

Disposition of Central Office Equipment

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General

Purpose	This practice provides the GTE policy governing disposition of new, used and surplus office equipment.
Reason for Reissue	This practice is reissued to update text.
Supersedure	This practice cancels and supersedes GTE Practice 992-750-005, Issue 2, dated June 1989.
Overview	<p>The following objectives pertain to COE equipment:</p> <ol style="list-style-type: none">1. Ensure that all equipment, or equipment components, acceptable for reuse is placed into inventory.2. Exercise proper planning and coordination for the reuse of equipment in the telephone company at the earliest date.3. When it has been determined that the equipment is not required, present or future, within the telephone company; take steps to sell the items to:<ol style="list-style-type: none">A. An affiliate (telephone company or other unit)B. A non-affiliated companyC. Individual customers <p>NOTE: Refer to Sale of Surplus Reusable Equipment on Page 6.</p> <ol style="list-style-type: none">4. Determine, at earliest possible date, equipment that cannot be reused or sold. Salvage any usable parts and junk the rest.<p>NOTE: This determination can be done when a replacement is engineered or at planning stages for the retirement of equipment.</p>5. Ensure that the four activities listed above are closely coordinated between all of the affected departments.

Definitions

Terms/Definitions	<table><thead><tr><th>TERM</th><th>DEFINITION</th></tr></thead><tbody><tr><td>Plant Equipment Retired</td><td>Equipment removed from service.</td></tr><tr><td>Equipment Salvaged</td><td>Equipment removed from service and placed in inventory to be used by GTE.</td></tr><tr><td>Equipment Junked</td><td>Sale of equipment for its scrap value. Material has no working value in Telephone Operations.</td></tr><tr><td>Disposition of Equipment</td><td><p>The ultimate reuse or disposition of equipment. This includes:</p><ul style="list-style-type: none">• Reuse within the telephone company• Sale to an affiliate• Sale to a non-affiliate• Sale to an individual customer• Sale as scrap</td></tr></tbody></table>	TERM	DEFINITION	Plant Equipment Retired	Equipment removed from service.	Equipment Salvaged	Equipment removed from service and placed in inventory to be used by GTE.	Equipment Junked	Sale of equipment for its scrap value. Material has no working value in Telephone Operations.	Disposition of Equipment	<p>The ultimate reuse or disposition of equipment. This includes:</p> <ul style="list-style-type: none">• Reuse within the telephone company• Sale to an affiliate• Sale to a non-affiliate• Sale to an individual customer• Sale as scrap
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(continued)

Definitions, continued

Terms/Definitions,
continued

TERM	DEFINITION
Assets	<p>For application of the affiliate, transaction rules will be defined as land and depreciable plant assets.</p> <p>Paragraph 295 of Docket CC86-111 discusses valuation of assets transferred between affiliates, and within that paragraph footnote 466 reads as follows: "The term 'asset' encompasses any item that would be recorded in an investment account of the regulated carrier."</p>
Prevailing Price	For assets: "...at the price as determined by prevailing price list held out to the general public in the normal course of business. "
Determination of Net Book Value	Net book value is defined by the order as "cost less all applicable valuation reserves" ; therefore, the original cost of the asset would be reduced by accumulated depreciation.
Determination of Fair Market Value	An arm's length legal transaction between a willing buyer and a willing seller, in the absence of coercion and/or negotiating constraints.
Reuse of Equipment	<p>The placing into service of equipment:</p> <ul style="list-style-type: none"> • Previously removed from service • Recovered from abandoned projects • Purchased to stock
Reserved Equipment	Equipment assigned for a specific work order or service requirement.
Unassigned Equipment	Equipment for which no work order or service requirement has been established, but has not been declared surplus or junk.
Surplus Equipment	<p>Reusable equipment in inventory for which the telephone company has no known or anticipated requirements.</p> <p>NOTE: This equipment may have potential value outside of GTE.</p>

(continued)

Definitions. continued

Terms/Definitions,
continued

TERM	DEFINITION										
Equipment Inventory	<p>Consists of equipment in the following Material and Supply accounts:</p> <ul style="list-style-type: none"> ● COE reportable inventory, new and used (New and Used - 1220.17) <p>This account includes reportable items that are retirement units, equipment purchased to stock and equipment recovered from abandoned projects.</p> <ul style="list-style-type: none"> ● COE exempt inventory (Account 1220.27) <p>This account includes exempt central office items purchased or returned to stock. These items are considered minor material.</p> <p>NOTE: Responsibilities are as follows:</p> <table border="1"> <thead> <tr> <th>DEPARTMENT</th> <th>COE REUSE 1220 ACCOUNT RESPONSIBILITY</th> </tr> </thead> <tbody> <tr> <td>Resource Management</td> <td>Controls account. Determines what will go into GTEAMS.</td> </tr> <tr> <td>Material Management</td> <td>Manages account. Responsible for input and output of GTEAMS.</td> </tr> <tr> <td>General Equipment Storeroom</td> <td>Maintains, ships and receives reusable material.</td> </tr> <tr> <td>Asset Recovery</td> <td>Sells GTE assets outside of GTE after determination is made by Resource Management.</td> </tr> </tbody> </table>	DEPARTMENT	COE REUSE 1220 ACCOUNT RESPONSIBILITY	Resource Management	Controls account. Determines what will go into GTEAMS.	Material Management	Manages account. Responsible for input and output of GTEAMS.	General Equipment Storeroom	Maintains, ships and receives reusable material.	Asset Recovery	Sells GTE assets outside of GTE after determination is made by Resource Management.
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Salvage

Overview

Consider the following factors when determining what central office equipment should be salvaged:

- Reuse demand
- Usage history
- Age and performance
- Equipment assemblies
- Interdepartmental coordination
- Potential for rehabilitation

Salvage

Factors to Consider

FACTORS ...	ACTION
Reuse demand	<p>1. Review future equipment requirements. Prior knowledge of reuse demand for a particular type of equipment will facilitate its reuse.</p> <p>NOTE: GTEAMS is a good source for requirements.</p> <p>2. Coordinate with those responsible for planning.</p>
Usage history	<p>1. Find out if the equipment condition, type and design is acceptable for reuse.</p> <p>2. Check GTEAMS reports for:</p> <ul style="list-style-type: none">• Usage history• Existing inventory levels• Future demand <p>NOTE: Take precautionary measures to ensure that central office equipment designated as acceptable for reuse is not cannibalized by either maintenance or removal personnel.</p>
Age and Performance	<p>Review equipment age performance and in-service record prior to reuse. Local maintenance personnel are a good source of this information.</p> <p>NOTE: Do not reuse equipment with a history of known in-service troubles. The operation of certain equipment items is degraded by age, such as:</p> <ul style="list-style-type: none">• Central office batteries• Vacuum-tube type devices, etc.
Equipment Assemblies	<p>1. Determine if central office equipment assemblies can be salvaged as one integral assembly. This information is not supported directly by GTEAMS.</p> <p>2. Salvage equipment as one integral unit. This will:</p> <ul style="list-style-type: none">• Reduce recordkeeping• Facilitates reuse• Minimize cannibalization of equipment <p>NOTE: When equipment is cannibalized, essential parts are removed, rendering the remaining parts useless.</p>

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Salvage, continued

Factors to Consider, continued

FACTORS ...	ACTION
Interdepartmental Coordination	<p>Coordinate major equipment removals between the following departments:</p> <ul style="list-style-type: none"> ● Asset Management ● Equipment Construction ● Equipment Engineering ● Planning ● Supply ● Service <p>This will:</p> <ul style="list-style-type: none"> ● Harmonize salvaging efforts ● Aid in determining reuse demands prior to removal ● Facilitate inventory management ● Ensure accurate documentation finished on time <p>NOTE: Any significant change in junking and/or salvage policies must be closely coordinated with Asset management because this could have a material effect upon the depreciation reserve.</p> <p>Plan for the change accordingly.</p> <p>The percentage of equipment salvaged is, in effect, deducted before calculation of the depreciation rate.</p>
Potential for Rehabilitation	<p>Before rehabing equipment, find out if there is a requirement for rehabilitated or repaired inventory. If rehabing is required, this can be done by having the Installation Department rehab the equipment on the installation work order.</p>

Reuse Considerations

Overview	<p>Effective resource management is essential to successful inventory management.</p>
Factors to Consider	<p>Listed below are factors to consider in a COE equipment resource management program:</p> <ul style="list-style-type: none"> ● Try to reuse COE equipment from an operating company's own inventory before investigating other sources. <p>This reduces cash requirements and inventory.</p> <p>NOTE: When requirements exceed inventory levels, pending known requirements should be investigated to determine if requirements can be met from this source within the appropriate time frame.</p>

(continued)

Reuse Considerations, continued

Factors to Consider, continued

- Consider the use of inventory that would be acceptable for substitutions. A piece- of COE equipment may require only a minor, inexpensive modification to convert or update it from one issue to another.
- Administer an inventory usage rotation program at the operating company level.

The tendency is to use new inventory rather than the older stock. Lack of rotation creates an accumulation of used inventory and could lead to need- less junking of equipment.

NOTE: Operating companies should consider:

- **Inventory size**
 - **Construction/inward activities**
 - **In-service performance**
- Attempts should be made to use available assemblies intact, without break- ing down the assembly to individual components and reusing specific com- ponents.

NOTE: Removal of key components from an assembly can render the remainder as not usable or worthless.

Sale of Surplus Reusable Equipment

Overview

There are several methods of selling surplus central office equipment invento- ry. The operating companies should use the one which results in the best financial return.

NOTE: Always offer any surplus inventory for sale to other GTE com- panies or individual buyers.

Use of the following procedure will establish a common method for:

- Exchanging information on surplus items
- Pricing surplus items
- Effect any possible dollar savings through intercompany transfer of surplus items

Procedure

STEP	SELLING SURPLUS REUSABLE EQUIPMENT
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1	The local Equipment Resource Management Engineer will use Telemail to tell other GTE Companies what equipment is available.
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So clarification won't be necessary, include sufficient detail in the Telemail message:

- Manufacturer
 - Part number
 - Assembly number
 - Material code
 - Other pertinent information
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Sale of surplus Reusable Equipment, continued

Procedure,
continued

STEP	SELLING SURPLUS REUSABLE EQUIPMENT
2	GTE companies should reply to Telemail if interested in obtaining the surplus equipment.
3	<p>Supply Material Management Group will do the actual transfer of material between legal entities.</p> <p>NOTE: Multiple requests for the same material will be resolved by GO Staff Resources Management.</p> <p>Whenever a transaction to sell, exchange or transfer assets between a GTE Telephone Operating Company and another GTE-affiliated company is being planned, contact either:</p> <ul style="list-style-type: none"> • Asset Management OR • Regulatory Accounting <p>Those two groups will ensure that the transaction is within the guidelines of FCC Docket 86-111. They will also establish net book price between regulated GTE Affiliates.</p>
4	<p>If no response is received from any GTE company within 30 days from posting of the Telemail, the available equipment should be offered for sale to those parties known to have potential interest:</p> <ul style="list-style-type: none"> • Non-affiliated companies • Individual customers <p>NOTE: Do not consider a lesser price from a non-affiliated company than originally offered an affiliated company unless the fair market value is known to be less.</p> <p>Any sale should result in a more attractive financial return than would salvage of reusable components and junking of the remainder.</p>
5	<p>Before any sale, contact:</p> <ul style="list-style-type: none"> • Regulatory Accounting regarding local P.U.C. requirements • Legal regarding indentures requirements on transfer of assets.

Junking

Scrap Metal

Sell scrap metal resulting from the destruction of COE equipment to an accredited scrap dealer *or* dispose of it in the most practical manner that complies with local environmental regulations (see Practice 992-750-000).

Funds realized from the sale of scrap material should be credited to the appropriate depreciation reserve account.

Salvage

Components from equipment being junked that can be economically removed should be salvaged and used for known repair or maintenance requirements,

Inventory

Overview	Unassigned inventory should be reviewed regularly (no longer than 10-month intervals) for possible use.
Reserved Equipment	Verify that reserved equipment with overdue reservation dates is still needed (ask the person who reserved it). Consult with the Planning Department as well. NOTE: Rotate the overdue reserved equipment three-to-six months after the reservation date before considering disposal options. If overdue reserved equipment is still not used after 10-12 months review for potential disposal.
Equipment Identification	Equipment salvaged to inventory should be properly identified and the necessary records maintained. This will make it possible to meet equipment requirements more readily. In GTEAMS, enter for each equipment item: <ul style="list-style-type: none">● The salvage date, removal work order number and exchange location● Service age (if data available)● Condition (new, used, etc.)● Reserved data (work order number, central office name, date reserved, date required and identification of person making the reservation)● Equipment identification tag containing the above data on each piece of equipment.● Equipment location● Availability of documentation, specifications drawings, schematics, etc.
Stock Limits	Availability of stock limit data will significantly aid in proper disposal of equipment at the removal stage. Referencing this data can readily determine its impact on the inventory of each item to be removed when no known reuse requirement exists. Such knowledge will speed selection of proper disposal route at the time of removal. Each telephone company should establish stock limits for the following types of equipment: <ul style="list-style-type: none">● All equipment that does not require rehabilitation at the minimum and maximum levels.● Any emergency stock at a minimum and maximum level. (Emergency stock is equipment that a telephone company maintains to meet restoration of services.) NOTE: Stock items should be established after careful examination of the past usage history and future requirements for each type of equipment.

Measurements

Inventory Activity & Aging Report

An Inventory Activity and Aging Report should be prepared semiannually (after financial records are closed for June and December) for COE equipment. Be sure to categorize equipment as:

- Reserved

OR

- Unassigned

This report ages the inventory into six-month periods up to two years and indicates the dollar value of inventory held for this time period.

The **aging of** inventory should serve as a guideline for disposal decisions.

NOTE: An ASI-ST run can be obtained for GTEAMS to provide this information.

The report lists as separate activities:

- Salvage to inventory
- Purchase to stock
- New equipment returned to inventory as extra, usage or junking
- Dollar value of equipment
- Amount realized upon disposition for both sale and junking

The report is intended to be a broad overview of the central office equipment inventory. Decisions relating to disposition of particular equipment should be made from supporting records.

Salvage Decision Measurement

A decision to salvage is predicated on a high reuse probability. A measurement of the success of the salvage and reuse program is the ratio of the total dollars junked (after previous salvaging) to total dollars salvaged over a period of time. This ratio should be monitored at least annually.

This information can be obtained from ASI-ST run out of the GTEAMS data base.

Junking Decision Measurement

A decision to junk equipment is predicated on a low reuse probability. There will be cases where equipment is junked and like equipment is purchased later.

NOTE: The decision to salvage should not be based on some vague possibility of future reuse because this will inflate the inventory with items of questionable reuse application.

A measurement of the success of the junking policy is a ratio of the total dollars junked for equipment where like equipment was later purchased, to the total dollars of all equipment junked over a period of time.

This information should be monitored at least annually.

This information can be obtained from ASI-ST run out of the GTEAMS data base.