



PUBLIC NOTICE

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ANNUAL ADJUSTMENT OF REVENUE THRESHOLDS

This notice announces the inflation-adjusted 2003 revenue thresholds used for classifying carrier categories for various accounting and reporting purposes: (1) distinguishing Class A carriers from Class B carriers;¹ and (2) distinguishing larger Class A carriers from mid-sized carriers.² The revenue threshold between Class A carriers and Class B carriers is increased to \$123 million.³ The revenue threshold between larger Class A carriers and mid-sized carriers is increased to \$7.240 billion.⁴ The revenue thresholds for 2003 were determined as follows:

	<u>Mid-sized Threshold</u>	<u>Larger Class A Threshold</u>
(1) GDP-CPI Base	85.59 ⁵	102.18 ⁶
(2) 2003 GDP-CPI ⁷	105.69	105.69
(3) Inflation Factor (line 2 ÷ 1)	1.2348	1.0343
(4) Original Revenue Threshold	\$100 million	\$7 billion
(5) 2003 Revenue Threshold ⁸ (line 3 * 4)	\$123 million	\$7.240 billion

¹ See 47 C.F.R. §§ 32.11, 43.21, 43.43 and 64.903.

² See 47 C.F.R. § 32.9000.

³ Section 402(c) of the 1996 Act mandates that we adjust this revenue threshold annually to reflect the effects of inflation since October 19, 1992, at which time the threshold was \$100 million. In accordance with the Act, we adjust the threshold based on the ratio of the gross domestic product chain-type price index (GDP-CPI) in the revenue year and the GDP-CPI for October 19, 1992.

⁴ In the *Phase 2 Report and Order* released November 5, 2001, the Commission concluded that it would begin annually indexing for inflation the \$7 billion threshold used to separate the larger Class A carriers and the mid-sized carriers using the GDP-CPI index factor. Because this Order was released in 2001, we use the December 31, 2001, GDP-CPI as the base. See *2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2; Amendments to the Uniform System of Accounts for Interconnection; Jurisdictional Separations Reform and Referral to the Federal-State Joint Board; Local Competition and Broadband Reporting*, CC Docket No. 00-199, Report and Order in CC Docket Nos. 00-199, 97-212, and 80-286; Further Notice of Proposed Rulemaking in CC Docket Nos. 00-199, 99-301, and 80-286, 16 FCC Rcd 19913 (2001) (*Phase 2 Report and Order*).

⁵ GDP-CPI adjusted to October 19, 1992 (2000 = 100).

⁶ GDP-CPI for December 31, 2001 (2000 = 100).

⁷ National Income and Product Accounts Table, Bureau of Economic Analysis, March 2004, Table 1.1.4.

⁸ Rounded to the nearest million.

Action by Chief, Pricing Policy Division