

**Statement of**

**Commissioner James H. Quello**

**In re: Policy and Rules Concerning Rates for Dominant Carriers, Report and Order and Second Further Notice of Proposed Rulemaking, CC Docket No. 87-313 (Price Caps)**

I believe that this action is in the public interest and long overdue. The Commission, after exhaustive inquiry and comprehensive analysis, has taken a first step in imposing a new form of regulation upon AT&T, the sole interexchange carrier still considered dominant. While initiating an incentive scheme of regulation for AT&T, I believe we could have reasonably gone farther to enhance competition and benefit the public.

I am not convinced that we needed to impose floors limiting AT&T's flexibility to lower its prices. After all, we should not be in a position of limiting public benefits which result from falling prices. Nor should we be handicapping AT&T's ability to compete in markets in which there is intense and growing competition.

I am reluctantly supporting the imposition of floors at this time out of an abundance of caution and in the spirit of collegial compromise. I hope and expect that it will soon become apparent that such restraint is unnecessary and counterproductive.

With respect to the Further Notice of Proposed Rulemaking considering the imposition of price caps for the local exchange carriers, I continue to favor a structure which will provide some significant, tangible consumer benefit from the start. I would welcome a manifestation of good faith from the local exchange carriers in the form of rate reductions in the initial price cap tariff filings. While I am not wedded to any particular structure for this rate reduction, I do expect a sincere effort on the part of the carriers to bring something to the table. The timetable for implementation of price caps for the local exchange carriers presupposes that we will have rules in place well in advance of July 1, 1990. It will require the best efforts of the carriers and the Commission to ensure that those rules can be written in a timely fashion.

Again, I believe that incentive regulation holds the promise of benefiting ratepayers and shareholders alike. The care we take in implementing such regulation is crucial in realizing that promise.

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