

SEPARATE STATEMENT OF CHAIRMAN MICHAEL K. POWELL

Re: 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

In this *Order*, we conclude the second phase of the comprehensive review of our accounting rules and the Automated Reporting Management Information System (ARMIS). This review began two years ago, under the able leadership of the previous Chairman, and has progressed to this stage through the tireless efforts of my colleagues, our staff, state commissions, various aspects of the industry and other interested parties. This *Order* is the culmination of all these efforts.

As one who feels strongly that we must take seriously our duty, under the 1996 Act, to prune unnecessary regulation, I find much to support in this *Order*. First, we substantially consolidate and streamline Class A accounting requirements. Second, we relax certain aspects of our affiliate transaction rules. Third, we significantly reduce the cost of regulatory compliance with our cost allocation rules for mid-sized carriers. Finally, we reduce the ARMIS reporting requirements for both large and mid-sized LECs.

But given the current heavy public reliance on aspects of the requirements we have attempted to reform during this longstanding proceeding, I also support the manner in which we have chosen to move forward in this second phase. Specifically, in adopting these rule changes, we have attempted to steer a course that avoids both deregulation simply for its own sake and the countervailing temptation to retain legacy rules in their current form. Just as importantly, we have repeatedly engaged interested parties to ensure that we have fully considered their views and arguments in reaching the decisions reflected here, even when we ultimately do not find those arguments persuasive.

I would note, in particular, that I, my fellow federal commissioners and our staff have expended a great deal of time wrestling with the many positions advocated by our state commission colleagues. Indeed, the Commission is adopting this *Order* several weeks after we had originally planned to do so primarily because we wanted to satisfy ourselves that we had heard, one last time, some of the states' arguments. Certainly, some of these conversations retraced old ground or underscored philosophical differences that will take additional time to explore. In some cases, however, these conversations persuaded us that it would be more prudent to preserve existing requirements or even add new ones, at least until we progress to the next phase of comprehensive accounting and reporting reform. Although I generally do not find it beneficial for the Commission to delay action in proceedings that have gone on this long, the brief delay under the specific circumstances here has yielded some marginal benefits.

As we move forward into the final stage of this comprehensive review of the Commission's accounting and reporting requirements, I look forward to hearing from

state commissions and other interested parties earlier in the process leading to the next *Order* in this proceeding. Accordingly, I strongly encourage all concerned to review the companion *Further Notice* and any of our previous notices carefully and then file comments, so that a useful record can be developed. The Commission has long since, pursuant to the mandates of the 1996 Act, committed to following a path toward greater and greater deregulation in this area and interested parties should not lightly decline to influence that path.

As has been the case throughout this proceeding, it will be difficult for the Commission to resolve the highly-complex and contentious issues that will no doubt arise. For example, some state commissions have emphasized that historically they have used the information made available under our rules to replace or supplement that which is or, in principle, could be made available by other means. Yet I have serious concerns about whether *federal* accounting and reporting requirements should be retained to the extent they serve solely *state* purposes. The Commission will need to work closely with all participants in the proceeding so that it can determine which arguments have the most merit, which can form the basis for a rough consensus and which will remain irreconcilable terms of an agreement to disagree. I look forward, in particular, to working with my state colleagues on further reform in this area.