

**STATEMENT OF
CHAIRMAN MICHAEL K. POWELL**

Re: *In the Matter of Access Charge Reform, Reform of Access Charges Imposed by Competitive Local Exchange Carriers, Petition of Z-Tel Communications, Inc. For Temporary Waiver of Commission Rule 61.26(d) to Facilitate Deployment of Competitive Service in Certain Metropolitan Statistical Areas, Eighth Report and Order and Fifth Order on Reconsideration, CC Docket 96-262*

Today's Order removes a regulatory quirk that has for too long led carriers into regulatory arbitrage schemes. It represents the culmination of our efforts, begun in 2001, to quiet the financial and regulatory uncertainty for both competitive LECs and inter-exchange carriers (IXCs) in the market for access services. Today, we arrive at our transition to equalized switched access rates by reaffirming our commitment to prevent arbitrage and answer a number of questions that have led to numerous disputes between carriers.

We resolve those petitions and establish a clear regulatory framework for facilities-based competitive LECs going forward. Today's order affirms our prior decision to eliminate uneconomic subsidies to certain carriers, and we reject arguments that the *CLEC Access Reform Order* somehow permits competitive LECs to charge the full benchmark rate when they provide any small piece of interstate switched access services. In so doing, we clarify that on a prospective basis, carriers are permitted to charge the full benchmark rate only to the extent that a CLEC provides an IXC with access to its own end-users. Furthermore, we give meaning to the "competing ILEC rate" that a CLEC must charge for access while preserving CLEC flexibility to structure their access rates in a manner that may vary from the incumbent LEC's rate structure. Doing so will settle the regulatory environment and will allow facilities-based CLECs to use resources for facilities investment instead of litigation. Access rates, like all other tariffed rates, must be just and reasonable under section 201(b) of the Act. Today's action ensures that carriers satisfy that statutory requirement to the benefit of providers who have deployed facilities to serve end user customers.