

STATEMENT OF CHAIRMAN AJIT PAI

Re: *Comprehensive Review of the Part 32 Uniform System of Accounts, WC Docket No. 14-130;*
Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286.

Percy Bysshe Shelley's poem *Ozymandias* presents two trunkless legs standing in the desert, the remains of a formerly grand statue depicting a once-important king.¹ On a pedestal, an inscription states: "Look on my Works, ye Mighty, and despair!" The Part 32 accounts are the Commission's *Ozymandias*. Once an important tool that touched every corner of the telecommunications industry, and one so grand that even the mightiest accountants despaired, the Part 32 accounts now affect only a small and shrinking portion of the marketplace in this era of intermodal competition. And they are, for many, nothing more than archaic relics of our regulatory history.

And so it is that we take a common-sense step today to remove regulations that have long outlived their usefulness. For years, price cap carriers essentially have had to keep two sets of books—one for financial reporting and one for regulatory reporting. This was because many regulatory functions involving monopolies required systematically reported data in a way that didn't necessarily reflect well a company's financial position for non-regulatory purposes. As I explained years ago when we kicked off this proceeding, "[t]he 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."² There is simply no need to continue requiring these and only these carriers to waste time and money keeping two sets of books.

This is especially important because every dollar used to comply with the Commission's outdated regulations is a dollar that can't be used to build 21st-century networks. And the money involved here isn't chump change: The record suggests some carriers have been spending millions of dollars a year to comply with the Part 32 accounting rules. To me, that represents potentially thousands of American consumers who could have been digitally connected.

It's also important to note that removing these requirements will not impair in the least the government's ability to discharge its duties. Recently, we asked Bureau staff to determine how often of late the FCC used this Part 32 data for price cap carriers. The staff responded that it was not aware of *any* federal reliance on this data in the last five years. In addition, the Bureau said that going forward, none of the changes in this *Order* would prevent them from having the necessary accounting data to carry out any of the agency's statutory duties.

Let all of that sink in for a moment. For at least half a decade, the Commission has been mandating that carriers devote scarce resources to accounting paperwork that the Commission doesn't even need. This is the telecom equivalent of the government levying a tax and the IRS then burning the money.

A coda on policy: The possible impact of our action today on pole attachment rates has received some attention. But a change in accounting methodology does not affect *what* costs are includable in pole attachment rates, but only *when* they are recognized. The solution we adopt mitigates any rate shock. Moreover, the Commission will monitor pole attachment rates and will take appropriate action should the need arise. For as I made clear last September, competitive pole attachment rates are important "[i]f we

¹ Percy Bysshe Shelley, *Miscellaneous and Posthumous Poems of Percy Bysshe Shelley* 100 (1826).

² *Comprehensive Review of the Part 32 Uniform System of Accounts*, Notice of Proposed Rulemaking, WC Docket No. 14-130, 29 FCC Rcd 10638, 10658 (2014) (Statement of Commissioner Ajit Pai).

want more affordable broadband and more competition.”³ And that’s a topic we will discuss further in the time to come.

I’d like to thank the staff who have worked so hard on this *Order*. Understanding and modernizing these rules are not tasks for the faint of heart. I’m impressed by and grateful for the deep expertise the Commission has drawn upon in addressing these matters. Thank you to Pam Arluk, Robin Cohn, Warren Firschein, Victoria Goldberg, Athula Gunaratne, Jane Jackson, Marvin Sacks, Mika Savir, and Doug Sloten. I look upon your works, ye Mighty, and marvel.

³ Remarks of Commissioner Ajit Pai at the Brandery, “A Digital Empowerment Agenda,” *available at* https://apps.fcc.gov/edocs_public/attachmatch/DOC-341210A1.pdf.