

## SUPPORTING STATEMENT

This collection is being submitted to extend an existing collection.

### **A. Justification:**

1. In CC Docket Nos. 96-149 and 96-61, the Commission imposed recordkeeping requirements on independent local exchange carriers (LECs). Independent LECs wishing to offer international, interexchange services must comply with the separate affiliate requirements of the Competitive Carrier Fifth Report and Order in order to do so. One of these requirements is that the independent LEC's international, interexchange affiliate must maintain books of account separate from such LEC's local exchange and other activities. This regulation does not require that the affiliate maintain books of account that comply with the Commission's Part 32 rules; rather, it refers to the fact that as a separate legal entity, the international, interexchange affiliate must maintain its own books of account in the ordinary course of its business. See 47 CFR Section 64.1903.

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 information collection is: Sections 1, 2, 4, 201, 202, 251, 271, 272, and 303(r) of the Communications Act as amended, 47 U.S.C. §§ 151, 152, 154, 201, 202, 251, 271, 272, and 303(r).

2. This recordkeeping requirement is used by the Commission to ensure that independent LECs providing international, interexchange services through a separate affiliate are in compliance with the Communications Act, as amended, and with Commission policies and regulations.
3. This recordkeeping collection requires no more than conventional accounting methods, some of which may include automated, electronic, mechanical, or other technological collection techniques, at the discretion of the carrier.
4. There will be no duplication of information. The information sought is unique to each carrier.
5. The collection of information will impact all independent LECs providing international, interexchange services, some of which may be small incumbent LECs.
6. This is a recordkeeping requirement. If the collection were not conducted, or were not conducted frequently, it might be more difficult for the Commission to

promote the development of competition and protect against anticompetitive practices in the international, interexchange market, in accordance with the Communications Act, as amended, and with Commission policies and regulations.

7. There are no special circumstances.
8. Pursuant to 5 CFR 1320.8, the commission placed a notice in the Federal Register. See 71 FR 30923, dated May 31, 2006 (copy attached). No comments were received.
9. The Commission does not anticipate providing any payment or gift to respondents.
10. The Commission is not requesting respondents to submit confidential information to the Commission. This is a recordkeeping requirement.
11. There are no questions of a sensitive nature with respect to the information collected.
12. The following represents the estimates of hour burden of the recordkeeping requirement:

- (a) Number of respondents: Approximately 10.
- (b) Frequency of response: Recordkeeping requirement.
- (c) Annual hour burden: 6,056 hours per respondent;  $6,056 \times 10 = \mathbf{60,560}$

**hours** total annual burden for all respondents.

(d) Method of estimation of burden: In estimating the burden we used information contained in the Part 32 Uniform System of Accounts (“USOA”) collection (3060-0370). We anticipate the recordkeeping requirement not to exceeding 25% of the burden associated with Part 32 Class B record requirements. We estimate that 10 independent LECs will enter the international, interexchange market by forming a Fifth Report and Order separate affiliate each year.

$$(10 \text{ affiliates}) \times 6,056 = \mathbf{60,560 \text{ total annual burden hours}}$$

(e) Total estimates of annualized cost to respondents for the hour burdens for collection of information: Assuming the affiliated companies use personnel comparable in pay to a GS-11 Federal employee, the cost estimate is as follows:

$$(10 \text{ affiliates}) \times (6,056 \text{ hours}) \times (\$25 \text{ per hour}) = \$1,514,000$$

13. The following represents the Commission’s estimate of the annual cost burden to respondents or record keepers resulting from the collection of information:

a. Total capital and start-up cost component. As noted in items 1 and 12(a) above, we estimate that ten (10) independent LECs will want to offer international, interexchange services pursuant to this Order, and thus will be required to do so through a separate affiliate. We estimate that five (5) of these LECs, because they currently provide international, interexchange service and local exchange service through the same entity, will incur significant start-up costs in separating their international books of account to comply with the separate affiliate requirement. We base our estimates on a November 15, 1996 letter from one of the affected LECs to the Commission, describing some of the activities associated with complying with the separate affiliate requirement. We estimate the hour burden and number and pay rates of staff after consultations with Commission staff in the Industry Analysis and Technology Division, Wireline Competition Bureau.

(1) Operating Agreement for allocation of common costs. The LEC and its subsidiary may need to enter into an Operating Agreement for allocation of common costs. We estimate that the hour burden for this task is equivalent to 10 staff members working for three weeks (10 staff members x 40 hours/week x 3 weeks = 1200 hours). We assume the LEC uses personnel comparable in pay to a GS-14 Federal employee.

(5 affiliates) x (1200 hours) x (\$42 per hour) = \$252,000

(2) Update codes and tables. The LEC may need to update numerous codes and tables in several systems to identify the new entity. We estimate that the hour burden for this task is equivalent to 10 staff members working for six weeks (10 staff members x 40 hours/ week x 6 weeks = 2400 hours). We assume the LEC uses personnel comparable in pay to a GS-11 Federal employee.

(5 affiliates) x (2400 hours) x (\$25 per hour) = \$300,000

(3) Separate databases. The LEC may be required to create new databases in order to establish separate accounting systems for the new entity. We estimate that the hour burden for this task is equivalent to 10 staff members working for four weeks (10 staff members x 40 hours/week x 4 weeks = 1600 hours). We assume the LEC uses personnel comparable in pay to a GS-13 Federal employee.

(5 affiliates) x (1600 hours) x (\$36 per hour) = \$288,000

(4) Internal procedures. The LEC may need to establish internal procedures for access to files, records, and other stored information pertaining to the entity prior to the establishment of the separate affiliate. We estimate that the hour burden for this task is equivalent to 10 staff members working for three weeks (10 staff members x 40 hours/week x 3 weeks = 1200 hours). We assume the LEC uses personnel comparable in pay to a GS-11 Federal employee.

(5 affiliates) x (1200 hours) x (\$25 per hour) = \$150,000

(5) Employee training. The LEC may need to retrain employees, particularly employees involved in such areas as accounting, recordkeeping, and database management, as result of establishing a separate affiliate for international, interexchange services. We estimate that the hour burden for this task is equivalent to 15 staff members working for three weeks (15 staff members x 40 hours/weeks = 1800). We assume the LEC uses personnel comparable in pay to a GS-11 Federal employee.

(5 affiliates) x (1800 hours) x (\$25 per hour) = \$225,000

**Total capital and start-up cost component:**

\$252,000 + \$300,000 + \$288,000 + \$150,000 + \$225,000 = **\$1,215,000.**

b. Total operation and maintenance and purchase of service component. We estimate that there will be no operation and maintenance and purchase of services costs for these requirements.

14. There will be few if any costs to the Commission because the recordkeeping requirements will not require review by the Commission in most instances.

15. A change in burden is requested. The total annual burden for this collection has been adjusted slightly due to recalculation of the burden estimates.

16. The Commission does not anticipate publishing any of the information collected.

17. The Commission does not intend to seek approval not to display the expiration date for OMB approval of the information collections.

18. No retention period is specified for the recordkeeping requirement. Respondents also may use information technology to comply with this requirement at their discretion. The burden estimates have been updated to more accurately reflect the information currently available. Additionally, when the Commission published the 60 day notice, we used the existing hourly burden rather than the estimate reported in this OMB submission.

**B. Collections of Information Employing Statistical Methods:**

The Commission does not anticipate that the collection of information will employ statistical methods.