

This submission is made pursuant to 44 U.S.C. 3507 to the Office of Management and Budget (OMB) to extend an existing collection in order to obtain the three-year approval

## SUPPORTING STATEMENT

### A. Justification:

1. Section 220 of the Communications Act of 1934, as amended, 47 USC 220, allows the Commission, at 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 the receipts and expenditures of monies.

Section 219(b) of the Communications Act of 1934, as amended, 47 USC 219(b), authorizes the Commission by general or special orders to require any carrier subject to this Act to file monthly reports concerning any matters with respect to which the Commission is authorized or required by law to act. Section 43.21 of the Commission's rules details that requirement.

The Automated Reporting Management Information System (ARMIS) was implemented to facilitate the timely and efficient analysis of revenue requirements, rates of return and price caps; to provide an improved basis for audits and other oversight functions, and to enhance the Commission's ability to quantify the effects of policy proposals. ARMIS Report 43-08 collects network operating data in a consistent format and allows the Commission to monitor network growth, usage, and reliability.

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due to meaningful economic competition between providers of such services and whether such regulation should be repealed or modified. Section 11 further instructs the Commission to repeal or modify any regulation it determines to be no longer in the public interest.

The statutory authority for this collection of information is contained in 47 U.S.C. Sections 160, 161, 219(b) and 220.

This information collection does not affect individuals or households; thus, there are no impacts under the Privacy Act.

2. The information contained in the ARMIS Report 43-08 has helped the Commission fulfill its

regulatory responsibilities. Automated reporting of these data greatly enhances the Commission's ability to process and analyze the extensive amounts of data that are provided in the reports. The data facilitate the timely and efficient analysis of revenue requirements, rates of return and price caps provide an improved basis for auditing and other oversight functions, and enhances the Commission's ability to quantify the effects of policy proposals.

3. Large ILECs are required to file their ARMIS Reports electronically through the Commission's Electronic Comment Filing System (ECFS) which can be accessed at <http://apps.fcc.gov/ecfs/>. Carriers and other interested parties are able to access ARMIS data for reporting year 2015 and later via ECFS. ARMIS data for the reporting years prior to 2015 are available on the Commission's website at <http://www.fcc.gov/wcb/eafs>.

4. No duplication of the required data exists outside the agency. The Commission knows of no other existing information that would serve the same regulatory purpose

5. The collection of information does not involve small businesses or other small entities. There are two classes of incumbent LECs for accounting purposes: Class A and Class B. Carriers with annual revenues from regulated telecommunications operations equal to or above the indexed revenue threshold, currently \$152.5 million are classified as Class A; those falling below that threshold are considered Class B. Class A carriers with annual revenues in excess of \$152.5 million but less than \$9.03 billion are classified as mid-sized and are permitted to maintain accounts at the Class B level. Only Class A carriers file ARMIS reports.

6. The FCC ARMIS Report 43-08 is filed once per year. If the information were reported less frequently, the Commission would not have sufficient timely data to monitor carriers. Subsequent submissions correcting previously filed data are to be filed as soon as the correction is identified.

7. Incumbent LECs file their data in electronic format as noted in item 3 above. Respondents seeking proprietary treatment of some data must provide an electronic copy using the established procedures.

8. The Commission published a 60-day notice in the Federal Register as required by 5 CFR § 1320.8 (d) on February 22, 2016 (81 FR 8714). No comments were received from the public as a result of the notice.

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

10. In most cases, ARMIS reports do not require submission of any confidential or commercially-sensitive data. The Commission contends that areas in which detailed information is required are fully subject to regulation and the issue of data being regarded as sensitive will arise in special circumstances only. If a respondent finds it necessary to submit confidential or commercially-sensitive data, Section 0.459, 47 CFR contains the procedures for requesting confidential treatment of data.

11. There are no questions that request confidential or sensitive information in this collection.
12. The following represents the best estimate of annual burden hours and the cost burden for the collection of information. We note that the burden hours imposed by the requirement is very difficult to quantify.

FCC Report 43-08 (Operating Data Report):

1. Number of respondents: **53**

This information is filed on an operating company basis. The change in the number of operating companies is caused by corporate mergers and acquisitions and reorganizations. We note that the Commission has granted conditional forbearance for this collection and four holding companies (which incorporate several operating companies in each) have applied for and received such forbearance. The Commission did not allow forbearance for Table III, columns fc, fd, fe and fi.

2. Frequency of Response: Annual reporting requirement.

3. Total Number of Responses Annually: **53**.

53 carriers x 1 response/annum

4. Total Annual Hourly Burden: **2,271 hours**.

For those entities that have not applied for forbearance, the Commission estimates that each entity takes approximately 139 hours per response to comply with the requirement.

4 respondents x 139 hours per response = 556

For those entities that have applied for and received forbearance, the Commission estimates that each entity takes 35 hours per response to comply with the forbearance requirement.

49 respondents x 35 hours per response = 1,715

5. Estimated Industry Cost: **\$83,346**.

The Commission estimates it will take each carrier using in-house staff equivalent to be a GS 11/Step 5 Federal employee, plus 30 % overhead, to comply with the requirement:

$$4 \text{ (number of respondents)} \times 1 \text{ (number of filings)} \times 139 \text{ (hours per filing)} \times \$36.70 \text{ per hour} = \$20,405.^1$$

$$49 \text{ (number of respondents)} \times 1 \text{ (number of filing)} \times 35 \text{ (hours per filing)} \times \$36.70 \text{ per hour} = \$62,941.^2$$

**Total Respondents: 53**

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**Total Industry (“In-house”) Costs: \$20,405 + \$62,941 = \$83,346.**

**Total Annual Burden Hours: 556 + 1,715 = 2,271**

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

(a)(1) Total capital and start-up cost component (annualized over its expected useful life): **\$0**. The reporting requirement will not require the purchase of additional equipment.

(b)(2) Total operation and maintenance and purchase of services component: **\$0**.

14. The Federal government's annualized cost for the entire ARMIS program has been estimated

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<sup>1</sup> The 30% cost of overhead of \$8.47 is added to the hourly salary cost which totals \$36.70 [\$28.23 + \$8.47.]

<sup>2</sup> The Commission used the 2016 General Base Schedule with this submission since the respondent pool performing the schedule preparation is located throughout the country and normally outside of a large metropolitan area. The annual salary rate for a GS-11 step 5 is \$58,719 (per year) was divided by 2,080 hours to obtain the hourly salary rate of \$28.23 for this collection. This hourly rate more accurately reflects our estimate of entity staff time preparing the report(s).

at \$648,938. This estimate was derived as follows:

Employee Salaries Allocated to ARMIS	\$390,397
Benefits	78,079
Overhead	138,137
Office Space Dedicated to ARMIS (550 sq. ft. @ \$43 sq. ft.)	25,800
Equipment and Supplies (i.e., file folders, computers, electronic storage)	13,400
<u>Filing Equipment</u>	<u>3,125</u>
Total Annual ARMIS Cost	\$648,938

Of the total annual ARMIS cost of \$648,938 we estimate the FCC Report 43-08 portion to be \$9,929. This estimate includes the necessary automation equipment, software, supplies, and personnel needed to execute the automated reporting program. We note that as a result of the Commission's forbearance actions, the government will not incur all of those costs pending Commission reconsideration and judicial review of those actions

15. The Commission is reporting adjustments to this information collection since the last submission to OMB. There was a decrease in the total number of respondents and total annual responses from 55 to 53 (2) based on corporate mergers, acquisitions and reorganizations of the operating companies.

There are also adjustments to the total annual burden hours which have decreased from 7,645 to 2,271 (-5,374) because carriers now file on a consolidated basis at the holding company/affiliated carrier group level rather than as individual operating companies and because a number of these entities have met the requirements for conditional forbearance from a large part of the reporting requirements.

16. Data from these reports are available online so that users can easily locate data for particular carrier and/or specific reporting years.

17. The Commission seeks continued OMB approval not to display the OMB expiration date. Display of the expiration date would not be in the Commission's interest because the Commission would have to update the ARMIS report form each time this collection is submitted to OMB for approval. That would constitute waste and inefficiency.

18. There are no exceptions to this certification statement.

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

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