

## **SUPPORTING STATEMENT**

This collection is being submitted to the Office of Management and Budget (OMB) for approval for an extension of an existing collection. In May of 2013, the Commission granted, in part, a petition for forbearance from the separate affiliate requirement, [47 C.F.R. § 64.1903](#), for independent incumbent local exchange carriers (LECs) that are subject to price cap regulation and adopted a Second Further Notice of Proposed Rulemaking to consider modifying or eliminating the separate affiliate requirement for independent incumbent LECs that are subject to rate-of-return regulation, see Petition of USTelecom for Forbearance Under 47 U.S.C. § 160(C) From Enforcement of Certain Legacy Telecommunications Regulations, 28 FCC Rcd 7627 (2013). Accordingly, there has been a change to recordkeeping requirement and the Commission's previous burden estimates.

### **A. Justification:**

1. In CC Docket Nos. 96-149, 96-61 and 00-175, the Commission imposed recordkeeping requirements on independent local exchange carriers (LECs). Independent incumbent LECs subject to rate-or-return regulations and wishing to offer international, interexchange services must comply with the requirements of the Competitive Carrier Fifth Report and Order in order to do so. One of these requirements is that the independent incumbent LEC's international, interexchange affiliate (for facilities-based providers of international, interexchange services) or division (for resellers of international, interexchange services) must maintain books of account separate from such LEC's local exchange and other activities. See 47 CFR Section 64.1903 for specific recordkeeping requirements.

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 incumbent LECs subject to rate-or-return regulations that provide international, interexchange services do so 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 affect all rate-of return, independent incumbent 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 associated with this information collection.
8. Pursuant to 5 CFR 1320.8(d), the Commission published a notice in the Federal Register. See 81 FR 11563, dated March 4, 2016. No PRA 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. Respondent Burden:

The following represents the estimates of hour burden of the recordkeeping requirements. We note that these costs may vary depending on whether the independent incumbent LEC provides international interexchange services on a facilities-based, as opposed to resale, basis. We also note that the Commission does not collect data tracking the number of independent incumbent LECs that enter, or participate in, the market for international, interexchange services, or on the extent to which that entry, or participation, is on a facilities-based, as opposed to resale, basis.

1. (a) Number of respondents: Approximately 5
- (b) Frequency of response: Recordkeeping requirement.
- (c) Annual hour burden: 6,056 hours per respondent;  $6,056 \times 5 = 30,280$  **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 exceed 25% of the burden associated with Part 32 Class B record requirements. We estimate that 10 independent incumbent LECs will enter the international, interexchange market each year by forming a separate affiliate or division.

$$(5 \text{ entrants}) \times 6,056 = 30,280 \text{ total annual burden hours}$$

(e) Total estimates of in-house cost to respondents for the hour burdens for collection of information associated with initial compliance: Assuming the affiliated companies use personnel comparable in pay to a GS-12/Step 5 (\$42.08), Federal employee, including 30% for overhead, the cost estimate is as follows:

$$(5 \text{ entrants}) \times (6,056 \text{ hours per entrant}) \times (\$54.70 \text{ per hour}) = \mathbf{\$1,656,316}$$

2. (a) Number of respondents: Approximately 250.

(b) Frequency of response: Recordkeeping requirement.

(c) Annual hour burden: 500 hours per respondent;  $250 \times 500 = \mathbf{125,000}$  **hours** total annual burden for all respondents.

(d) Method of estimation of burden: We estimate that the burden of maintaining separate books of account is significantly less than the burden of initial implementation, particularly since many of the independent incumbent LECs that provide international, interexchange services do so through resale, which imposes lesser accounting burdens than does facilities-based operations. We also estimate that approximately half of the companies that provide international, interexchange services are affiliated with incumbent LECs.

$$(250 \text{ providers}) \times (500 \text{ hours per provider}) = 125,000 \text{ total annual burden hours}$$

(e) Total estimate of in-house cost to respondents for the hour burdens for collection of information associated with maintenance over time: Assuming the affiliated companies use personnel comparable in pay to a GS-12/Step 5 (\$42.08), Federal employee, including 30% for overhead, the cost estimate is as follows:

$$\text{Respondent Cost: } (250 \text{ providers}) \times (500 \text{ hours per provider}) \times (\$54.70 \text{ per hour}) = \$6,837,500$$

$$\text{Total Respondents: } 5 + 250 = \mathbf{255 \text{ Respondents}}$$

$$\text{Total Responses: } 5 + 250 = \mathbf{255 \text{ Responses}}$$

$$\text{Total in-house cost to respondents is: } \$1,656,316 + \$6,837,500 = \mathbf{\$8,493,816 \text{ in-house cost}}$$

$$\text{Total annual burden hours for this submission is: } 30,280 + 125,000 = \mathbf{155,280 \text{ hours}}$$

13. There are no outside costs to the respondent:
  - a. There are no capital or start-up costs.
  - b. There are no operational or maintenance costs.
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. The Commission is reporting adjustments/decreases to the number of respondents and total annual responses from 510 to 255 (-255) and total annual burden hours from 310,560 to 155,280 (-155,280) from the last submission to OMB. These adjustments/decreases are due to the forbearance of these rules as they apply to Independent ILECs subject to price cap regulation. See Petition of USTelecom for Forbearance Under 47 U.S.C. § 160(C) From Enforcement of Certain Legacy Telecommunications Regulations, 28 FCC Rcd 7627 (2013).

In our previous submissions to OMB, the Commission inadvertently stated that there were outside costs to the respondent; however, we have determined that the respondent performs the work internally as an in-house cost. Therefore, we have made this correction which is now reflected in this submission to OMB.

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. There are no exceptions to the Certification Statement.

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

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