission released the *Phase II Report and Order*, FCC 01-305, in which it eliminated many Part 32 accounts, defined incumbent local exchange carriers (ILECs) subject to its accounting rules, streamlined its affiliate transaction rules and revised some of its Automated Reporting Management Information Systems (ARMIS) reporting requirements.

On August 27, 2002, the Commission convened the Joint Conference as a federal-state partnership to reexamine regulatory accounting requirements and recommend additions and modifications thereto.

On November 12, 2002, the Commission suspended implementation of four accounting and reporting related changes adopted in its *Phase II Report and Order* to allow the Joint Conference time to review the rules before carriers were required to implement them.

On October 9, 2003, the Joint Conference submitted the results of a year-long study of the Commission's accounting rules and related reporting requirements, including issues under reconsideration in the *Phase II Report and Order*. The Commission sought comment on the Joint Conference Recommendation in its December 23, 2003, *Notice of Proposed Rulemaking*, FCC 03-325.

On June 24, 2004, the Commission released a *Report and Order*, FCC 04-149, which revised these information collection requirements. In the *Report and Order*, the Commission adopted the Joint Conference's recommendations to reinstate the following Part 32 Class A accounts:

Account 5230, Directory revenue;

Account 6621, Call completion services;

Account 6622, Number services;

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Account 6623, Customer services;

Account 6561, Depreciation expense—telecommunications plant in service;

Account 6562, Depreciation expense—property held for future telecommunications use;

Account 6563, Amortization expense—tangible;

Account 6564, Amortization expense—intangible;

Account 6565, Amortization expense—other.

These accounting changes are mandatory only for Class A ILECs. The reinstatement of these accounts imposed a minor increase in burden on Class A ILECs only.

Also, in this *Report and Order* (FCC 04-149), the Commission established a recordkeeping requirement that Class A ILECs maintain subsidiary record categories for unbundled network element revenues, resale revenues, reciprocal compensation revenues, and other interconnection revenues in the accounts in which these revenues are currently recorded.

The use of subsidiary record categories allows carriers to use whatever mechanisms they choose, including those currently in place, to identify the relevant amounts as long as the information can be made available to state and federal regulators upon request. The use of subsidiary record categories for interconnection revenue does not require massive changes to the ILECs' accounting systems and is a far less burdensome alternative than the creation of new accounts and/or subaccounts. The use of subsidiary record categories imposed a minor increase in burden on Class A ILECs only.

As noted on the OMB Form 83i, this information collection does not affect individuals or households; thus, there are no impacts under the Privacy Act.

Statutory authority for this collection of information is contained in sections 1, 4, 201-205, 215 and 218-220 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 11, 151, 154, 161, 201-205, 215, and 218-220 and Part 32 of the Commission's rules, 47 C.F.R. Part 32.

2. The information submitted to this Commission by carriers provides necessary detail to enable this Commission to fulfill its regulatory responsibilities.

3. 47 C.F.R. Part 32 imposes a recordkeeping requirement. The Commission believes that in most cases the respondents now use automation, advanced information technology systems, and standardized business practices to increase their efficiency in complying with these recordkeeping requirements. However, we do not specify the information technology used by the carriers to provide this information, and there are no technical or legal obstacles to prevent carriers from reducing this burden on their own by use of such improved technologies, etc.

4. Part 32 does not require any duplication in recordkeeping requirements. There is no other existing information known of that would serve our regulatory purposes.

5. The Commission, for accounting purposes, has classified companies into two classes in Part 32, namely Class A and Class B companies:

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Class A carriers are those entities having annual revenues from regulatory telecommunications operations that are equal to or above the indexed revenue threshold (currently \$150.5 million).

Class B carriers are those entities having annual revenues from regulated telecommunications operation of less than the indexed revenue threshold.

Since Class B carriers are not required to provide the same detail in this account structure as Class A carriers, this classification minimizes the collection of information burdens on the smaller entities.

6. Most reports filed by carriers under Part 32 are submitted as a result of change(s) in accounting procedures taken by the carrier or a request by the carrier for the Commission's approval for a particular accounting entry. The frequency of filing reports is, therefore, determined by the actions of the carriers and not by the Commission's collection of information requirements.

7. Part 32 requirements are not inconsistent with the guidelines of 5 C.F.R. § 1320.6.

8. The Commission published a notice in the Federal Register for 60 days as required by 5 C.F.R. §1320.6 on May 19, 2014. *See* 79 FR 28714. No PRA comments were filed.

9. The Commission does not anticipate providing any payment or gift to respondents.

10. The information to be collected under Part 32 is not confidential. Respondents may, however, request confidential treatment for information they believe to be confidential under 47 C.F.R. § 0.459 of the Commission's rules.

11. The information to be collected under Part 32 is not of a sensitive nature, nor are there any privacy issues.

12. The following represents the estimated hour burden of the information collection.

Recordkeeping Requirement:

(1) Number of respondents: Approximately 852.

(2) Frequency of response: Recordkeeping requirement.

(3) Total number of responses annually: Approximately 852 responses.

(4) Estimated time per response: 1 hour.

1 hour per response x 852 respondents x 1 response per year per respondent = 852 hours.

(5) Total annual burden: **852 hours**.

Each of the Class A and Class B ILECs is required to keep records pertaining to their accounts. Thus,

51 Class A ILECs x 1 hour per response x 1 recordkeeping requirement per year = 51 responses

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801 Class B ILECs x 1 hour per response x 1 recordkeeping requirement per year = 801 responses.

Total Responses: 51 + 801 = **852 responses.**

(6) Total estimate of “in house” cost to respondents: Approximately = **\$26,000**

(7) Explanation of the calculation:

The Commission assumes that the Class A and Class B ILEC respondents use personnel comparable in pay to a mid-level Federal employee (GS-7/5) \$23.43 per hour, plus 30% overhead. We estimate that the annual cost for respondents is as follows:

Large Class A ILECs: 51 hours x \$23.43/hour = \$1,194.93
 30% Overhead = \$ 358.48
 Total: \$1,553.41

Mid-size Class B ILECs: 801 hours x \$23.43/hour = \$18,767.43
 30% Overhead = \$ 5,630.23
 Total: \$24,397.66

Total “In House” Costs: \$1,553.41 + \$24,397.66 = \$25,951.07 rounded up to approximately \$26,000.

13. The following represents the Commission’s estimate of the annual cost burden to respondents resulting from the information collection: None.

14. There is no cost to the federal government.

15. The Commission has made the following adjustments to the previous submission:

- (a) The number of respondents to this information collection has decreased slightly due to changes in the marketplace. This translates to a decrease in the hour burden from 859 hours to 852 burden hours.
- (b) The “in-house” cost to respondents has increased by approximately \$2,000 to reflect an updated salary for mid-level Federal employees (GS-7/5) to \$23.43 per hour.

16. The Commission does not expect to publish the information collected under Part 32.

17. The Commission does not seek OMB approval not to display the expiration date for OMB approval of the information collection. The Commission publishes a list of all OMB-approved information collections under 47 CFR 0.408 of the Commission’s rules.

18. There are no exceptions to Item 19 in the Certification Statement.

B. Collections of Information Employing Statistical Methods:

This information collection does not employ any statistical methods.