BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter )
) WC Docket No. 13-39
Rural Call Completion )

PETITION FOR RECONSIDERATION

COMPTEL, through undersigned counsel and pursuant to Section 1.429 of the Commission’s Rules, 47 C.F.R. §1.429, hereby respectfully requests that the Commission reconsider the contours of the small carrier exemption adopted in its Report and Order released November 8, 2013 in the above captioned proceeding and reinstate the small carrier exemption set forth in the proposed rules. Reconsideration is warranted because the Commission failed to give adequate notice of and an opportunity to comment on the substantially narrower definition of small carrier it ultimately adopted in violation of the Administrative Procedure Act (“APA”). Given the substantive nature of, and the lack of any support in the record for, the change, the Commission acted arbitrarily and capriciously in adopting the revised definition of small carrier without explaining the reasoning behind it.

Section 1.429(b)(1) of the Commission’s Rules provides that a petition for reconsideration that relies on facts or arguments that have not previously been presented to the Commission will be granted, inter alia, only where the “facts and arguments relied on relate to events which have occurred or circumstances which have changed since the last opportunity to present such matters to the Commission.” Although COMPTEL filed comments supporting the Commission’s proposed definition of small carrier as one providing long distance service to

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100,000 or fewer subscribers, COMPTEL’s first opportunity to raise the APA issue did not arise until after the Commission released the Report and Order. It was the Report and Order that first disclosed that the Commission had substantially revised the definition of small carrier to one providing long distance service to 100,000 or fewer subscriber lines. Because the facts and arguments in COMPTEL’s Petition are based upon events that occurred and circumstances that changed after the comment period in the docket closed, the Petition meets the procedural requirements of Section 1.429.

I. BACKGROUND AND SUMMARY

The Commission has been on notice for some time that an unacceptable number of long distance telephone calls to customers in rural areas are not completing and that such unreliable telephone service adversely impacts public safety, business and residential subscribers. The most effective way for the Commission to remedy the rural call completion problem is to take enforcement action against providers responsible for unacceptably low rural call completion rates. Although the record keeping, reporting and data retention requirements the Commission adopted in this proceeding may confirm that a call completion problem exists in rural areas and may prove useful in monitoring the extent of the problem, unfortunately they will do little, if anything, to ensure that rural consumers receive telephone service that is as reliable as the telephone service provided to the rest of the country. The record keeping, reporting and data retention rules adopted by the Commission impose significant new information collection

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3 Report and Order at ¶3.

4 To date, the public record reflects that the Commission has only concluded one such enforcement action. In the Matter of Level 3 Communications, Inc., File No. EB-12-IH-0087, Consent Decree, DA 13-371 (rel. Mar. 12, 2013).
requirements on long distance service providers and will be expensive and burdensome for providers, most especially small providers, to implement. The Commission’s failure to provide adequate notice and an opportunity to comment to the small providers that now fall outside the small provider exemption proposed in the NPRM must be corrected before the rules are allowed to go into effect.

The small carrier exemption that the Commission adopted is substantially narrower than the proposed small carrier exemption on which the Commission requested comment. In the Notice of Proposed Rulemaking and in the proposed rule on which the Commission sought comment, the Commission defined small carrier for purposes of qualifying for the exemption from the record keeping, reporting and data retention requirements as one having 100,000 or fewer retail long distance subscribers:

In order to lessen the burden of compliance with these proposed rules, we propose to require only those originating long distance providers and other covered providers with more than 100,000 retail long distance subscribers (business or residential) to maintain the basic information on call attempts and to periodically report the summary analysis of that information to the Commission. We seek comment on this proposal. Would the exclusion of smaller providers compromise the Commission’s ability to monitor rural call completion problems effectively?


6 NPRM at ¶31 (emphasis added). See also proposed rule 64.2107(a), which states “[A]n originating long distance voice service provider with 100,000 or fewer total retail long distance subscribers (business and residential combined) is not required to retain records of attempted calls or to report call answer rates as required in this subpart. A first facilities-based provider for originating long distance service providers that do not report, and that provides service directly or indirectly to 100,000 or fewer retail long distance subscribers, is not required to retain records and to report as required in this subpart.” (Emphasis added.)
In the NPRM, the Commission did not ask whether it should define “small provider” for purposes of the exemption from the record keeping, reporting and retention requirements more broadly or more narrowly than one having 100,000 or fewer subscribers, but simply asked whether exempting smaller providers (as defined in the proposed rule) would compromise its ability to monitor rural call completion problems effectively. The rule subsequently adopted by the Commission exempts from the record keeping, reporting and retention requirements only those long distance service providers making the initial call path choice for 100,000 or fewer subscriber lines. The rule adopted imposes new record keeping, reporting and retention requirements on a significantly greater number of small long distance service providers than did the proposed rule.

The Commission itself has conceded that the new record keeping, reporting and retention rules will impose costs and administrative burdens on the providers required to comply. Among the additional long distance providers that will have to bear the costs and administrative burdens of complying with the record keeping, reporting and retention requirements of the rule as adopted are those having as few as 10,000 subscribers with an average of 10 or 11 lines each and those having as few as 25,000 subscribers with an average of four or five lines each, despite the

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7 See Final Rule 64.2101(c), which defines the long distance voice service providers subject to the record keeping and reporting requirements as those making the initial call path choice for more than 100,000 domestic retail subscriber lines.

8 In requesting Paperwork Reduction Act (“PRA”) comments on the proposed rules, the Commission estimated that 90 providers would be subject to the record keeping and reporting requirements. See 78 Fed. Reg. 21891, 21892 (Apr. 12, 2013). In requesting PRA comments on the final rules, the Commission estimated that 225 providers will be subject to the record keeping and reporting requirements. 78 Fed. Reg. 79448, 79449 (Dec. 30, 2013).

9 See Initial Regulatory Flexibility Analysis, NPRM, Appendix B at ¶39; Final Regulatory Flexibility Analysis, Report and Order, Appendix D at ¶29.
fact that such providers were given no notice that they were potentially within the cross-hairs of the Commission’s proposed rules.

Making matters worse, the Commission did not even acknowledge that, let alone explain why, it substantially expanded the number of long distance service providers that would be subject to the record keeping, reporting and retention requirements. On the contrary, in adopting the final rule, it cited paragraph 31 of the NPRM which defined exempt providers as those having 100,000 or fewer subscribers and stated:

Consistent with the Notice, we require only providers of long distance voice service that make the initial long distance call path choice for more than 100,000 domestic retail subscriber lines (counting the total of all business and residential fixed subscriber lines and mobile phones and aggregated over all of the providers’ affiliates) to comply with the recording, retention and reporting rules.10

The only thing consistent about the small provider exemption proposed in the Notice and that adopted in the Report and Order is the number 100,000. As the Commission is well aware, the term “subscriber” is not the equivalent of the term “subscriber line.”11 By converting “subscriber” in the proposed rule to “subscriber line” in the final rule, the Commission has cast a much wider net, increasing by 150 percent the number of providers that will have to incur the expense and administrative burdens necessary to comply with the record keeping, reporting and retention requirements.12 Despite this significant expansion in the reach of the final rule, the

10 Report and Order at ¶27 and n. 84 (emphasis added).

11 Indeed, the Commission noted that “[f]or purposes of this exception, a large business with 100 lines should be counted as 100 subscribers, not as one subscriber.” Report and Order at n. 84.

12 See n. 8, supra.
Commission failed to describe the reasoning which led it to reject the definition of small carrier set forth in the proposed rule in favor of the much narrow definition adopted in the final rule.

In the Report and Order, the Commission erroneously stated that “[c]ommenters generally supported” exempting providers with 100,000 or fewer subscriber lines from the record keeping, reporting and retention requirements. The commenters the Commission identified as supporting the exemption for providers with 100,000 or fewer subscriber lines actually supported the proposed exemption for providers with 100,000 or fewer subscribers.

While certain commenters argued that there should be no exemption at all for small providers or

13 Report and Order at ¶27 and n.85, citing “COMPTEL Comments at 4; USTelecom Comments at 8; ACA Comments at 8; Midcontinent Reply at 6; Rural Associations Comments at 19; CLECs Comments at 3. . . .”

14 See COMPTEL Comments at 4 (“The Commission asks whether the exclusion of providers with less than 100,000 subscribers would comprise its ability to effectively monitor rural call completion issues. COMPTEL submits that excluding smaller long distance providers from the record keeping and reporting requirements will not impair its ability to effectively monitor call completion rates. If, based on analyses of the data it receives, the Commission finds that some or all providers serving more than 100,000 subscribers do not have unacceptably high rural call completion failure rates but the problem continues to exist, it can then seek comment on applying the record keeping and recording requirements to smaller providers.”); USTelecom Comments at 8 (“If the Commission decides to impose a data retention and reporting regime, USTelecom agrees with the Commission’s proposal that originating long distance providers with fewer than 100,000 retail long distance subscribers should be excluded from the data retention and reporting requirements. Such an exemption will lessen the burden of compliance on smaller service providers, which are often resource-constrained.”); ACA Comments at 10 (“ACA urges the Commission to adopt the proposed exemption for local service providers with 100,000 or fewer subscribers”); Reply Comments of Midcontinent Communications at 6-7 (suggesting that the Commission should consider requiring reporting by originating carriers only if they serve at least 100,000 customers in a study area); Reply Comments of the Rural Associations at 19 (“The Rural Associations agree that the Commission should consider excluding originating long-distance providers with fewer than 100,000 retail long-distance customers from its proposed data retention and reporting requirements, as available evidence suggests the majority of rural call completion complaints are associated with very large long-distance providers or VoIP providers.”); CLECs Comments at 3 (“Moreover, the Joint Commenters support the Commission’s specific proposal that carriers with 100,000 or fewer retail long-distance subscribers be excluded from the application of the rules.”)
that the number of retail subscribers served should be reduced in order to qualify for the small provider exemption,\(^{15}\) COMPTEL is unaware of any commenter that suggested that the Commission define small provider for purposes of the exemption in terms of the number of subscriber lines served,\(^{16}\) rather than in terms of the number of subscribers served, nor did the Commission cite any.

**II. THE COMMISSION HAS FAILED TO COMPLY WITH THE APA**

**A. The Commission Did Not Give Adequate Notice Or An Opportunity For Comment On The Revision To The Small Carrier Exemption**

Section 553(b) of the APA requires notices of proposed rulemaking to include either the terms or the substance of proposed rules. 5 USC §553(b). The purpose of this notice requirement is to provide interested parties an opportunity to comment on proposed rules and thereby participate in the formulation of rules by which they may be regulated. 5 U.S.C. §553(c). Consistent with Section 553(b), the Commission’s NPRM contained the terms of the proposed rule exempting small long distance providers serving 100,000 or fewer subscribers

\(^{15}\) See NARUC Comments at 10 (the size of a provider’s customer base is irrelevant); NASUCA Comments at 21 (no small carrier exemption should be adopted); State Association Comments at 7 (proposing that the Commission should lower the small carrier exemption to carriers with 10,000 or fewer long-distance customers); New Jersey Rate Counsel Reply Comments at 21 (no small carrier exemption should be adopted); Verizon and Verizon Wireless Comments at 15 (no small carrier should be exempt from requirements); Level 3 Comments at 6 (arguing that the Commission should not exempt providers based on the number of retail subscribers).

\(^{16}\) *Cf.* Reply Comments of Midcontinent at 6-7 (proposing that the Commission require reporting by originating carriers only if “they serve at least 100,000 customers (or access lines) in a study area.”) The Commission’s 100,000 subscriber count for purposes of the small carrier exemption would capture all customers served by a provider nationwide. Midcontinent’s proposal that the Commission count customers/access lines by study area would result in more providers qualifying for the exemption than either the Commission’s proposed rule or the final rule as adopted because study areas are considerably smaller than the 50 state geographic area.
from the record keeping, reporting and retention requirements.\textsuperscript{17} The NPRM did not, however, provide adequate notice that long distance providers serving fewer than 100,000 customers would be covered by the record keeping, reporting and retention requirements.\textsuperscript{18} By failing to apprise long distance service providers with 100,000 or fewer customers that they may be subject to the costly and burdensome record keeping, reporting and retention requirements, the Commission deprived them of any opportunity to offer comment on the formulation of the regulations by which they are now bound in violation of Sections 553(b) and 553(c) of the APA.

There is no question that federal agencies are free to adopt final rules that are not identical to those described in an NPRM where any differences are sufficiently minor and could have been anticipated by interested parties. \textit{National Cable Television Association}, 747 F. 2d 1503, 1507 (D.C. Cir. 1984). “Agencies should be free to adjust or abandon their proposals in light of public comments or internal agency reconsideration without having to start another round of rulemaking.” \textit{Kooritzky v. Reich}, 17 F.3d 1509, 1513 (D.C.Cir. 1994). At the same time, in order to comply with its notice obligations, an agency must alert interested parties “to the possibility of the agency’s adopting a rule different than the one proposed.” \textit{Id.}\textsuperscript{19} This the Commission did not do and its failure to do so cannot be reconciled with its APA obligations.

\textsuperscript{17} NPRM at ¶31 and Appendix A, Proposed Rule 64.2107(a).

\textsuperscript{18} As noted, while the NPRM asked for comment on whether excluding small long distance service providers would compromise its ability to adequately monitor rural call completion problems, it did not ask for comment on whether it should define small providers as anything other than those serving 100,000 or fewer customers. NPRM at ¶31.

\textsuperscript{19} \textit{See also, Sprint v. FCC}, 315 F. 3d 369 (D.C. Cir. 2003) (vacating rule where Commission failed to give adequate notice that it was considering a change in reporting requirements that were more burdensome under the new rule).
Revising the definition of small provider eligible for the exemption from one having 100,000 or fewer customers to one having 100,000 or fewer customer lines is not a minor change or “logical outgrowth” of the proposed rule or comments received,20 nor is it one that was advocated by any of the commenting parties. The enormity of the change is evidenced by the fact that the final rule subjects more than twice as many long distance service providers to the record keeping, reporting and retention requirements than did the proposed rule. Increasing by 150 percent the number of long distance service providers – from 90 providers to 225 providers - - that are subject to the record keeping, reporting and retention requirements of the final rule cannot be deemed a minor change by any stretch of the imagination. Nor is it a change that could have been anticipated by interested parties given that the Commission did not ask for comment on whether it had appropriately defined small provider for purposes of the exemption as one having 100,000 or fewer subscribers. The fact that no commenting party urged the Commission to substitute 100,000 subscriber lines for 100,000 subscribers in establishing the threshold for qualifying small providers conclusively demonstrates that commenting parties had no reason to believe that the number of lines served, as opposed to the number of customers served, was an issue on the table or that subscriber lines might be substituted for subscribers in the final rules.

Although the Commission did not acknowledge in the Report and Order that the small provider exemption adopted in the final rule differs significantly from that proposed, it implicitly acknowledged the substantive change by requesting PRA comments on the final rule. The Commission requested and received from the Office of Management and Budget (“OMB”) pre-

20 See Weyerhauser Co. v. Costle, 590 F. 2d 1011, 1031 (D.C. Cir. 1978) (regulation that was not a “logical outgrowth” of preceding notice and comment process remanded to agency for further notice and comment)
approval for the information collection requirements set forth in the proposed rules. That “pre-
approval was contingent on no substantive changes to the collection after adoption of the final rule. Otherwise this collection should be resubmitted to OMB for review.”21 As a result of the substantive changes to the small provider exemption adopted in the final rule and consistent with its obligations under the PRA, the Commission requested PRA comments on the information collection requirements in the final rule by notice published in the Federal Register on December 30, 2013.22

As required by the APA, interested parties should have been given notice and an opportunity to comment on the substantive change in the definition of small provider before the Commission adopted it. The Commission’s statement that its adoption of an exemption for providers having 100,000 or fewer subscriber lines is consistent with the proposal published in the NPRM23 (which exempted providers with 100,000 or fewer subscribers) is factually incorrect and does not cure its failure to alert providers with fewer than 100,000 subscribers but more than 100,000 lines that they may be subject to the record keeping, reporting and retention requirements. The Commission’s additional failure to explain the reasoning behind the substantial modification to the proposed rule deprived interested parties of a meaningful opportunity to contest that reasoning. Although the Commission noted that “[a] review of fixed and mobile subscription counts reported to the Commission via Form 477 reveals that the


23 Report and Order at ¶27.
100,000-subscriber line threshold should capture as much as 95 percent of all callers,”\(^{24}\) it did not assert that the availability of data submitted on FCC Form 477 was the reason that it revised the definition of small provider for purposes of the exemption. In any event, because the Form 477 data is not publicly available,\(^{25}\) interested parties have no way of verifying or contesting the Commission’s assertion that the 100,000 line threshold will capture as much as 95 percent of all calls or of determining what percentage of calls the 100,000 customer threshold would capture.

In order to comply with the mandates of Section 503 of the APA, the Commission should have allowed interested parties an opportunity to comment on its revised definition of small provider for purposes of the record keeping, reporting and retention exemption before incorporating the revised definition into a final rule.\(^{26}\) While certain large long distance service providers submitted comments on their costs of compliance,\(^{27}\) noticeably absent from the record is an analysis of the costs and administrative burdens smaller providers are likely to incur in complying with the record keeping, reporting and retention requirements.\(^{28}\) The additional 135

\(^{24}\) \textit{Id.}

\(^{25}\) Filers are permitted to request that the information they submit on the Form 477 be treated confidentially. See FCC Form 477 Instructions at 19.

\(^{26}\) Consistent with the notice and comment requirements of Sections 503 and 504, the Commission has requested additional comment before adopting final rules in other proceedings. \textit{See, e.g., Further Inquiry Into Four Issues In The Universal Service Lifeline/Link Up Reform and Modernization Proceeding, WC Docket Nos. 11-42, et al.,} Public Notice DA 11-1346 (rel. Aug. 5, 2011).

\(^{27}\) For example, AT&T and Sprint did submit estimates of their costs to comply with the proposed requirements. AT&T estimated its costs would be “in the range of $3-5 million” and Sprint estimated its annual costs at $6.8 million. Ex Parte letter dated October 23, 2013 from Brian J. Benison, AT&T, to Marlene Dortch at n. 1, filed in WC Docket No. 13-39; Reply Comments of Sprint Nextel Corporation at 4.

\(^{28}\) As an example of potential costs that smaller providers will have to incur, COMPTEL references an off the cuff estimate provided by one of its members for software and IT costs alone. This carrier would have qualified for the small carrier exemption under the proposed rules
long distance service providers that are subject to the record keeping, reporting and retention requirements of the final rule were entitled to notice and an invitation to make their positions known to the Commission.\textsuperscript{29} To remedy this violation, the Commission must either reinstate the definition of small provider set forth in the NPRM or publish notice of and seek comment on the revised definition of small provider and hold the record keeping reporting and retention requirements in abeyance pending receipt and consideration of those comments.

B. The Commission Has Failed to Comply With Section 604 of the Regulatory Flexibility Act

Section 603 and 604 of the Regulatory Flexibility Act, 5 U.S.C. §§ 603 and 604, provide that when an agency proposes and promulgates a rule subject to Section 553 of the APA, as it has done here, it must prepare and make available to the public an initial (Section 603) and a final (Section 604) regulatory flexibility analysis describing the impact of the rule on small

but does not qualify under the 100,000 subscriber line threshold adopted in the final rules. The carrier provides local exchange and long distance service in only two states and for the traffic within and between those two states uses an NPAC database inventory obtained from NEUSTAR that includes all ported and pooled numbers within its footprint. In order to comply with the new record keeping and reporting requirements, however, this carrier will have to purchase a nationwide database inventory from NEUSTAR and then design and construct a new lookup table to be used in the record loading and mediation process. A rough estimate of the one-time cost for the new database and the design and programming necessary to report the information is $100,000. In addition to the one-time software and IT costs, there will also be recurring costs for the nationwide database that the carrier would not need to incur but for the new rules. Not included in this estimate are the additional costs the carrier will also incur for storage of the data and personnel to prepare the reports. Funds that otherwise could be used to serve customers or reinvest in the network will now have to be diverted to cover the administrative costs of compliance with the record keeping, reporting and data retention rules.

\textsuperscript{29} See Kooritzky v. Reich, 17 F.3d 1509 (D.C.Cir. 1994); Weyerhauser Co. v. Costle, 590 F. 2d 1011 (D.C. Cir. 1978); McLouth Steel Products Corp. v. Thomas, 838 F. 2d 1317, 1324 (D.C. Cir. 1988) ("an utter failure to comply with notice and comment cannot be considered harmless if there is any uncertainty at all as to the effect of the failure.")
entities. Among other things, Section 604(a) requires that the Final Regulatory Flexibility Analysis (“FRFA”) must contain

a description of the steps the agency has taken to minimize the significant economic impact on small entities consistent with the stated objectives of applicable statutes, including a statement of the factual, policy, and legal reasons for selecting the alternative adopted in the final rule and why each one of the other significant alternatives to the rule considered by the agency which affect the impact on small entities was rejected.30

In violation of these requirements, the Commission’s FRFA did not include a statement of the factual, policy or legal reasons for selecting the 100,000 subscriber line threshold for the definition of small provider nor did it explain why the 100,000 subscriber threshold proposed in the NPRM was rejected.

In the Initial Regulatory Flexibility Analysis (“IRFA”), the Commission stated that in order to reduce the cost and administrative burdens of compliance with the proposed record keeping, reporting and retention requirements on small providers, it proposed to apply the requirements only to covered providers with “more than 100,000 retail long-distance subscribers.”31 In the FRFA, the Commission variously states that in order to reduce the cost and administrative burdens of compliance on small providers, the record keeping, reporting and retention requirements will apply only to providers “with more than 100,000 domestic retail subscriber lines,”32 “more than 100,000 retail customers,”33 and “more than 100,000 domestic subscriber lines,”32 “more than 100,000 retail customers,”33 and “more than 100,000 domestic

31 NPRM, Appendix B, Initial Regulatory Flexibility Analysis at ¶¶10 (emphasis added), 39, 40 (emphasis added).
32 Report and Order, Appendix D, Final Regulatory Flexibility Analysis at ¶3 (emphasis added).
33 Id. at ¶7 (emphasis added).
As noted above, by substituting 100,000 subscriber lines in the final rule for 100,000 subscribers in the NPRM’s definition of small providers exempt from compliance, the Commission has greatly expanded the number of small providers that will have to incur the cost and administrative burdens of complying with the new record keeping, reporting and retention requirements. Despite the tremendous impact this change has on small providers (increasing from 90 to 225 the number of small providers subject to the rules), the Commission did not even acknowledge that the final rule is different than that proposed, let alone explain why the 100,000 subscriber alternative, which was designed to minimize the economic impact on small providers, was rejected in favor of the 100,000 subscriber line threshold included in the final rule. 35 See United States Telecom Association v. FCC, 400 F.3d 29, 42 (D.C. Cir. 2005) (Final Regulatory Flexibility Analysis “must include an explanation for the rejection of alternatives designed to minimize significant economic impact on small entities”).

CONCLUSION

For the foregoing reasons, COMPTEL respectfully requests that the Commission reinstate the 100,000 subscriber small provider exemption from the record keeping, reporting and retention requirements of the new rules or publish notice of and seek comment on its proposal to

34 Id. at ¶30 (emphasis added).

35 In the FRFA, the Commission stated that “[t]here were no comments filed that specifically addressed the rules and policies proposed in the IRFA.” Id. at ¶8. The rules and policies proposed in the IRFA, including the more than 100,000 subscriber threshold for the record keeping, reporting and retention requirements, were the same as those proposed in the NPRM. A number of comments filed in response to the NPRM, including those filed by COMPTEL, supported the Commission’s proposal to apply the rules only to providers with 100,000 or more retail long distance subscribers. As noted, COMPTEL is unaware of any commenter that proposed to substitute 100,000 subscriber lines for 100,000 subscribers as the Commission did in the final rule.
substitute 100,000 subscriber lines for 100,000 subscribers in the definition of small provider and hold the rules in abeyance pending receipt, processing and issuance of a report and order based on the record developed.

Respectfully submitted,

/s/

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