

**STATEMENT OF  
CHAIRMAN AJIT PAI**

Re: *Regulation of Business Data Services for Rate-of-Return Local Exchange Carriers*, WC Docket No. 17-144; *Business Data Services in an Internet Protocol Environment*, WC Docket No. 16-143; *Special Access for Price Cap Local Exchange Carriers*, WC Docket No. 05-25.

In attracting infrastructure investment, as in catching flies, honey works better than vinegar. For too long, the FCC's approach to regulating the market for dedicated enterprise services—what we call business data services—was vinegar-based, marked by price controls and other micromanagement. This started to change in the 1990s, as the FCC began to shift carriers' regulated services away from burdensome, inefficient cost-based regulation to incentive regulation. The history since confirms the common-sense intuition that lighter-touch incentive regulation promotes deployment and competition.

Today, we continue to sweeten the regulatory landscape for infrastructure investment. In particular, we allow certain carriers to opt out of yesteryear's rate-of-return regulations of business data services. For these carriers, such services may be their only offerings subject to such requirements, which means that they are forced through a regulatory gauntlet for just this part of their overall business—ironically a business that's facing increasing competition throughout the country.

I'll note as well that the incentive regulation framework to which we now allow certain rate-of-return carriers to transition matches relief we granted price cap carriers last year. And as we did back then, we apply a competitive market test and transition period to help ensure appropriate regulation and a smooth adjustment, respectively.

I was somewhat surprised to hear one of my colleague's concerns about the analysis in this item at the open meeting today. That's because during the six months that this proceeding has been open, she did not raise those concerns with my office or staff even once. Nonetheless, our staff conducted a thorough analysis of the record before recommending the approach we take today—and one that I support.

My thanks to the tremendously talented staff who worked on this item: Pamela Arluk, Irina Asoskov, Justin Faulb, Lisa Hone, William Kehoe, Christopher Koves, Richard Kwiatkowski, Kris Monteith, Belinda Nixon, Eric Ralph, Marvin Sacks, Douglas Slotten, Shane Taylor, and David Zesiger from the Wireline Competition Bureau; and Malena Barzilai, William Layton, Richard Mallen, and Linda Oliver from the Office of General Counsel.