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March 13, 1995

EX PARTE OR LATE FILED

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

**RE: Ex Parte Material
CC Docket No. 94-1**

Dear Mr. Caton:

Attached are materials provided today to Kathleen Wallman, Richard Metzger, Michael Katz, Pete Belvin, Karen Brinkman, Richard Welch, James Casserly, James Coltharp and Mark Uretsky regarding USTA's position in this proceeding.

The original and a copy of this ex parte notice are being filed in the Office of the Secretary on March 13, 1995. Please include it in the public record of this proceeding.

Sincerely,

A handwritten signature in cursive script that reads "Mary McDermott".

Mary McDermott
Vice President -
Legal & Regulatory Affairs

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List A B C D E

California

Direct Testimony on behalf of California Bankers Clearing House Association, Dockets A. 92-05-002 and 92-05-004, April 8, 1993. (Relies on the TFP study of Roddy.)

Page 5: "A Total Factor Productivity ("TFP") study performed by Dr. Roddy in this proceeding, demonstrates and confirms that the existing 4.5% "X" factor, in fact, significantly understates the productivity gains available to California LECs. The Commission should thus adopt the value of 6.45 for LEC Total Factor Productivity as determined by Dr. Roddy's study ..."

Page 41: "Historic Total Factor Productivity for California LECs should establish the bare minimum level of the productivity offset for the NRF price adjustment mechanism."

Page 42: "Accordingly, the new "X" factor, which can now reflect realistic productivity gains and input price changes, should be set no less than 7.45% for the coming three-year period, based upon the 6.45% LEC TFP estimated by Dr. Roddy and incorporating an additional 1% "stretch" component."

Roddy's testimony supports the use of TFP as the appropriate productivity measurement (pages 10 - 17, Direct Testimony of David J. Roddy on behalf of the California Alliance for Ratepayer Equity ("CARE"), Dockets A. 92-05-002 and 92-05-004, April 8, 1993.) Appendix 2 presents his California LEC TFP study and cites Christensen Bell System study.

Illinois

Direct Testimony on behalf of the Attorney General of the State of Illinois, Docket No. 92-0448, July 12, 1993.

Pages 4-5: "The productivity offset in the price adjustment formula should be modified to 4.8% comprising the sum of (a) the historic IBT total factor productivity (TFP) benchmark of 2.2% ..."

Pages 33-34: "...it is appropriate that some increment over the historic TFP should be applied to afford a "consumer productivity dividend" ..."

Illinois cont.

Page 42: "The composite offset to the GDP-PI should be 4.8%. This consists of a 1.6% component to reflect the slower rate of IBT input price growth, a 2.2% component representing the absolute historic IBT productivity benchmark, plus an additional 1% offset as the "stretch" or "consumer dividend" element."

Roddy relies on Christensen Illinois Bell TFP study to compute his price cap offset (Direct Testimony of David J. Roddy on behalf of the Attorney General of the State of Illinois, Docket No. 92-0448, July 12, 1993)

Maine

Direct Testimony on behalf of the Public Advocate, Docket No. 94-123/94-254, December 13, 1994.

Page 41: "Thus, the formula would then be represented as GDP-PI minus the input price differential minus the historic LEC productivity growth rate. Usually the productivity concept is based upon total factor productivity (TFP) which incorporates changes in all inputs (capital, labor, and materials) simultaneously."

Page 43: References Christensen LEC TFP study commissioned by USTA as evidence for TFP growth.

Page 43: "The productivity factor, however, should more than merely reflect historic LEC productivity gains; it should also incorporate a stretch component..."

Page 44: "...the formula would then be represented as GDP-PI minus the input price differential minus the historic LEC productivity growth minus the stretch component ..."

Rebuttal Testimony on behalf of the Public Advocate, Docket No. 94-123/94-254, January 17, 1995.

Support for productivity offset is found in Appendix B, which computes LEC industry TFP. This appendix is "An Empirical Estimate of the LEC Price Cap "X Factor" Based Upon Historic National LEC Productivity and Input Price Trends," prepared by Selwyn and Roddy for the Ad Hoc Telecommunications Users

Committee and filed in CC Docket 94-1, June 1994.

Massachusetts
Docket 94-50

Selwyn relies on Roddy to provide TFP evidence.

Roddy provided the testimony on TFP in Massachusetts. He relied on the Christensen LEC TFP study commissioned by the USTA. In fact, on page 22, he states, "At this time, the 2.6% Christensen LEC TFP estimate for the 1984-1992 time period that is discussed in this testimony and analyzed in further detail in Appendix 2 is the best available evidence regarding the determination of the productivity component of the X Factor that should be used in the Company's Price Regulation Index." (Direct Testimony of David J. Roddy on behalf of Scott Harshbarger, Attorney General of the Commonwealth of Massachusetts, Docket No. 94-50, September 14, 1994.)

Ohio

Direct Testimony, PUCO Case No. 93-487-TP-ALT, May 5, 1994.

Page 22: "Thus, the formula would then be represented as GDP-PI minus the input price differential minus the historic LEC productivity growth rate. Usually the productivity concept is based upon total factor productivity (TFP) which incorporates changes in all inputs (capital, labor, and materials) simultaneously."

Page 23: "Consistent with the findings of Dr. Roddy, I recommend that the baseline productivity (or "X" factor) be set equal to the average annual TFP growth estimated by Dr. Roddy's Ohio study ..."

Page 25: "...the formula would then be represented as GDP-PI minus the input price differential minus the historic LEC productivity growth minus the stretch component ..."

Roddy's Ohio LEC industry TFP study computes average annual TFP growth of 3.0% from 1984-1992, similar to Christensen Ohio Bell average annual TFP growth of 2.8%. Also states that TFP provides a generally accepted method of measuring the productivity of a firm, an industry, or the economy as a whole.