NEWS

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FEDERAL-STATE JOINT CONFERENCE ON ACCOUNTING ISSUES SUBMITS PROPOSED MODIFICATIONS TO FCC ACCOUNTING RULES

Washington, D.C. – Today, the Federal-State Joint Conference on Accounting Issues (Joint Conference) submitted a series of recommendations for proposed modifications to the FCC's accounting rules.

On September 5, 2002, the FCC established the Joint Conference to provide a forum for an ongoing dialogue between the FCC and the states in order to ensure that regulatory accounting data and related information filed by carriers are adequate, truthful, and thorough. The FCC appointed FCC Commissioners Kevin J. Martin and Michael J. Copps as the Federal representatives to the Joint Conference. The FCC appointed Commissioners Diane Munns of Iowa, Nancy Brockway of New Hampshire, Terry Deason of Florida, Rebecca A. Klein of Texas, and Loretta Lynch of California to represent the state commissions.

Commissioner Kevin J. Martin said, "I would like to commend my state and Federal colleagues for their commitment to resolving regulatory accounting issues and to thank them for their hard work in developing these recommendations. Telecommunications issues are difficult and complex. My colleagues on the Joint Conference brought a wealth of experience and a thoughtful approach to dealing with these issues, and I believe the Commission and the public have benefited tremendously from their contributions and hard work."

From October 16, 2002 to October 6, 2003, the Joint Conference studied accounting issues in the telecommunications industry. The Joint Conference's work culminated in a 45-page report recommending changes to the FCC's Part 32 Uniform System of Accounts, its accounting rules governing transactions between certain affiliates of incumbent local exchange carriers (LECs), and its related reporting requirements. For example, the Joint Conference recommends that the Commission include additional detail about the costs, revenues, and expenses of incumbent local exchange carriers (LECs) to reflect changes in the telecommunications industry. In addition, the Joint Conference recommends that the Commission adopt additional safeguards to protect consumers and competition when incumbent LECs deal with their affiliates. The Joint Conference requests the Commission initiate a Notice of Proposed Rulemaking and consider adopting its recommendations as rules.

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The Joint Conference Report is publicly available in WC Docket No. 02-269. A summary of the Joint Conference recommendations is attached to this press release.

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Action by the Federal-State Joint Conference on Accounting Issues, October 9, 2003.
Commissioner Martin and Commissioner Copps issuing statements.

Joint Conference Staff Contact: Anthony Dale at (202) 418-2260, email: Anthony.Dale@fcc.gov.

WC Docket No. 02-269

ATTACHMENT

Summary of Recommendations of the Federal-State Joint Conference on Accounting Issues

The Federal-State Joint Conference on Accounting Issues requests that the Commission issue a formal Notice of Proposed Rulemaking (NPRM) seeking comment on the following recommendations:

- **Modifications to Part 32 Uniform System of Accounts**

  - The FCC should reinstate Account 5230, Directory Revenue.

  - The FCC should reinstate the following accounts: Account 6621, Call Completion Services; Account 6622, Number Services; and Account 6623, Customer Services.

  - The FCC should reinstate the separate Depreciation and Amortization Accounts 6561-6565 (*i.e.*, Account 6561, Depreciation Expense – Telecommunications Plant in Service; Account 6562, Depreciation Expense – Property Held for Future Telecommunications; Account 6563, Amortization Expense – Tangible; Account 6564, Amortization Expense – Intangible, and Account 6565 – Amortization Expense – Other).

  - The FCC should revise its Part 32 rules to add the following separate accounts: (a) Optical Switching; (b) Switching Software; (c) Loop and Interoffice Transport; (d) Interconnection - Revenue (with subaccounts for UNEs, Resale, Reciprocal Compensation and Interconnection Arrangements); Universal Service Support Revenue; Universal Service Support Expense

- **Affiliate Transactions Requirements**

  - The FCC should affirm the requirement for a comparison between net book cost and fair market value for the first $500,000 of asset transfers.

  - The FCC should reverse its decision to permit ILEC discretion in valuing the costs of certain affiliate transactions.

  - The FCC should reinstate the threshold required to qualify for prevailing price valuation of affiliate transactions to 50 percent of sales of a particular asset or service to third parties.

  - The FCC should eliminate the exemption for central services organizations.

  - The FCC should maintain the current reporting requirements for nonregulated-to-nonregulated affiliate transactions and take no additional action at this time.

  - The FCC should apply its affiliate transactions rules to transactions between incumbent LECs within the same holding company.

  - The FCC should require Bell Operating Companies (BOCs), following the elimination of the separate affiliate and nondiscrimination requirements of section 272, to maintain separate books of account for the provision of interexchange service and maintain an affiliate that provides in-region interexchange service that is subject not only to accounting review but also to certain safeguards.

- **Reporting requirements and other issues**

  - If the requirement to collect local loop facilities as loop sheath kilometers on ARMIS Report 43-07 is retained, the FCC should also reinstate the reporting of sheath kilometer reporting requirement for some period.

  - The FCC should deny reconsideration petitions regarding the reporting of broadband infrastructure data in ARMIS Report 43-07, while continuing to evaluate whether the data collection should be expanded to a larger universe of carriers.

  - The FCC should affirm that the amendment adopted to rule 32.11 of its accounting and reporting rules apply to all incumbent local exchange carriers as generally defined in § 251(h).