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Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

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DA 05-1263

ANNUAL ADJUSTMENT OF REVENUE THRESHOLDS

This notice announces the inflation-adjusted 2004 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 \$125 million.³ The revenue threshold between larger Class A carriers and mid-sized carriers is increased to \$7.403 billion.⁴ The revenue thresholds for 2004 were determined as follows:

	<u>Mid-sized Threshold</u>	<u>Larger Class A Threshold</u>
(1) GDP-CPI Base	86.68 ⁵	102.40 ⁶
(2) 2004 GDP-CPI ⁷	108.30	108.30

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 Telecommunications Act of 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. Pub. L. No. 104-104, § 402(c), 110 Stat. 56, 130 (1996). In accordance with the statute, 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 2005, Table 1.1.4.

(3)	Inflation Factor (line 2 ÷ 1)	1.2494	1.0576
(4)	Original Revenue Threshold	\$100 million	\$7 billion
(5)	2004 Revenue Threshold ⁸ (line 3 * 4)	\$125 million	\$7.403 billion

Action by Chief, Pricing Policy Division

⁸ Rounded to the nearest million.