

STATEMENT
OF
COMMISSIONER JAMES H. QUELLO

Re: Price Cap Performance Review for Local Exchange Carriers

Mr. Chairman, today's vote on a revised LEC price cap plan is perhaps the single most important common carrier policy decision this Commission will have made during your Chairmanship. Therefore, I feel I must first begin by expressing my profound appreciation to the staff in the Common Carrier Bureau who have worked so incredibly hard under the most difficult conditions to bring this matter to closure. In particular, I wish to say that the valuable contributions of Kathy Wallman and Richard Metzger have only reinforced the tremendous respect I already have for their intelligence, knowledge, and dedication. I am sure my fellow Commissioners all join me in thanking you for the tremendous effort it took to bring this item forward for our consideration today.

Now, a brief perspective on what we will do today, and what we will not. What we will do is adopt an interim plan that has two principal functions. Its first, and most immediate function, is to revise and restructure the Commission's original price cap plan to reflect the goals we feel are important today in any system of price regulation of local telephone companies. The interim price cap plan before us attempts to balance the competing interests of consumers, local and long distance carriers, for whatever interim period this plan will be in effect.

And that leads to the second, perhaps more important function, of this plan. This interim plan also provides a template for a permanent plan which, I hope, will be structured not simply to replicate the effects of competition, but also to encourage the growth of competition and to recognize its effects as it takes hold. For the twenty years I have served on this Commission we have repeatedly, in every regulatory area entrusted to us, stressed the preferability of competition to regulation as a means of enhancing consumer welfare. After twenty years of experience, I happen to believe it. And after several months of intensively grappling with this proceeding, I am more convinced than ever that any form of rate regulation, however sophisticated, however necessary, comes in a poor second to competition. For this reason, I will look forward to framing our permanent price cap plan in such a way that, by incenting competition, it can bring about its own demise.

Now, for my view of what we have not done today. We have not structured an interim plan that elevates any one policy goal - be it encouraging the deployment of advanced networks, or lowering access charges, or lowering consumer phone bills, or maximizing LEC efficiency - to a preeminent place over all the others. Rather, we have attempted to balance these differing policy objectives. For today, I am satisfied with the balance we strike. Is it perfect? No; few regulatory balancing acts or contentious items ever are. But is it fair and forward-looking? To this I answer yes; and on this basis I will vote to adopt it.