

1981-1984 City of Long Beach, California, the Coca-Cola Company and American Airlines on antitrust litigation
1981- Economic commentary, *Nightly Business Report* (PBS)
1980-1982 Advisor to Governor Carey on Telecommunications Policy
1968 Ford Foundation
1966 National Commission on Food Marketing
1965,1974 Federal Trade Commission
1963-1964 Antitrust Division, Department of Justice
1960-1961 U.S. Department of Agriculture
1957-1961 Boni Watkins, Jason & Co.
See also the list of testimony below.

MEMBERSHIPS:

1992- Member, New York State Telecommunications Exchange
1992-93 Member, Ohio Blue Ribbon Panel on Telecommunications Regulation
1991- Board of Editors, *Review of Industrial Organization*
1990-92 Chairman, International Institute for Applied Systems Analysis Advisory Committee on Price Reform and Competition in the USSR
1986 Governor Cuomo's Advisory Panel on public power for Long Island
1983-89 Governor Cuomo's Fact-finding Panel on Long Island Lighting Company's Nuclear Power Plant at Shoreham, L.I.
1983-90 New York State Council on Fiscal and Economic Priorities
1982- *The American Heritage Dictionary* Usage Panel
1982-1985 Governing Board, Common Cause
1980-1986 Director, New York Airlines
1978-1979 National Commission for the Review of Antitrust Laws and Procedures
1975-1977 Project Committee, Electric Utility Rate Design Study, Electric Power Research Institute
1974-1975 National Academy of Science Review Commission on Sulfur Oxide Emissions
1974-1977 Public Advisory Board, Electric Power Research Institute
1974-1977 Environmental Advisory Committee, Federal Energy Administration
1974-1977 Executive Committee, National Association of Regulatory Utility Commissioners, and Chairman, Committee on Electric Energy
1968-1974 Economic Advisory Board, American Telephone & Telegraph Corporation
1965-1967 Economic Advisory Committee, U.S. Chamber of Commerce
1967-1969 Chairman, Tompkins County Economic Opportunity Corporation
1964-1969 Board of Trustees, Cornell University
1961-1964 Board of Editors, *American Economic Review*
1953-1955 Attorney General's National Committee to Study the Antitrust Laws

HONORS AND AWARDS:

Mar 1989 Burton Gordon Feldman Award for Distinguished Public Service, Gordon Public Policy Center, Brandeis University
Feb 1989 Distinguished Service Award, Public Utility Research Center, University of Florida
Nov 1988 International Film and TV Festival of New York, Bronze Medal presented to *The Nightly Business Report/WPBT2* for Editorial/Opinion Series written by Alfred E. Kahn
Apr 1986 Harry E. Salzberg 1986 Honorary Medallion for outstanding achievement in the field of transportation

Oct 1984	Distinguished Transportation Research Award of the Transportation Research Forum
1981-1982	Vice President, American Economic Association
1978	Richard T. Ely lecturer, American Economic Association, 1978
1978	Rejection Scroll, International Association of Professional Bureaucrats
May 1985	State University of New York (Albany), DHL (Hon.)
May 1983	Colgate University, LL.D. (Hon.)
June 1982	Northwestern University, LL.D. (Hon.)
May 1980	Ripon College, LL.D. (Hon.)
May 1979	University of Massachusetts, LL.D. (Hon.)
May 1978	Colby College, LL.D. (Hon.)
1977-	Fellow of the American Academy of Arts and Sciences
1976	Distinguished Alumni Award, New York University
1976	American Economic Association, Section on Public Utilities and Transportation, citation for distinguished contributions
1954-1955	Fulbright Fellowship, Italy
1935-	Phi Beta Kappa
1939-1940	Yale-Brookings Fellow

BOOKS:

The Economics of Regulation, 2 volumes, John Wiley, 1970 and 1971. Reprinted by The MIT Press, 1988, with a new "Introduction: A Postscript, Seventeen Years After," pp. xv-xxxvii.

Integration and Competition in the Petroleum Industry, (with Melvin G. DeChazeau), Petroleum Monograph Series, Volume 3 (Yale University Press, 1959). Reprinted in 1971.

Fair Competition: The Law and Economics of Antitrust Policy (with Joel B. Dirlam) (Cornell University Press, 1954). Reprinted by Greenwood Press, 1970.

Great Britain in the World Economy (Columbia University Press, 1946). Reprinted in 1968.

MAJOR ARTICLES:

"The Pricing of Inputs Sold to Competitors: A Comment," in *Yale Journal on Regulation*, Vol. 11, No. 1, Winter 1994, pp. 225-240.

"Change, Challenge and Competition The Report of the National Commission to Ensure a Strong Competitive Airline Industry, August 1993," *Regulation*, No. 3, 1993.

"The Competitive Consequences of Hub Dominance: A Case Study," in *Review of Industrial Organization*, Vol. 8, 1993, pp. 381-405.

"Pricing of Telecommunications Services: A Comment," in *Review of Industrial Organization*, Vol. 8, 1993, pp. 39-41.

"The Purposes and Limitations of Economic Regulation; The Achievements and Problems of Deregulation" and "Reflections and Conclusions on British and U.S. Experience: The Future of Regulation," in *Incentive Regulation: Reviewing RPI-X & Promoting Competition, Proceedings 2*, Based on papers presented at two CRI seminars in London on 4 June and 15 July 1992, CRI (Centre for the Study of Regulated Industries), October 1992, pp. 1-17 and 93-104.

"Market Power Issues in Deregulated Industries," in *Antitrust Law Journal*, Vol. 60, Issue 3, American Bar Association, 1992, pp. 857-866.

"Regolamentazione e concorrenza nelle imprese de pubblica utilità: un <<inquadramento teorico>>," *L'INDUSTRIA* / n.s., a. XIII, n. 2, aprile-guigno 1992, pp. 147-166.

"Least cost planning generally and DSM in particular," in *Resources and Energy* 14 (1992), Elsevier Science Publishers, North-Holland, pp. 177-185.

"Price Deregulation, Corporatization and Competition" (with M.J. Peck), in *What is to be Done? Proposals for the Soviet Transition to the Market*, M.J. Peck and T.J. Richardson, eds., New Haven: Yale University Press, 1991.

"Thinking About Predation--A Personal Diary," in *Review of Industrial Organization*, Vol. 6, The Netherlands: Kluwer Academic Publishers, 1991, pp. 137-146.

"An Economically Rational Approach to Least-Cost Planning For Electric Power," *The Electricity Journal*, Vol. 4, Number 5, June 1991, pp. 11-20.

"The Changing Focus of Electric Utility Regulation," *Research in Law and Economics*, Richard O. Zerbe, Jr., Victor P. Goldberg, eds., Vol. 13, JAI Press, Inc., Spring 1991, pp. 221-231.

"The Soviet Economic Crisis: Steps to Avert Collapse" (co-author), Executive Report 19, International Institute for Applied Systems Analysis, Laxenburg, Austria, February 1991.

"Telecommunications, Competitiveness and Economic Development--What Makes Us Competitive?," *Public Utilities Fortnightly*, Vol. 126, No. 6, September 13, 1990, pp. 12-19.

"Deregulation: Looking Backward and Looking Forward," *Yale Journal on Regulation*, Vol. 7, Spring 1990, pp. 325-354.

"Do We Need to Curb the Investments Foreigners are Making in the United States?" in *The Impact of Foreign Investment in the United States*, Touche Ross & Co., June 1989.

"Innovative Pricing of Electricity," in *New Dimensions in Pricing Electricity: Proceedings*, Palo Alto, CA: Electric Power Research Institute, April 1989.

"Competition: Past, Present and Future, Perception vs. Reality," in *Proceedings: 1988 Utility Strategic Issues Forum Planning in a Competitive Environment*, Palo Alto, CA: Electric Power Research Institute, March 1988.

"Thinking About The Record of Deregulation," in The Donald S. MacNaughton Symposium Proceedings 1987, *Economic Deregulation: Promise and Performance*, Syracuse, NY: Syracuse University, 1988, pp. 21-35.

"In Defense of Deregulation," in *Cleared For Takeoff: Airline Labor Relations Since Deregulation*, Jean T. McKelvey, Editor, Ithaca, NY: Cornell University ILR Press, 1988, pp. 343-347."

"I Would Do It Again," *Regulation*, Number 2, Fall 1988, pp. 22-28.

"Airline Deregulation," *The Senior Economist*, Joint Council on Economic Education, Spring 1988.

"Airline Deregulation - A Mixed Bag, But a Clear Success Nevertheless," *Transportation Law Journal*, Volume 16, No. 2, Spring 1988, pp. 229-251.

"Surprises of Airline Deregulation," *The American Economic Review, Papers and Proceedings*, Volume 78, No. 2, May 1988, pp. 316-322.

"Thoughts on the Past, Present, and Future of Telecommunications Regulation," talk presented to the Current Issues in Telephone Regulation conference at the University of Texas, Austin, October 5, 1987, reprinted in *Telecommunications Deregulation: Market Power and Cost Allocation Issues*, John R. Allison and Dennis L. Thomas, eds., Westport, CT: Quorum Books, 1990, pp. 259-268.

"The Future of Local Telephone Service: Technology and Public Policy," Fishman Davidson Center for the Study of the Service Sector, The Wharton School of the University of Pennsylvania, Discussion Paper #22, June 1987. Reprinted in *Toward The Year 2000*, ITT Key Issues Lecture Series, 1986, (New York: ITT Corp. 1987), pp. 86-99.

"Current Issues in Telecommunications Regulation: Pricing" (with William B. Shew), *Yale Journal on Regulation*, Vol. 4: 191-256, Spring 1987.

"Deregulatory Schizophrenia," *California Law Review*, Volume 75, Number 3, May 1987, pp. 1059-1068.

"A Critique of Proposed Changes," *The Future of Electrical Energy: A Regional Perspective of an Industry in Transition*, Sidney Saltzman and Richard E. Schuler (eds.), Praeger Publishers, New York, 1986, pp. 340-347.

"The Tyranny of Small Decisions and the Perils of Big Ones," in *Allocation, Ethics, and Innovation in Research and Public Policy*, National Symposium on Science and Technology, Cornell University, Washington, D.C., May, 20, 1986.

"The Theory and Application of Regulation," *Antitrust Law Journal*, Spring Meeting Issue, 1986, Volume 55, Issue 1, pp. 177-184, from ABA Antitrust Section Annual Meeting.

"Transportation Deregulation...And All That," Honorary Salzberg Memorial Lecture, Syracuse University School of Management, Syracuse, New York, April 1986. Reprinted, revised, in *Economic Development Quarterly*, May 1987, Volume 1, Number 2, pp. 91-99.

"Frontier Issues in Telecommunications Regulation," Mountain Bell Academic Seminar, Lakewood, Colorado, August 1985.

"Telecommunications Regulation: A Case Study of the Impact of a Technology on Social Institutions," for presentation at Cornell University Electrical Engineering Centennial Symposium, Ithaca, New York, June 12, 1985.

"Public Policies for Our Telecommunications Future," in *Funding the Future of Telecommunications*, a conference sponsored by Rensselaer Polytechnic Institute, supported by the NYNEX Telephone Companies, Saratoga Springs, New York, June 3-5, 1985.

"Industrial Policy and Deregulation," *Federal Bar News & Journal*, Washington, D.C., January 1985.

First Distinguished Lecture on Economics in Government, "The Macroeconomic Consequences of Sensible Microeconomic Policies," Dallas, December 28, 1984. American Economic Association meetings.

"The Regulatory Agenda," and "Concluding Comments: The Future of Access," in Alan Baughcum and Gerald R. Faulhaber, *Telecommunications Access & Public Policy*, Ablex Publishing Corporation, Norwood, New Jersey, 1984, pp. 205-210 and pp. 245-253.

"The Uneasy Marriage of Regulation and Competition," *Telematics*, Washington, D.C., September 1984.

"The Next Steps in Telecommunications Regulation and Research," *Public Utilities Fortnightly*, Arlington, VA., July 19, 1984.

"The Road to More Intelligent Telephone Pricing," *Yale Journal on Regulation*, Volume 1, Number 2, 1984, pp. 139-157.

"Telephone Deregulation: Two Views: A Needed Dose of Competition," *Challenge*, March/April 1984, pp. 24-29.

"Economic Policies For The 80s," Oppenstein Brothers Foundation Lecture, Rockhurst College and the University of Missouri, Kansas City, April 19, 1983.

"The Relevance of Industrial Organization," *Industrial Organization, Antitrust, and Public Policy*, John V. Craven, ed., Kluwer-Nijhoff, 1983.

"Some Thoughts on Telephone Access Pricing," National Economic Research Associates, April 1983.

"Deregulation: Its Meaning and Implications for Antitrust Enforcement," New York State Bar Association, 1983 *Antitrust Law Symposium*, pp. 2-14.

"The Passing of the Public Utility Concept: A Reprise," in *Telecommunications Today and Tomorrow*, Eli Noam (ed.) Harcourt Brace Jovanovich, 1983.

"Deregulation and Vested Interests: The Case of Airlines," *The Political Economy of Deregulation*, Roger G. Noll and Bruce M. Owen, eds., American Enterprise Institute Studies in Government Regulation, 1983.

"An Alternative to Reaganomics," *Increasing Understanding of Public Problems and Policies*, 1982, Farm Foundation, January 1983.

"Utility Diversification," *The Energy Journal*, Volume 4, No. 1, January 1983, pp. 149-160.

"The Airline Industry: Is It Time to Reregulate?" *Second Annual William A. Patterson Transportation Lecture*, The Transportation Center, Northwestern University. Published jointly with National Economic Research Associates, 1982. Reprinted in *The World Economy*, December 1982, London: Basil Blackwell, pp. 341-360.

"On Changing the Consumer Price Index, A Comment," *Journal of Policy Analysis and Management*, Vol. 1 (Summer 1982), pp. 512-15.

"The Political Feasibility of Regulatory Reform: How Did We Do It?" *Reforming Social Regulation: Alternative Public Policy Strategies*, Leroy Graymer and Frederick Thompson (eds.), Sage Publications, 1982.

"The Reform of Government Regulation: Recent Progress in the United States," University of Leuven Press, Leuven, Belgium, 1981.

"The New Merger Wave," *N/E/R/A Topics*, National Economic Research Associates, December 1981.

"Liberals Must Face Facts," *Challenge*, Nov/Dec. 1981, pp. 25-32.

"Is Inflation Abating?" *N/E/R/A Topics*, National Economic Research Associates, November 1981.

"Utility Regulation Revisited," National Economic Research Associates: New York, 1981, republished in *Current Issues in Public Utility Economics: Essays in Honor of James C. Bonbright*, Albert L. Danielsen and David R. Kamerschen (eds.), Lexington, MA., D.C. Heath and Company, 1983.

"Must We Live With Inflation Through the 1980s?" *Major Issues of the 1980s Lecture Series*. Sponsored jointly by the Lowell Institute of Boston and Harvard University Extension, April 1981.

"Ethical Values in a Market System," *Across the Board*, The Conference Board, April 1981, pp. 57-63.

"Can Liberalism Survive Inflation?" *The Economist*, March 7, 1981, pp. 21-25.

"Health Care Economics: Paths to Structural Reform," in Mancur Olson (ed.), *A New Approach to the Economics of Health Care*, Washington, American Enterprise Institute, 1981.

"Regulation and the Imagination," *Proceedings of a Regulatory Council Conference*, United States Regulatory Council, July 22, 1980, pp. 1-9.

"Health Care and Inflation: Social Compassion and Efficient Choice," *National Journal*, August 2, 1980, pp. 1294-97.

"A Paean to Legal Creativity" (with Michael Roach), *Administrative Law Review*, Washington, D.C., Winter 1979, Volume 31, No. 1, pp. 97-114.

"Applications of Economics to an Imperfect World," *Regulation*, Washington, D.C., November/December 1978, Volume 2, No. 6, pp. 17-27; The Richard T. Ely lecture, *The American Economic Review, Papers and Proceedings*, Volume 69, No. 2, May 1979, pp. 1-13.

"The Changing Environment of International Air Commerce," *Air Law*, (Netherlands Journal), Volume 3, No. 3, 1978.

"Deregulation of Air Transportation--Getting from Here to There," *Regulating Business: The Search for an Optimum*, Institute for Contemporary Studies, San Francisco, California, 1978, pp. 37-63.

"Load Control, Resource Conservation and King Charles' Head," Iowa State University Regulating Conference, *Proceedings*, May 19, 1977, pp. 68-74.

"Recent Developments in Cost Analysis and Rate Design," *Proceedings of the Third Annual Symposium on Problems of Regulated Industries*, Kansas City, Missouri, February 14, 1977, pp. 15-28.

"An Economist at Work on Utility Rate Regulation," a series of three articles, *Public Utilities Fortnightly*, Washington, D.C., January 5, 19, and February 2, 1978.

"New Rate Structures in Communications" (with Charles A. Zielinski), *Public Utilities Fortnightly*, March 25, 1976, pp. 19-24 and April 8, 1976, pp. 20-23.

"Efficient Rate Design: The Transition from Theory to Practice," *Proceedings of the Symposium on Rate Design Problems of Regulated Industries*, February 23-26, 1975, Kansas City, Missouri, pp. 34-51.

"Between Theory and Practice: Reflections of a Neophyte Public Utility Regulator," *Public Utilities Fortnightly*, January 2, 1975, pp. 3-7.

"Economic Theory as a Guideline for Government Intervention and Control: Comment," *Journal of Economic Issues*, Vol. VIII, No. 2, June 1974.

"Market Power Inflation: A Conceptual Framework," in *The Roots of Inflation*, Burt Franklin and Co., 1975.

"The Economics of the Electricity-Environmental Issue: A Primer," P.I.P. National Environmental Press Seminar, Minneapolis, Minnesota, May 31-June 1, 1972.

"Evaluation of Economic Regulation: Discussion," *Ibid*, LXI (May 1971) 235-237.

"National Communications Policy: Discussion," *The American Economic Review, Papers and Proceedings*, Volume 60, May 1970, pp. 219-20.

"Dual Pricing in Southern Louisiana: A Reply," *Land Economics*, XLVI (August 1970): 338-42.

"The Combined Effects of Prorating, the Depletion Allowance and Import Quotas on the Cost of Producing Crude Oil in the United States," U.S. Senate, Committee on the Judiciary, Subcommittee on Antitrust and Monopoly, 91st Congress, 1st Session, *Government Intervention in the Market Mechanism, Hearings, The Petroleum Industry, Part I*, Washington, 1969, Reproduced in *Natural Resources Journal* (January 1970) X:53-61.

"Incentives to Superior Performance: Pricing," Harry Trebing (ed.), *Performance Under Regulation*, Michigan State University Press, 1968.

"The Graduated Fair Return," *The American Economic Review*, March 1968.

"Cartels and Trade Associations," *Encyclopedia of the Social Sciences*, 1968.

"The Merits of Reserving the Cost-Savings From Domestic Communications Satellites for Support of Educational Television" (with Joel B. Dirlam), *Yale Law Journal*, Volume 77, No. 3, January 1968, pp. 494-520.



"Tyranny of Small Decisions: Market Failures, Imperfections, and the Limits of Economics," *Kyklos*, Volume 19, 1966.

"Mergers in the Petroleum Industry and Problems of the Independent Refiner," U.S. Senate Judiciary Committee, *Economic Concentration*, Part II, Washington, 1965, pp. 562-609.

"The Depletion Allowance in the Context of Cartelization," *The American Economic Review*, Volume 54, 1964, pp. 286-314.

"Efficiency in the Use of Natural Resources: Discussion," *The American Economic Review, Papers and Proceedings*, Volume 54, May 1964, pp. 221-226.

"Market Power and Economic Growth: Guides to Public Policy," *Antitrust Bulletin*, Volume 8, May-June 1962, p. 531.

"Agricultural Aid and Economic Development: The Case of Israel," *The Quarterly Journal of Economics*, Volume 76, November 1962, pp. 568-591.

"The Role of Patents," in J.P. Miller, ed., *Competition, Cartels and Their Regulation* (North Holland Publishing Company, Amsterdam), Chapter 8, pp. 308-346.

"The Chemical Industry," Walter Adams (ed.) *The Structure of the American Industry*, First, Second and Third Editions, New York, MacMillan, 1948, 1954 and 1961.

"Economic Issues in Regulating the Field Price of Natural Gas," *The American Economic Review, Papers and Proceedings*, Volume 50, May 1960, pp. 506-517.

"Pricing Objectives in Large Companies: Comment," *The American Economic Review*, Volume 49, September 1959, pp. 670-678.

"Selected Papers: A.E.A. Competition: Discussion," *The American Economic Review, Papers and Proceedings*, Volume 48, May 1958, pp. 600-602.

"Economic and Legal Approaches to Antitrust: An Attempt to Clarify the Issues," *Antitrust Bulletin*, Volume 2, January 1957, pp. 267-279.

"Report on Antitrust Policy: Discussion," *The American Economic Review, Papers and Proceedings*, Volume 46, May 1956, pp. 496-507.

"My Antitrust Philosophy: Evidence of Schizophrenia or Shattering Transformation?" *Antitrust Bulletin*, Volume 1, November 1955, p. 355.

"Regulation of Crude Oil Production in the United States and Lessons for Italy," *Banca Nazionale Del Lavoro Monthly Review*, Volume 8, June 1955, pp. 67-79.

"A Rejoinder" (with Joel B. Dirlam), *Indiana Law Journal*, Volume 29, Spring 1954, pp. 371-375.

"Legal and Economic Appraisal of the 'New' Sherman and Clayton Acts," *Yale Law Journal*, Volume 63, January 1954, pp. 293-347.



"Standards for Antitrust Policy," *Harvard Law Review*, Volume 67, November 1953, pp. 28-54. Also reprinted in Homewood-Irwin, *Readings in Industrial Organization and Public Policy* (American Economic Association, 1958), pp. 352-375.

"A Reply" (with Joel B. Dirlam), *Journal of Political Economy*, Volume 61, October 1953, pp. 441-446.

"The Integration and Dissolution of the A & P Company" (with Joel B. Dirlam), *Indiana Law Journal*, Volume 29, Fall 1953, pp. 1-27.

"Big Business in a Competitive Society" (with A.D.H. Kaplan), *Fortune*, Volume 47, Supp., February 1953.

"Leadership and Conflict in the Pricing of Gasoline" (with Joel B. Dirlam), *Yale Law Journal*, Volume 61, June-July 1952, pp. 818-855.

"Price Discrimination in Law and Economics" (with Joel B. Dirlam), *The American Journal of Economics and Sociology (Essays in Honor of Harry Gunnison Brown)*, Volume 11, April 1952, pp. 281-313.

"Antitrust Law and the Big Buyer: Another Look at the A & P Case" (with Joel B. Dirlam), *Journal of Political Economy*, Volume 60, April 1952, pp. 118-132.

"Investment Criteria in Development Programs," *The Quarterly Journal of Economics*, Volume 65, February 1951, pp. 38-61.

"The Burden of Import Duties, A Comment," *The American Economic Review*, Volume 38, December 1948, pp. 857-867.

"Patent Policy: Discussion," *The American Economic Review, Papers and Proceedings*, Volume 38, May 1948, pp. 245-260.

"The British Balance of Payments, and Problems of Domestic Policy," *The Quarterly Journal of Economics*, Volume 61, May 1947, pp. 368-396.

"Palestine: A Problem in Economic Evaluation," *The American Economic Review*, Volume 34, September 1944, pp. 538-560.

"Fundamental Deficiencies of American Patent Law," *The American Economic Review*, Volume 30, September 1940, pp. 475-491.

U.S. CONGRESSIONAL TESTIMONY:

Aviation Subcommittee of the House Committee on Public Works and Transportation on international aviation policy, May 9, 1991.

Subcommittee on Aviation of the Senate Committee on Commerce, Science and Transportation on airline concentration at hub airports, September 22, 1988.

Subcommittee on Aviation of the Senate Committee on Commerce, Science and Transportation on airline safety and re-regulation, November 4, 1987.



Subcommittee on Telecommunications and Finance, House Committee on Energy and Commerce, on competition and deregulation of the telecommunications industry, July 15, 1987.

Subcommittee on Antitrust and Monopoly of the Senate Committee on the Judiciary, on competitive issues in the airline industry, March 25, 1987.

Subcommittee on Monopolies and Commercial Law, Committee on the Judiciary, U.S. House of Representatives, on the Administration's proposed amendments to Section 7 of the Clayton Act, February 26, 1986.

Subcommittee on Aviation of the Senate Committee on Commerce, Science and Transportation on Computerized Reservation Systems, March 19, 1985.

Joint Economic Committee, United States Senate, Hearing on the Economic Issues of a Changing Telecommunications Industry, October 3, 1983.

House Subcommittee on Aviation on "Competitive Problems Raised by Computerized Reservation Systems," June 22, 1983.

House Committee on the Judiciary, on H.R. 1878, "The Shipping Act of 1983," May 19, 1983.

House Committee on Public Works and Transportation on "Coal Slurry Pipelines," April 13, 1983.

House Committee on the Judiciary, on H.J. Res. 350, A Plan to Balance the Federal Budget, August 4, 1982.

Senate Committee on the Judiciary, on S. 1215, the Malt Beverage Competition Act, June 21, 1982.

Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation, "Development, Operation and Implementation of the United States International Aviation Policy," December 9, 1981.

Joint Economic Committee, U.S. Congress on "Trucking Regulation," November 17, 1981.

Subcommittee on Monopolies and Commercial Law, House Committee on the Judiciary, "Mergers," August 26, 1981.

Senate Committee on Commerce, Science and Transportation, on S. 898, "The Telecommunications Act of 1981," June 11, 1981.

Subcommittee on Telecommunications, Consumer Protection, and Finance, House Committee on Energy and Commerce, "Telecommunications Regulation," May 20, 1981.

Subcommittee on Health, Senate Committee on Finance, on "The Health Incentives Reform Act," March 19, 1980.

House Budget Committee Inflation Task Force, on the "Treatment of Housing Costs in the Consumer Price Index," January 24, 1980.

Senate Committee on Banking, Housing, and Urban Affairs, on "The Chrysler Loan Guarantee Act," November 15, 1979.

Subcommittee on Surface Transportation, House Committee on Public Works and Transportation, on "Trucking Deregulation," October 4, 1979.

Senate Committee on Commerce, Science, and Transportation, on "Trucking Deregulation," June 26, 1979.

Subcommittee on the Legislative Process, House Rules Committee, on "Sunset Legislation," May 23, 1979.

Testimony on food prices and inflation, before:

a) House Subcommittee on Domestic Marketing, Consumer Relations and Nutrition; and Subcommittee on Department Investigations, Oversight and Research, Committee on Agriculture, April 4, 1979.

b) Subcommittee on Antitrust and Monopoly, Senate Committee on the Judiciary, April 6, 1979.

Testimony on hospital cost containment legislation, before:

a) Subcommittee on Health and the Environment, House Interstate and Foreign Commerce Committee; and Subcommittee on Health, House Ways and Means Committee, March 12, 1979.

b) Health Subcommittee, Senate Finance Committee, March 13, 1979.

Subcommittee on Environmental Pollution, Senate Committee on Environment and Public Works, on "Environmental Regulation and Inflation," February 27, 1979.

Testimony on authorization and appropriations for the Council on Wage and Price Stability, before:

a) Subcommittee on Economic Stabilization, House Committee on Banking, Finance and Urban Affairs, February 6, 1979.

b) Senate Subcommittee on Commerce, Consumer and Monetary Affairs, February 7, 1979.

c) Senate Committee on Banking, Housing and Urban Affairs, February 9, 1979.

d) Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations, May 24, 1979.

e) House Appropriations Committee, February 6, 1980.

f) Senate Committee on Banking, Housing, and Urban Affairs, March 17, 1980.

g) Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations, March 31, 1980.

h) Senate Committee on Banking, Housing and Urban Affairs, April 21, 1980.

i) Subcommittee on Treasury, Postal Service, and General Government, Senate Committee on Appropriations, April 23, 1980.

j) Subcommittee on Economic Stabilization, House Banking Committee, May 6, 1980.

House Committee on Ways and Means, on "Real Wage Insurance," January 30, 1979.

Testimony on the President's anti-inflation program, before:

a) Subcommittee on Economic Stabilization, House Committee on Banking, Currency, and Housing, November 22, 1978.

b) Subcommittee on Economic Growth and Stabilization, Joint Economic Committee, December 6, 1978.

c) House Committee on the Budget, January 30, 1979.



- d) Subcommittee on Treasury, Postal Services, and General Government, House Committee on Appropriations, February 14, 1979.
- e) Senate Budget Committee, March 7, 1979.
- f) Subcommittee on Commerce, Consumer and Monetary Affairs, House Committee on Government Operations, June 28, 1979.
- g) Economic Stabilization Subcommittee, House Committee on Banking, Finance and Urban Affairs, October 10, 1979.
- h) Economic Stabilization Subcommittee, Senate Committee on Banking, Housing and Urban Affairs, October 11, 1979.

Subcommittee on Aviation, Senate Commerce, Science, and Transportation Committee, on S. 3363, "The International Air Transportation Competition Act of 1978," August 23, 1978.

National Commission for the Review of Antitrust Laws and Procedures, on "Economic Regulation and Antitrust Exemptions and Immunities," July 26, 1978.

Senate Commerce Committee, on S. 3064, "Airline Noise Legislation," June 14, 1978.

Testimony on CAB appropriations, before:

- a) House Subcommittee on Appropriations, February 28, 1978.
- b) Senate Subcommittee on Appropriations, March 2, 1978.

Testimony on United States international aviation negotiations, before:

- a) Subcommittee on Aviation, House Committee on Public Works and Transportation, September 29, 1977
- b) Aviation Subcommittee, House Public Works and Transportation Committee, on H.R. 11145, March 6, 1978.

House Budget Committee Task Force on Tax Expenditures, Government Organization, and Regulation, on "Airline Regulation," July 14, 1977.

Senate Antitrust and Monopoly Subcommittee, Oversight Hearings on Antitrust Enforcement, on "Enforcement of the Antitrust Laws," May 4, 1977.

Subcommittee on Investigations and Review, House Committee on Public Works and Transportation, on "The Effects of the Clean Water Act on the Electric Utility Industry," April 19, 1977.

Subcommittee on Communications, Senate Committee on Commerce, on "The Communications Act of 1934 Revisited," March 21, 1977.

Subcommittee on Communications, House Committee on Interstate and Foreign Commerce, on "The Consumer Communications Reform Act of 1976," H.R. 12323, September 30, 1976.

Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce, on H.R. 12461, the Dingell-Moss Bill, to Prescribe Certain Rules for Federal, State and Local Agencies Regulating Electric Rates, April 7, 1976.

House Subcommittee on Communications, on "Domestic Common Carrier Regulation," November 18, 1975.

Senate Committee on Finance, on H.R. 6860, "The Energy Conservation and Conversion Act of 1975," July 18, 1975.

Subcommittee on Administrative Practice and Procedure, Senate Judiciary Committee, on "Regulation of the Airlines Industry," February 6, 1975.

Senate Committee on Interior and Insular Affairs, on "Financial Problems of the Electric Utility Industry," August 8, 1974.

Joint Economic Committee, U.S. Congress on "Market Power in Relation to Economic Growth," August 1962.

Senate Subcommittee on Patents, on natural rubber cartels, May 23, 1942.

TESTIMONY BEFORE THE FEDERAL POWER COMMISSION, 1958-62

In the matters of:

Area Rate Proceeding (Southern Louisiana Area), Docket Nos. AR61-2, et al.

Area Rate Proceeding (Permian Basin Area), Docket Nos. AR61-1, et al.

Omnibus, Docket Nos. G-9277, et al.

Atlantic Refining Company (Catco), Docket Nos. G-11024, et al.

Sohio Petroleum Company, et al., Docket Nos. G-8488, et al.

Gulf Oil Corporation, Docket Nos. G-9520, et al.

Amerada Petroleum Corporation, et al., Docket Nos. G-9385, et al.

Union Producing Company, Docket Nos. G-18354, et al.

Phillips Petroleum Company, Docket Nos. G-1148, et al.

Tidewater Oil Company, Docket Nos. G-13310, et al.

MISCELLANEOUS TESTIMONY:

Affidavit before the U.S. District Court for the District of Columbia on behalf of Southwestern Bell in support of request for out-of-region waiver from the interLATA MFJ restrictions (with William E. Taylor), filed May 12, 1994.

Affidavit before the U.S. District Court for the Northern District of Alabama Southern Division on behalf of BelSouth Corporation on overturning the statutory prohibition of telephone companies carrying their own video programming, filed June 3, 1994.

Reply Affidavit before the U.S. District Court for the District of Michigan (Eastern Division) on behalf of Ameritech Corporation on overturning the statutory prohibition of telephone companies carrying their own video programming, filed May 16, 1994.

Reply Affidavit before the U.S. District Court for the District of Maine on behalf of NYNEX Corporation on overturning the statutory prohibition of telephone companies carrying their own video programming, filed May 6, 1994.

Testimony on behalf of Bell Atlantic-New Jersey in proceeding involving the issue of opening the intraLATA toll market to competition, filed April 7, 1994; Rebuttal Testimony filed April 25, 1994.

Testimony on behalf of Massachusetts Electric Company before the Federal Energy Commission on wholesale wheeling and the problem of stranded investment. FERC Docket No. ER94-129-000, filed March 14, 1994.

Testimony on behalf of The Chesapeake and Potomac Telephone Company of Maryland, Case No. 8584, on the regulatory principles applicable to determining an efficient price for MFS-I's interconnection with C&P's network (with William E. Taylor), filed November 19, 1993; Rebuttal Testimony filed January 10, 1994; Surrebuttal Testimony filed January 24, 1994.

Affidavit to the Federal Communications Commission with respect to Interstate Long Distance Competition and AT&T's Motion for Reclassification as a Nondominant Carrier (with William E. Taylor), filed November 12, 1993.

Affidavit to the High Court of New Zealand on behalf of New Zealand Rail Limited involving wharfage charges by Port Marlborough, September 27, 1993.

Testimony before the Federal Energy Regulatory Commission On Behalf of a Group of Independent Refiner/Shippers on the proposed Revision to Oil Pipeline Regulations under the Energy Policy Act of 1992, Docket No. RM93-11-000, August 12, 1993.

Affidavit to the High Court of New Zealand on behalf of Air New Zealand, Ltd., and others in a proceeding involving landing charges by Wellington International Airport, Ltd., June 25, 1993.

Affidavit before the U.S. District Court for the Eastern District of Virginia in the matter of *The Chesapeake and Potomac Telephone Company of Virginia v. United States of America*, Civil Action No. 92-1751-A, June 5, 1993 and before the Federal Communications Commission *In the Matter of Amendments of Parts 32, 36, 61, 64 and 69 of the Commission's Rules to Establish and Implement Regulatory Procedures for Video Dial Tone Service*, Petition for Rulemaking RM 8221, June 7, 1993.

Testimony before Denver County District Court, Denver, Colorado, on behalf of Metropolitan Denver Water Authority re City of Denver water rates, May 17, 1993.

"Review of Regulatory Framework: Telecom Public Notice CRTC 92-78," on behalf of AGT (Alberta Government Telephone Company), Alberta Canada, April 13, 1993.

"Major Elements of a Competitive Telecommunications Policy," on behalf of AGT (Alberta Government Telephone Company), Alberta, Canada, February 15, 1993

Testimony before the State of New York Public Service Commission in the Petition of Rochester Telephone Corporation for Approval of Proposed Restructuring Plan (Panel on Public Policy Issues with Robert W. Crandall), Case No. 93-C- , February 3, 1993.

Testimony on behalf of the Municipal Electric Association evaluating the soundness of Ontario Hydro's Demand Side Management program, December 1992.

Affidavit before the Federal Communications Commission *In the Matter of Amendment of the Commission's Rules to Establish New Personal Communications Services*, GEN Docket No. 90-314, ET Docket No. 92-100, November 6, 1992.

Testimony on behalf of New Zealand Telecom in an antitrust proceeding before the High Court of New Zealand involving terms of interconnection with Clear, a competitive provider of local transport, April 27, 1992.

Testimony on behalf of AMR Corporation and American Airlines, Inc., against UAL Corporation, United Airlines, Inc., UAL Acquisition, Inc., Air Wis Services, Inc., and Air Wisconsin, Inc., 91 CIV. 7773 (KMW), analyzing United Airlines' acquisition of Air Wisconsin's 50 O'Hare jet slots, March 2, 1991. Supplemental and Second Supplemental Testimonies, March 10 and 15, 1992.

Testimony before the Illinois Commerce Commission on behalf of Illinois Power Company, Docket No. P91-0001, on certification of a competing natural gas pipeline, February 24, 1992.

Rebuttal Testimony before the Florida Public Service Commission, Tampa Electric Co. Docket No. 910883EI, on electric utility company responsibilities for demand side management, November 20, 1991.

Affidavit before the Federal Communications Commission *In the Matter of Expanded Interconnection Between Local Telephone Facilities*, CC Docket No. 91-141 ENF-87-14, August 5, 1991.

Statement on behalf of United Kingdom of Great Britain and Northern Ireland in US/UK Arbitration Concerning Heathrow Airport User Charges, April 1991. Rebuttal and Surrebuttal Statements, June and July 1991; testimony before the International Court, The Hague, July 1991.

"The Treatment of New Services Under Price Cap Regulation," on behalf of BellSouth, Federal Communications Commission, June 10, 1991.

Testimony on behalf of Fireman's Fund Insurance Company before the Insurance Commissioner of the State of California re proposed action to repeal and adopt regulations concerning property and casualty insurance rates, February 20, 1991.

Testimony before the Federal Energy Regulatory Commission on behalf of Conoco, Inc. Kanab Pipeline Operating Partnership, L.P., and Kerr-McGee Refining Corporation (Williams Pipeline), February 4, 1991.

Affidavit to the U.S. District Court for District of Columbia on behalf of Bell Atlantic Corporation in *United States of America v. Western Electric Company, Inc. and American Telephone and Telegraph Company*, re MFJ restrictions on Bell Operating Companies' ability to offer information services, January 8, 1991.

Oral testimony before the Puerto Rican Legislature on privatization and future regulation of the Puerto Rico Telephone Company, June 20, 1990.

Testimony on behalf of Central Telephone Company of Florida before the Public Service Commission, June 12, 1990.

Testimony on behalf of Fireman's Fund Insurance Company on Proposition 103 Rate Regulation Hearings, February 5, 1990.

Testimony before Denver County District Court, Denver, Colorado, on behalf of Southgate Water District vs. Denver Water Authority on conduit extension charges, May 25, 1989.

"Efficient Pricing of Congested Airport Facilities," A Report to the Department of Transport, Great Britain, April 1989.

Testimony on behalf of ETSI Pipeline Project v. Burlington Northern Inc., et al, in the United States District Court for the Eastern District of Texas, Beaumont Division, Civil Action No. B-84-979-CA, February 23, 1989.

Reply Verified Statement on behalf of Concerned Shippers, In the Matter of Railroad Cost Recovery Procedures--Productivity Adjustment; Ex Parte No. 290 (Sub-No. 4), January 17, 1989.

Testimony on behalf of California Coalition for Trucking Deregulation before the Public Utilities Commission of the State of California, In the Matter of the Regulation of General Freight Transportation by Truck, Case No. I-88-08-046, October 27, 1988.

Testimony before the Public Service Commission of the State of New York on the application to construct the Empire State gas pipeline, Case No. 88-T-132, October 1988.

Testimony before the Federal Communications Commission on behalf of Bell South on adjustment factor for local exchange companies under rate cap regulation, In the Matter of Policy and Rules Concerning Rates for Dominant Carriers (CC Docket 87-313), July 1988.

Affidavit on behalf of Massachusetts Port Authority in a proceeding on the proposed structure of landing fees for Logan Airport, Boston, U.S. District Court, District of Massachusetts, June 1988.

Affidavit on behalf of Financial Interchange Inc. in an antitrust arbitration proceeding on the legality of jointly set interchange fees of an electronic funds transfer network, April 1988.

Verified Statement before the Interstate Commerce Commission in Coal Trading Corporation, et al. v. Baltimore & Ohio Railroad Company, et al. (Docket No. 38301S) on the computation of rail stand-alone costs, April 1988.

Testimony on behalf of Public Service Electric & Gas Company, New Jersey on the used and useful doctrine in the context of utility performance standards, April 1988.

Testimony on behalf of the U.S. Postal Service on the pricing of Express Mail, March 28, 1988.

Testimony on behalf of Kentucky Industrial Utility Customers Case No. 9934 on the criteria for deciding whether a nuclear plant should be completed, February 8, 1988.

Testimony and Rebuttal Testimony before the Iowa State Utilities Board Department of Commerce on behalf of Northwestern Bell on the regulatory treatment of depreciation reserve deficiencies, October 1987 and November 1987.

Testimony before the State of Connecticut Department of Public Utility Control on behalf of the Connecticut Cable Television Association on regulating cable television rates, November 13, 1987.

Testimony before the Federal Communications Commission on behalf of Bell South In the Matter of Policy and Rules Concerning Rates for Dominant Carriers (CC Docket 87-313) October 1987 and Reply Testimony, November 1987.

Reply Verified Statement before the Interstate Commerce Commission on behalf of McCarty Farms et. al. and Montana Department of Commerce, on the stand-alone cost constraint on railroad rates to captive shippers, October 2, 1987.

Testimony before the New York State Public Service Commission on behalf of New York Telephone Company on assessing the competitiveness of telecommunications markets, April 1987.

Testimony before the New Jersey Senate Energy and Environment Committee on behalf of Public Service Electric and Gas Company on draft bill, No. 2801, the "Electricity Market Pricing Act of 1986," January 26, 1987.

Testimony before Federal Energy Regulatory Commission on behalf of Interstate Natural Gas Association of America on "Competitive Implications of Natural Gas Pipeline Marketing Affiliates," December 29, 1986.

Testimony before the New York State Public Service Commission on behalf of the Owners Committee on Electric Rates, Inc., on rent-inclusion and submetering, November 19, 1986.

Testimony before the Illinois Commerce Commission on behalf of Commonwealth Edison Company on standard for deciding whether Braidwood Unit 2 should be cancelled, August 4, 1986.

Verified Statement on Standards for Railroad Revenue Adequacy, on Interstate Commerce Commission's Ex Parte No. 393, Sub-No.1, July 1986.

Supplemental Verified Statement before the Interstate Commerce Commission, Docket No. 38783, Omaha Public Power District v. Burlington Northern Railroad Company on behalf of Omaha Public Power District, April 1986.

Statement to Federal Communications Commission on New England Telephone Company's Proposed Interstate Access Tariff Restructure, January 30, 1986.

Testimony before the Public Utilities Commission of the State of Oregon on inverted rate structures on behalf of the Pacific Power & Light company, January 1986.

Rebuttal Testimony before the California Public Utilities Commission on San Onofre nuclear plants on behalf of Southern California Edison Company, January 1986 and En Banc Proceeding, February 1986.

Testimony and rebuttal testimony before the Arizona Corporation Commission on behalf of Arizona Public Service Company on economic and regulatory principles applicable to entry of nuclear plants into rate base, December 1985, March 1986, December 1986 and March 1987.

Testimony before the Corporation Commission of the State of Oklahoma on economic principles applicable to access charges, Cause No. 29321 on behalf of Southwestern Bell Telephone Company, September 1985.

Testimony before the California Public Utilities Commission on regulatory principles applicable to prudence determinations on behalf of Southern California Edison Company, August 1985.

Testimony before the Corporation Commission of the State of Oklahoma on development of intrastate access charges, Cause No. 28309 on behalf of Southwestern Bell Telephone Company, May 1985.

Verified Statement before the Interstate Commerce Commission, Docket No. 38783 on behalf of Omaha Public Power District, on the grouping of captive shippers for purposes of applying a stand-alone cost test of contested rail rates, November 1984.

Testimony before the House Public Policy and Veterans Affairs Committee of the Indiana General Assembly on behalf of the Indiana Telephone Association, October 25, 1984.

Testimony before the Iowa State Commerce Commission, Docket No. INU-84-6, Investigation into competition in communications services and facilities, October 18, 1984.

Testimony and rebuttal testimony on current cash support for construction and the reorientation of regulatory policy before the Maine Public Utilities Commission, in the matter of Central Maine Power Company's proposed increase in rates, Docket No. 84-120, August 1984 and February 1985.

Testimony and rebuttal testimony for Illinois Power Company on rate base treatment of construction work in progress, before Illinois Commerce Commission, Docket No. 84-0480, August 1984 and April 1985.

Verified Statement before the Interstate Commerce Commission, Docket No. 39687, on behalf of Platte River Power Authority, on the proper definition of the cost of capital for purposes of applying a stand-alone cost test of contested rail rates, July 1984.

Verified Statement and Surrebuttal Verified Statement Before the Interstate Commerce Commission, Finance Docket No. 30300 on behalf of the Water Transport Association, in opposition to the application of CSX Corporation to acquire American Commercial Barge Lines, Inc., February 14, 1984 and April 19, 1984.

Direct and rebuttal testimony, Federal Energy Regulatory Commission, Trans Alaska Pipeline System, Dockets Nos. OR 78-1-014 and OR 78-1-016 (Phase I Remand) November 1, 1983 and December 23, 1983.

Verified Statement, Interstate Commerce Commission, on the stand alone test for rail rates to captive shippers, on behalf of Utility Fuels, Inc., Docket No. 39002, October 3, 1983.

Testimony on telephone rate structures before the Colorado Public Utilities Commission for Mountain States Telephone & Telegraph Company, May 27, 1983; the California Public Utilities Commission, for Pacific Telephone & Telegraph Company, August 18, 1983; the Missouri Public Service Commission, September 8, 1983; and Texas Public Service Commission, September 19, 1983, for Southwestern Bell Company.

Testimony before the Utility Diversification Committee of the Legislature of the State of New Mexico, September 2, 1982.

Testimony before the Ad Hoc Committee on Utility Diversification, National Association of Regulatory Utility Commissioners, May 6, 1982.

Testimony before Motor Carrier Ratemaking Study Commission, Orlando, Florida, April 2, 1982.

Testimony before the State of Connecticut Department of Public Utility Control on methods of regulating rates for basic television cable service, March 9, 1982.

Testimony before the Committee of Energy and Public Utilities, The General Assembly of the State of Connecticut on regulation of cable television, March 1, 1982.

Testimony before the Public Utilities Commission of the State of California, for Pacific Power & Light Company on methods of allocating aggregate revenue requirements, September 24, 1981.

Verified Statement, Interstate Commerce Commission, Ex Parte No. 347 (Sub-No. 1), "Coal Rate Guidelines-Nationwide," September 1981.

Testimony for the Department of Justice in the U.S. v. Standard Oil Co. (Indiana) et al. Civil Suit 40212, filed July 28, 1964.

6/94

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Price Cap Performance Review for Local Exchange Carriers)	CC Docket 94-1
)	
Notice of Proposed Rulemaking)	
)	

**AFFIDAVIT OF DR. JAMES H. VANDER WEIDE
IN SUPPORT OF REPLY COMMENTS OF BELL ATLANTIC**

June 29, 1994

TABLE OF CONTENTS

I.	Introduction	1
II.	The Commission should reject the claim that the price cap LECs' earnings in 1991 – 1993 were unreasonable.	4
III.	The Commission should reject the claim that the price cap LECs have disinvested in their networks in recent years	8
IV.	The Commission should reject efforts to reimpose rate of return regulation	9
V.	The Commission should reject recommendations to retain the sharing mechanism and eliminate the low end adjustment.	11
VI.	The Commission should apply the same regulatory principles and methodologies to set the price cap LECs' interstate access rates as it applies to AT&T and the cable companies.	15
VII.	The Commission should reject the recommendation to lower the price cap index to reflect alleged changes in the cost of capital	16
VIII.	The Commission should reject the erroneous cost of capital estimates proposed by the IXC commenters.	18

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

**Price Cap Performance Review
for Local Exchange Carriers**

Notice of Proposed Rulemaking

CC Docket 94-1

**AFFIDAVIT OF DR. JAMES H. VANDER WEIDE
IN SUPPORT OF REPLY COMMENTS OF BELL ATLANTIC**

I. Introduction

1. I have been asked by Bell Atlantic to respond to issues raised in responses to the Federal Communication Commission's Notice of Proposed Rulemaking (NPRM) in CC Docket No. 94-1. As part of my affidavit, I will discuss: 1) the price cap LECs' earnings in the period 1991-1993; 2) the price cap LECs' aggressive investment in their networks in recent years; 3) the various efforts to reimpose rate of return regulation; and 4) the need for regulatory parity among the interexchange carriers, LECs and cable TV companies. In addition, although I believe that the cost of capital is irrelevant to the further implementation of a price cap plan, I will present my own estimate of the LECs' cost of capital as a reasonable alternative to the downwardly biased estimates presented by MCI and AT&T.

2. I am Research Professor of Finance and Economics at the Fuqua School of Business, Duke University. In addition to my teaching and executive

education activities, I have written research papers on such topics as portfolio management, the cost of capital, capital budgeting, the effect of regulation on the performance of public utilities, and cash management. A brief review of my academic background, as well as my qualifications and experience as an expert witness on financial and economic theory, is contained in Appendix 1 to this affidavit.

3. The Commission's current price cap plan was a progressive step in promoting a more competitive and less restrictive telecommunications marketplace. Recognizing recent competitive and technological developments in telecommunications, the Commission now seeks comments on how it might improve the regulation of interexchange access services. I have reviewed the comments offered in response to the Commission's NPRM and have studied the issues independently myself. I offer the following recommendations on the issues raised by the Commission:

- 1) The Commission should avoid the temptation to reimpose rate of return regulation.

Several commenters have made recommendations that would have the effect of reimposing rate of return regulation. The Commission correctly recognized in establishing the price cap plan that rate of return regulation diminishes the incentives for the price cap LECs to reduce costs, invest in new telecommunications infrastructure, and introduce new products and services. The Commission also recognized that rate of return regulation imposes heavy administrative burdens caused by the need to measure revenues, expenses, and rate base, and to allocate these items to various jurisdictions and services.

- 2) If the Commission wishes to monitor the price cap LEC's rates of return, it should monitor their economic rates of return, not their accounting rates of return.

If the Commission desires to monitor the price cap LECs' rates of return, it should recognize that accounting rates of return are a poor indicator of the return the price cap LECs are earning on their investment in the facilities to provide interexchange access services. The return the price cap LECs are actually earning on their investment in interexchange access services is best measured by the economic rate of return, defined as that discount rate which equates the present value of the price cap LECs' cash flow plus the present value of their investment at the end of the period to the value of their investment at the beginning of the period. The economic rate of return is the only rate of return that can properly be compared to the cost of capital.

- 3) The Commission should promote regulatory parity for LECs, competitive access providers ("CAPs"), interexchange carriers ("IXCs"), cable TV companies, and other service providers.

The boundaries between different segments of the telecommunications marketplace are rapidly disappearing. IXCs, CAPs, and cable TV companies already compete with the price cap LECs for many interexchange access services and plan to compete with them for other services. To maximize the societal benefits from a competitive telecommunications marketplace, the Commission should maintain regulatory parity between market participants.