SEPARATE STATEMENT OF
COMMISSIONER MICHAEL J. COPPS,
APPROVING IN PART, DISSENTING IN PART

Re: 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2; Amendment to the Uniform System of Accounts for Interconnection; Jurisdictional Separations Reform and Referral to the Federal-State Joint Board; Local competition and Broadband Reporting.

I vote to approve this Order because it maintains the substantial majority of accounts and practices that are critical to the States, some of which might not otherwise have been included. I appreciate the willingness of my colleagues to engage in a dialogue on these issues so that we could reach agreement. I still find this Order lacking, but considerably less so than it might have been.

This proceeding began with a laudable goal. We sought to streamline the accounting and reporting requirements based on changes in the regulatory environment and new technology. Our goal was to eliminate reporting of specific accounting information that is no longer relevant or useful while providing this Commission and the States with the information to do their jobs.

This proceeding also commenced with a laudable design. Recognizing that the Commission and the States use a uniformly reported system of accounts, we committed to working with the States and the industry to conduct this review. To that end, Commission staff sponsored workshops and conference calls. And together with our partners in the States, the Commission staff worked diligently to understand how to proceed.

Through these workshops and subsequent discussions, we developed a general consensus that identified the most important accounts and practices to maintain, and those that could be eliminated or streamlined. On June 8, 2001, we released a Public Notice in this docket proposing a new listing of accounts. The proposed list would have significantly reduced the number of Class A accounts by approximately forty percent.

The proceeding's design should have served as a model for future federal - state policy collaborations. Some time between the Public Notice and consideration of this Order, however, the carefully crafted consensus on accounting reductions crumbled.

Today, we fall short of our goal and run counter to our design. The Order we adopt today does not maintain all of the accounts recommended in the June 8th Notice. Nor does it include all of the information the States claim they need to do their jobs. I would have preferred to continue working more closely with the States to ensure that we preserve the Commission's and the State commissions' ability to carry out their statutory obligations under the Telecommunications Act of 1996.

The States and this Commission use the reported data to gain an understanding of the plant, revenue, and expenses of carriers and to enable comparisons among companies and over time. This information enables us, among other things, to promote local competition, develop appropriate prices for network elements, conduct rate-making proceedings, and ensure universal service support. I am concerned, however, that today's decision could undermine our ability to carry out these statutory responsibilities.

In some instances, numerous States felt so strongly about an issue that, rather than merely express their concerns through their National Association of Regulatory Utility Commissioners (NARUC), they contacted the Commission directly. Their concerns went to the data necessary to determine universal service funding levels, customer rates, and network element, interconnection, and pole attachment rates. In other instances, as with directory assistance revenue, the information was directly sought by only a few States. In all of these cases, I am disappointed that we did not more fully address the States' concerns about information needed to carry out their duties to the public.

I hope that, in the weeks and months ahead, the Commission will undertake a serious dialogue with the State commissions prior to implementation of this Order and will reexamine its decision not to collect information the States view as essential.

Although I approve the Order, I must dissent from the Further Notice of Proposed Rulemaking. I am generally not opposed to asking questions. This Further Notice, however, is so flawed in several respects that I am unable to support its adoption.

I would have unquestionably supported a balanced notice that sought to examine the information this Commission and the State commissions need to carry out their statutory obligations in the least burdensome manner possible. This Further Notice, however, seeks only to eliminate or sunset reporting requirements. There needs to be more recognition that, even as competition develops, we may need reported data that reflect new technologies or requirements of the 1996 Act, such as universal service support, network element pricing, interconnection, or number portability. The Notice also fails to realize that the information we collect may help us to determine when markets are functioning properly so that we will have the data to evaluate further deregulation.

In addition, I fear that this Further Notice endangers federal – state cooperation on accounting and depreciation issues. It concludes that we should only collect information for which there is a federal purpose, notwithstanding any State need for the data. It ignores the benefits of a uniformly reported system of accounts. In the absence of one uniform system, carriers may face the administrative burden of a myriad set of different accounting requirements in each State. As the Order recognizes, "[u]niformity provides efficiency to the regulatory process . . . [and] allows regulators or other interested parties to compare and benchmark the costs and rates of incumbent carriers operating in various states." Lack of uniformity could seriously impede effective cooperation on issues such as network element pricing, broadband deployment, and universal service.

Congress has long recognized the benefits of a uniform system of accounts. Section 220(i) expressly directs the Commission to work with the States prior to imposing changes to the accounting system. The States have recognized the benefits of a uniform system. They have historically been involved in the creation of the Uniform System of Accounts that includes not only interstate, but also intrastate revenues and expenses. States today rely on these uniformly reported data for their information. I am disappointed that today we do not appear to recognize the benefits to carriers, the public, and regulators of a uniformly reported system of accounts.

Moreover, the Further Notice appears to ignore the fact that this information is necessary for the States to carry out their mandate under the federal Telecommunications Act. Indeed, it suggests that there is only a federal purpose if this Commission uses the information, and not if the States use the information to meet the directives of Congress or the guidance from this Commission on how the States should carry out those duties.

In conclusion, this proceeding initially led to a successful process to review the accounting and reporting requirements. A reasonable set of accounts was proposed to effectively eliminate forty percent of the reported accounts and subaccounts, in addition to the accounts that were already eliminated or streamlined in the first phase of this proceeding. But we must not let our zeal to deregulate before meaningful economic competition develops cripple the ability of this Commission and State commissions to meet their statutory obligations or faithfully serve the public interest.