

STATEMENT OF COMMISSIONER AJIT PAI

Re: *Comprehensive Review of the Part 32 Uniform System of Accounts*, WC Docket No. 14-130.

Today's Notice of Proposed Rulemaking has been a long time coming. The FCC first adopted detailed accounting rules for telephone companies in the 1930s, when command-and-control was the preferred approach to regulation and legal monopolies dominated. But since the passage of the Telecommunications Act of 1996, competition has blossomed and our Part 32 accounting rules now apply to a small and shrinking percentage of the market. Indeed, these rules require some competitors (but not others) to divert funds from building broadband networks to hiring and training specialized accountants to maintain a reticulated set of 148 accounts and subaccounts designed for TDM-based telephone service—and to do so even when there is no federal use for such data. We have repeatedly acknowledged the need to revise and update these rules to reflect the changing regulatory landscape, both in last year's bipartisan *USTelecom Forbearance Order*¹ and again today as we commence this proceeding.

I am particularly grateful that my colleagues agreed to adopt a number of my suggestions to improve this Notice and make regulatory reform a priority. Specifically, we now propose to consolidate the Class A and Class B accounts² and to better align our asset accounting rules,³ our materiality rules,⁴ and our preapproval-for-extraordinary-items rules with generally accepted accounting principles (GAAP).⁵ These are changes that will reduce the burdens of compliance for everyone subject to Part 32 accounting, rate-of-return and price-cap carriers alike. I also appreciate their willingness to explore eliminating entirely the Part 32 rules for price-cap carriers and replacing them with targeted accounting rules to satisfy the statutory obligations we identified in the *USTelecom Forbearance Order*.⁶

I look forward to working with my colleagues to complete this important proceeding—and the other proceedings launched by last year's order⁷—in the near future. Exploring arcana like the distinction between our rules and GAAP with respect to the allowance for funds used during construction (or AFUDC) or the cost basis of telecommunications assets may not catch the headlines, but it is important if our rules are going to keep pace with the modern world.

Finally, today's Notice would not have been possible but for our dedicated staff. I want to thank Robin Cohn, Victoria Goldberg, Diane Griffin Holland, Kalpak Gude, Athula Gunaratne, Doug Klein, Marcus Maher, Rick Mallen, Carol Matthey, Deena Shetler, Doug Slotten, Jamie Susskind, and Julie Veach for their dedicated work in poring over—and helping us decipher—the dozens of dense pages of Part 32 accounting rules. Their expertise and stamina are critical Commission assets.

¹ *Petition of USTelecom for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain Legacy Telecommunications Regulations et al.*, WC Docket No. 12-61 et al., Memorandum Opinion and Order and Report and Order in WC Docket No. 10-132 and Further Notice of Proposed Rulemaking and Second Further Notice of Proposed Rulemaking, WC Docket No. 12-61 et al., 28 FCC Rcd 7627 (2013), *pets. for review pending*, *Verizon and AT&T, Inc., v. FCC & USA*, No. 13-1220 (D.C. Cir. filed July 15, 2013).

² *Notice* at paras. 11–13.

³ *Notice* at para. 18.

⁴ *Notice* at para. 26.

⁵ *Notice* at para. 29.

⁶ *Compare Notice* at paras. 36–49, with *USTelecom Forbearance Order*, 28 FCC Rcd at 7658–61, paras. 63–68.

⁷ *See US Telecom Forbearance Order*, 28 FCC Rcd at 7712–7720, paras. 194–210 (seeking comment on streamlining or eliminating legacy regulations contained in the *Computer Inquiry* proceedings); *id.* at 7720–36, paras. 211–43 (seeking comment on eliminating the structural separation requirements for rate-of-return carriers providing facilities-based long-distance services).