

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

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In the Matter of \_\_\_\_\_)  
\_\_\_\_\_)  
Price Cap Performance Review \_\_\_\_\_)  
for Local Exchange Carriers \_\_\_\_\_)  
\_\_\_\_\_)

CC Docket No. 94-1

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REPLY COMMENTS OF AT&T

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## SUMMARY

In its opening Comments, AT&T demonstrated that the Performance-Based Model (developed by AT&T and Dr. John R. Norsworthy) was the proper method of calculating total factor productivity (TFP) and the X-Factor for the LECs' interstate access services. By contrast, the United States Telephone Association (USTA) and most of the LECs have endorsed the "Simplified Christensen Model," which is a somewhat revised version of the original USTA model that purports to address some of the concerns expressed in the Commission's Fourth Further Notice. The new "Simplified Christensen Model," however, contains virtually all of the fundamental deficiencies of the original USTA model, produces substantial underestimates of the LECs' X-Factor, and should be rejected.

In particular, the Simplified Christensen Model is premised on two major substantive errors: it omits the input price differential, and it bases its results on "total company" data rather than on the applicable interstate data. Indeed, these two errors alone account for almost the entire quantitative difference between the results of the Performance-Based Model and the Simplified Christensen Model. None of the LECs, however, has offered any legitimate justification for ignoring the input price differential or for using "total company" data to represent the LECs' interstate productivity growth.

As to the input price differential, the LECs rely on a specious argument that the differential cannot be "statistically distinguished" from zero. In the 1995 First Report and Order, the attached Bush-Uretsky analysis found the LECs' conclusions on this point to be baseless. In their Comments here, the LECs seek to discredit the Bush-Uretsky analysis, principally by arguing that Bush-Uretsky did not adequately account for differences in certain pre-1984 data. But as shown in these Reply Comments, the LEC attacks on the Bush-Uretsky study are untenable, and these Commission economists did, in fact, make an appropriate analysis to document that a substantial input price differential must be included in the LECs' X-Factor. Moreover, as Dr. Norsworthy and Dr. Ernst R. Berndt demonstrate in their joint Reply Statement appended hereto, the LECs' statistical arguments are entirely fallacious.

Similarly, the LECs have not put forward any valid argument against the use of the applicable interstate data to determine the LECs' productivity growth for their interstate access services. The Christensen Model's reliance on "total company" productivity as the equivalent of interstate productivity is manifestly wrong, for it is well-established that the LEC's interstate productivity growth far exceeds their local/intrastate productivity growth. Further, as Drs. Norsworthy and Berndt show, there are reasonable means available for estimating productivity growth in the provision of the LECs' interstate services. If

anything, the analysis provided in the Performance-Based Model somewhat understates the LECs' interstate rate of growth. The LECs' only objection is that such methods are not perfect; and yet that is no basis for abandoning a thoroughly reasonable approach and relying on "total company" data that is certain to give the wrong answer and greatly understate the LECs' interstate TFP growth. Indeed, because a reasonable basis for separately measuring interstate TFP growth exists, the Commission must, by law, use that method.

In addition, the Simplified Christensen Model retains numerous other errors from the original USTA model. For example, the Simplified Christensen Model continues to mismeasure capital inputs, because it is still based on a hypothetical cost rather than on the LECs' actual, observed capital costs. The Simplified Christensen Model also continues to misestimate depreciation, which it bases on outdated and inapplicable rates.

The properly applied Performance-Based Model produces an X-Factor for the LECs' interstate access services of 7.35 percent. This is strikingly close to the adjusted results of the Simplified Christensen Model, when corrected for its omission of the input price differential and its erroneous reliance on total company data, which produces an increased X-Factor of 7.52 percent. It is AT&T's conclusion, therefore, that the minimum X-Factor for the LECs' interstate services be set at 7.8 percent (i.e., the 7.3

percent measured by the Performance-Based Model and the appropriate 0.5 percent Consumer Productivity Dividend).

Accordingly, AT&T recommends that the lower X-Factor option for the LECs would be 7.8 percent and that those LECs selecting this option be subject to sharing requirements, similar to those adopted in the First Report and Order. AT&T further recommends that the higher X-Factor option would be 8.8 percent, and that LECs choosing that option would not be subject to sharing.

In that connection, it is appropriate for the Commission to adopt two X-Factor options, with sharing required only for the lower alternative. Sharing is essential in a system with more than one X-Factor, because without sharing the LECs would simply pick the lowest X-Factor available, regardless of their expected productivity growth. The LECs, on the other hand, advocate the complete elimination of sharing under all circumstances. Contrary to the LECs' position, sharing would not necessarily blunt their incentives. Indeed, on balance, sharing would enhance the incentive for them to become more productive, because LECs will still have the incentive to move up to the higher X-Factor (which would have no sharing associated with it). In addition, sharing remains necessary as an essential "backstop" mechanism, because the Commission has had no experience in implementing a total factor productivity approach.

Similarly, the LECs' moving-average proposal is not an adequate substitute for sharing. The LECs' proposal, which is a five-year moving average coupled with a two-year time lag, would take far too long (seven years) to pass productivity gains fully on to consumers. Also, consistent with virtually all of the LECs' Comments, the Commission should eliminate the low-end adjustment.

The Commission should also maintain the separate common line formula, and should adopt a per-line formula. In the First Report and Order, the Commission acknowledged that the per-line formula was the "superior" method, but raised the question whether adoption of a TFP methodology might eliminate the need for a separate common line formula. Even if the Commission adopts a TFP methodology, however, the separate common line formula must be retained and placed on a per-line basis in order to avoid LEC over-recovery of common line costs, as well as to send the correct economic signals to both LECs and IXCs. In addition, the separate formula must be maintained to ensure equitable treatment among the LECs and to avoid exacerbating geographical rate disparities among the LECs.

Finally, the Commission should reject the various other proposals made by certain LECs to change significantly the price cap plan. There is no merit at all to a proposal by Ameritech and other LECs to change the LEC price cap formula by eliminating the X-Factor, and thereby ignoring the input price differential and U.S. economy data on input prices and productivity. Similarly, US

West's "Capped Index Plan," a proposal to freeze all price cap indices at their current levels, is frivolous. This plan would unjustifiably eliminate all sharing requirements. And it would have the effect of reducing the existing LEC X-Factors, at a time when the record demonstrates that the LECs' X-Factors are seriously understated.

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**REPLY COMMENTS OF AT&T**

Pursuant to the Commission's Second and Fourth Further Notices of Proposed Rulemaking in this proceeding,<sup>1</sup> AT&T Corp. (AT&T) hereby submits its Reply Comments responding to the filed comments of the other parties.<sup>2</sup>

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<sup>1</sup> Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1, Second Further Notice of Proposed Rulemaking, released September 20, 1995, FCC 95-393 (Second Further Notice); and Fourth Further Notice of Proposed Rulemaking, released September 27, 1995, FCC 95-406 (Fourth Further Notice). The bulk of the parties' comments herein relate to the issues designated in the Fourth Further Notice. In addition, the Commission has requested that a few issues in the Second Further Notice (issues 19 and 20, paragraphs 159-172) be addressed herein, and we will deal with those issues in this Reply as appropriate.

By Order of the Chief, Common Carrier Bureau, released February 6, 1996, DA 96-138, the date for filing Reply Comments herein was extended to March 1, 1996.

<sup>2</sup> A list of the other commenting parties and the abbreviations used to identify them is set forth in Appendix A.

## INTRODUCTORY STATEMENT

The Fourth Further Notice requests comments on four basic topics relating to possible revisions in the methods for implementing price cap regulation of the local exchange carriers (LECs), namely, (1) the measurement of the productivity offset (the X-Factor) in the LEC price cap formula; (2) the sharing requirements to be associated with each X-Factor; (3) the appropriate common line formula; and (4) the treatment of exogenous costs.

The extensive comments of the LECs, including those of the United States Telephone Association (USTA) and the seven regional Bell operating companies (RBOCs), advocate significant changes in the present LEC price cap system concerning the measurement of the LECs' X-Factor. The LECs uniformly embrace a revised version of the USTA model, now known as the "Simplified Christensen Model," which still possesses the principal deficiencies of the former USTA model and thus substantially understates the X-Factor for the LECs' interstate access services. As a result, the LECs would have this Commission adopt an X-Factor of only 2.8 percent, which is substantially lower than the presently existing minimum X-Factor option of 4.0 percent recently adopted by the Commission and the 5.3 percent X-Factor selected by the vast majority of price cap LECs during the

past year.<sup>3</sup> The X-Factor urged by the LECs is dramatically lower than the 7.8 percent interstate X-Factor determined by the Performance-Based Model and the 9.9 percent interstate X-Factor computed by the economic consultants to the Ad Hoc Telecommunications Users Committee (Ad Hoc).

Besides seeking massive windfalls arising from adoption of an inadequate X-Factor based upon an unsupportable and unsound study, the LECs urge that the Commission completely eliminate the existing sharing adjustment. Sharing is an essential part of the LEC price cap plan. It provides appropriate incentives for the LECs to strive for greater efficiency gains. It has proven to be an effective and pragmatic "backstop" mechanism to prevent the LECs from earning excessive profits and to protect the interests of consumers in the event the LECs' X-Factor is set too low (which has been the case in past years). Acceptance of the deficient X-Factor study methods proposed by the LECs here,

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<sup>3</sup> Following the Commission's upward adjustment of the LECs' X-Factor in April 1995, five of the seven RBOCs and major independent LECs all chose the highest X-Factor option (5.3 percent). See AT&T Comments at 26. Significantly, this action by the overwhelming majority of the price cap LECs belies the validity and accuracy of the results of the Christensen models, which calculated the LECs' X-Factor to be only 2.5 to 2.8 percent. Moreover, the RBOCs selecting the highest X-Factor, after reducing their interstate access charges as of August 1, 1995, have continued to prosper: according to the most recent ARMIS data, these RBOCs realized, on average, during the third quarter 1995 a rate of return of 14 percent -- about 275 basis points above the Commission-prescribed rate of return.

together with the abandonment of the sharing requirement, would contravene the public interest objectives of LEC price cap regulation.

With respect to the third basic topic here -- the common line formula -- there is simply no justification or evidentiary support for the LECs' position advocating elimination of a separate common line formula. The LECs have made no convincing demonstration that their TFP methodology obviates the need for this separate formula. Indeed, such a formula is required to provide an economically sound constraint on carrier common line (CCL) rates and to create incentives for the interexchange carriers (IXCs) to stimulate greater demand growth on the common lines. Moreover, as recognized by the Commission and urged by the comments of the IXCs, the Commission should revise the current Balanced 50/50 formula and adopt instead the "superior" per-line approach.

Finally, as to the fourth broad topic -- the treatment of exogenous costs -- the LECs generally support continuation of the existing rules. Although there is some disagreement among the LECs on this subject, they do not strongly dispute the treatment of exogenous costs recently adopted in the Commission's First Report and Order 10 FCC Rcd. at 9098-9100 (¶¶ 292-320) in

this proceeding.<sup>4</sup> Accordingly, it is recommended that the Commission continue to follow, on a long-term basis, the exogenous cost standards set forth in that Order (see AT&T Comments at 44-46).

**I. USTA'S "SIMPLIFIED CHRISTENSEN MODEL" IS GROSSLY DEFICIENT AND SUBSTANTIALLY UNDERSTATES THE X-FACTOR FOR THE LEC'S INTERSTATE ACCESS SERVICES.**

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In the LEC Price Cap Performance Review phase of this proceeding, USTA sponsored a study of the LECs' total factor productivity (TFP) conducted by Christensen, Schoech, and Meitzen (the "original USTA model") purporting to measure the X-Factor to be included in the LECs' price cap formula. AT&T's previously submitted comments and supporting analyses were directed to this original USTA model and pointed out the numerous, substantive deficiencies in that study: (1) its failure to be based on accessible and verifiable data, (2) its complete omission of the input price differential, (3) its failure to determine productivity growth separately for the LECs' interstate services, (4) its defective capital input calculations, and (5) its

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<sup>4</sup> Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1, 10 FCC Rcd. 8961 (Apr. 7, 1995) (First Report and Order), petition for review pending, Bell Atlantic, et al. v. FCC, D.C. Cir. Nos. 95-1217, et al..

improper aggregation of outputs and erroneous calculations of labor and materials inputs.<sup>5</sup>

In its comments submitted in this rulemaking, USTA, on behalf of the LEC industry, replaced its original model with a new study, designated the "Simplified Christensen Model," also conducted by Christensen Associates (hereinafter "Christensen").<sup>6</sup> The Simplified Christensen Model does not materially differ from the original USTA model and thus contains virtually all of its substantive defects. The only changes in the revised model are that it now purports to be based wholly on "publicly-available data" and contains some additional so-called "simplified" computational procedures.<sup>7</sup>

Most notably, however, the Simplified Christensen Model perpetuates the two most egregious errors in the original USTA model -- the omission of the input price differential, and the measurement of the X-Factor for the LECs' interstate services on

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<sup>5</sup> See AT&T Comments at 8-26, and App. A (Statement of Dr. John R. Norsworthy) at 1-66.

<sup>6</sup> See USTA Comments, Att. A. The Simplified Christensen Model is also attached to the comments filed by various RBOCs (e.g., NYNEX Comments; US West Comments) or is specifically endorsed by other RBOCs (e.g., Ameritech Comments at 1, 13; Bell Atlantic Comments at 9-11; BellSouth Comments at 5-6; SWB Comments at 3-5).

<sup>7</sup> USTA Comments, Att. A at 2.

the basis of "total company" data rather than on the appropriate interstate data. As shown in the table below, these major errors account for most of the difference between the results of USTA's new "simplified" model and the conceptually correct Performance-Based Model sponsored by AT&T.

**Adjustment of Simplified Christensen Model to Correct  
for its (1) Omission of Input Price Differential  
and (2) Failure to Use Applicable Interstate Data**

TFP Growth Differential -- Per Simplified Christensen Model <sup>8</sup>	2.80%
Add: correction for omission of input price differential <sup>9</sup>	2.79%
Add: increase in results associated with using applicable interstate data rather than "total company" data <sup>10</sup>	<u>1.93%</u>
Total X-Factor	<u>7.52%</u>

In short, just by making adjustments for two major defects in the Simplified Christensen Model, the resulting X-Factor is increased to 7.52 percent. This is quite close to the 7.35 percent X-Factor (without CPD) produced by the Performance-

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<sup>8</sup> See USTA Comments, Att. A at vi.

<sup>9</sup> Computed by Performance-Based Model. See page 39, *infra*, and App. B, p. 28, *infra* (updated input price differential for 1985-1994 period is 2.79 percent).

<sup>10</sup> Computed by Performance-Based Model. See page 38, n.78, *infra*.

Based Model.<sup>11</sup> The above table illustrates that the quantitative difference between the Simplified Christensen Model results and the Performance-Based Model results is essentially attributable to the former's unfounded exclusion of the input price differential and its erroneous assumption that the LECs' interstate productivity growth is exactly the same as their productivity growth on a "total company" basis. As shown in AT&T's initial Comments (at 11-18), and further amplified below, the treatment of these two elements in the original and revised versions of the Christensen model is untenable and leads to a substantial understatement of the X-Factor for the LECs' interstate access services.

**A. The Christensen Model's Omission Of The Input Price Differential Is Unjustified.**

In the LEC performance review proceeding, the Commission's Staff recognized that there was no sound basis for the assumption made by Christensen that the input price differential applicable to the LECs is simply zero. Commission

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<sup>11</sup> See page 39, *infra*. As stated therein, the results of the Performance-Based Model have been updated to include (1) recently released data from the U.S. Bureau of Labor Statistics concerning input prices and TFP growth rates for the national economy, and (2) a modification in the capital input measurement (using the perpetual inventory method). This update produces an input price differential of 2.79 percent and an X-Factor for the LECs' interstate access services of 7.35 percent.

economists C. Anthony Bush and Mark Uretsky analyzed the Christensen data in the proceeding and found that USTA was in error for claiming the input price differential should be omitted entirely from the calculation of the LECs' X-Factor.<sup>12</sup>

Bush and Uretsky made a comprehensive review of the contentions of USTA's consultants, Christensen and National Economic Research Associates (NERA), and concluded that these consultants' arguments did not justify exclusion of the input price differential for the post-divestiture period from the measurement of the X-Factor. Thus, they determined that the Christensen model results substantially understated the LECs' X-Factor by the amount of the unrecognized input price differential.

Specifically, Bush and Uretsky found that "inclusion of the input price differential . . . is essential to the proper calculation of the X-Factor."<sup>13</sup> In this regard, their analysis evaluated the validity of USTA's claim that "short-run" (post-divestiture) measures of the input price differential are "inaccurate and should be supplanted by a long-run estimate"

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<sup>12</sup> Bush and Uretsky, "Input Prices and Total Factor Productivity," Appendix F, First Report and Order, 10 FCC Rcd. at 9213 (1995) ("Bush-Uretsky").

<sup>13</sup> Id. at 9222 (emphasis supplied).

which is "zero."<sup>14</sup> The Commission economists determined, therefore, that there is no sound basis for USTA's position arguing that the input price differential should be excluded.

Using both the Christensen and NERA data, Bush and Uretsky calculated an input price differential of 2.2 percent for the 1984-1992 period and 2.7 percent for the 1984-1990 period.<sup>15</sup> Moreover, they rejected USTA's view that the post-divestiture input price differential is an "aberration" from an underlying long-run trend in which the differential is allegedly zero.<sup>16</sup> They found, first, that Christensen failed to support its hypothesis that telephone industry input prices grow at the same rate as input prices in the economy generally. Second, they determined that neither the NERA data nor the Christensen data demonstrate that the long-run input price differential is, in fact, zero.<sup>17</sup> Third, they found "unconvincing" the attempts by

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<sup>14</sup> Id.

<sup>15</sup> Id. The Bush-Uretsky analysis computed a slightly lower input price differential than that determined by the Performance-Based Model (2.79 percent). The reasons for this difference are that (1) the Bush-Uretsky calculation used a somewhat different post-divestiture time period than the Performance-Based Model (1985-1994), and (2) it relied on Christensen input price data, including Christensen's erroneous U.S. economy price data.

<sup>16</sup> Id. at 9224.

<sup>17</sup> Id. at 9224-25.

Christensen and NERA to show that the post-divestiture input price differential "is not statistically different from zero."<sup>18</sup>

Fourth, through several statistical tests Bush and Uretsky confirmed the plausibility of the fact that, during the post-divestiture period, the LEC input prices grew at a substantially slower rate than the economy-wide input prices. They determined, therefore, that the "post-divestiture period represents a significant break from the past," and should be used as the relevant time period for measuring the input price differential. Based on the Christensen data, Bush and Uretsky calculated an input price differential for the post-1984 period of at least 2.2 percent.<sup>19</sup> The Commission economists thus concluded that the results of the USTA (Christensen) model were distorted in that the model failed to include the post-divestiture input price differential:

"Therefore, we conclude that the input price differential is, in fact, an essential component of the X-Factor to correct the distortion in USTA's own measurement of TFP differential."<sup>20</sup>

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<sup>18</sup> Id. at 9225.

<sup>19</sup> Id. at 9222, 9226.

<sup>20</sup> Id. at 9229.

**1. USTA's attempt to rebut the Bush-Uretsky analysis is baseless.**

Contrary to the Bush-Uretsky conclusion, the Simplified Christensen Model again fails to include any input price differential in its estimate of the LECs' X-Factor. To justify this material omission, Christensen and NERA submitted papers, appended to USTA's Comments here,<sup>21</sup> attacking the Bush-Uretsky analysis, complaining about the data used in their study, and arguing that the input price differential "cannot be statistically distinguished" from zero.<sup>22</sup> These arguments are baseless. A critical review of the Christensen and NERA Responses plainly reveals that neither submission undermines the validity and conceptual soundness of the Bush-Uretsky analysis.

1. The main portions of the Christensen and NERA Responses allege that Bush-Uretsky improperly mixed data from a previously submitted Christensen study (ex parte Christensen Affidavit of February 1, 1995) and a NERA study for the pre-1984

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<sup>21</sup> USTA Comments, Att. A, Christensen Associates App. 3, "Response to Appendix F: The Appropriate Data Set to Use in Analyzing Telephone Industry Input Prices" (hereinafter "Christensen Response"); and USTA Comments, Att. C, NERA, "Economic Evaluation of Selected Issues from the Fourth Further Notice of Proposed Rulemaking in the LEC Price Cap Performance Review," pp. 2-14 (hereinafter "NERA Response"). Both the Christensen and NERA Responses are also included as attachments to the Comments of NYNEX and of US West.

<sup>22</sup> Christensen Response at 52-53.

period. Christensen's Response concedes that the data set used in the Christensen Affidavit and the data set used in the NERA study were both developed by Dr. Christensen, but it claims that these data came from different sources and were non-comparable.<sup>23</sup> The NERA pre-1984 data series allegedly was derived from a study Dr. Christensen filed before the North Dakota Public Service Commission, which study in turn relied upon data published by the U.S. Bureau of Economic Analysis (BEA). On the other hand, the pre-1984 data used in the Christensen Affidavit came from different sources -- an earlier study of the Bell System and a Bellcore study, both of which were developed by Dr. Christensen but were based on methodologies allegedly different from those used in his North Dakota testimony. Consequently, Christensen argues that, unlike the data series used in the 1995 Affidavit, the pre- and post-1984 data sets used in the NERA study do not correspond with each other and this "mismatch creates an artificial difference in observed pre- and post-1984 input prices."<sup>24</sup> In effect, Christensen charges NERA with using the wrong data.

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<sup>23</sup> Because this distinction was not previously mentioned by Christensen, it was entirely reasonable for Bush and Uretsky to treat the two data series, each of which came from Dr. Christensen, as comparable and consistent.

<sup>24</sup> Christensen Response at 43.

There are several serious flaws in Christensen's and NERA's criticisms of the Bush-Uretsky analysis. First, contrary to the impression created by the Christensen and NERA Responses, Bush and Uretsky did not rely solely on the NERA study data. In fact, they analyzed both the pre-1984 data series contained in the Christensen Affidavit and the pre-1984 data series in the NERA study.<sup>25</sup> Second, it was entirely proper for Bush-Uretsky to conclude then that Christensen had failed to explain the discrepancy between the time-series data used in the two studies and had failed to justify why these two USTA consultants used different beginning dates (1949 v. 1960) for the pre-divestiture period. Indeed, even NERA was confused about which Christensen data should be used in its study. Third, Christensen's suggestion that the BEA input price data are inferior to the input price data Christensen computed for the LECs is flatly contradicted by Christensen's adoption of new procedures in the Simplified Christensen Model, which now relies heavily on BEA input price indexes on the ground that such BEA prices "provide a reasonable approximation" of LEC prices for plant and equipment.<sup>26</sup>

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<sup>25</sup> See Bush-Uretsky, Att. C, 10 FCC Rcd. at 9230-40.

<sup>26</sup> USTA Comments, Att. A at iii, 18-19.

Fourth, neither Christensen nor NERA explains why there is no consistency between the pre-1984 input price data for the U.S. economy, as used in the NERA study, and the pre-1984 input price data for the U.S. economy, as used in the Christensen Affidavit. Although there was consistency between NERA and Christensen with respect to U.S. economy input prices during the post-1984 period, the two USTA consultants used different input prices for the national economy in the pre-1984 period.<sup>27</sup> Fifth, the alleged differences in the pre-1984 LEC input price data between NERA and Christensen do not detract from the "several [other] reasons" why Bush and Uretsky concluded that there is no validity to Christensen's hypothesis that the long-run input price differential between the LECs and the national economy is zero.<sup>28</sup> Sixth, whatever differences there may be between the pre-1984 data used in the NERA study and in the Christensen Affidavit, Christensen does not claim that there is any significant difference between them as to the post-1984 period. It was on the basis of the post-1984 data that Bush and Uretsky concluded that there is a substantial input price differential

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<sup>27</sup> Compare Bush-Uretsky, Att. C, 10 FCC Rcd. at 9232 with id. at 9234.

<sup>28</sup> Bush-Uretsky at 9224-26.

during the post-divestiture period, and that this differential must be included in the LECs' X-Factor measurement.<sup>29</sup>

2. Further, the Christensen Response argues that, even with respect to the post-divestiture period, any measured input price differential should be excluded because it "cannot be statistically distinguished from . . . zero."<sup>30</sup> Thus, Christensen seeks to ignore the data showing a significant and measurable input price differential occurring after 1984, on the ground that there was "a great deal of annual volatility" in the differential in the years subsequent to 1984.<sup>31</sup> According to Christensen, the "volatility of this series is so great that observed differences cannot be statistically distinguished from a difference of zero."<sup>32</sup>

The Bush-Uretsky analysis rejected Christensen's statistical argument. They noted that the observed data show the mean input price differential to be "at least 2.6 percent" during the post-divestiture period, and that Christensen failed to provide adequate theoretical support for its curious hypothesis

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<sup>29</sup> Id. at 9222-26.

<sup>30</sup> Christensen Response at 47; see also NERA Response at 6-14.

<sup>31</sup> Christensen Response at 47.

<sup>32</sup> Id. at 49.