principles underlying input price measurement in proper TFP modeling, according to Professor Gollop:

> Derived either from production or cost functions, the TFP model requires that the measured input price for labor reflect the incremental cost that a cost-minimizing firm would incur to hire additional labor and/or retain its existing labor force. The last phrase is critical and explains why the LECs willingly incurred (and incur) real severance payments instead of simply firing sizeable numbers of laborers. Absent these payments, two effects would result. First, morale among retained workers would decline. Second, it would become increasingly difficult (i.e. expensive) to hire quality laborers. The first translates to lower marginal productivity; the second results in higher wages and salaries to compensate workers for the risk they would now bear through uncompensated separation. In short, the LECs rationally incur severance payments just as do so many companies throughout the economy.[108]

To place the LEC downsizing in context, it is necessary to examine what other firms operating in the U.S. economy were doing during the 1990s. The following chart was compiled by Jonathan Lurie at Princeton University. Mr. Lurie identifies 38 firms that underwent significant downsizing during the time period in question. This shows that downsizing is not unique to the LECs, nor atypical of the conduct of competitive firms in the labor markets.

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corporate downsizings were made by many companies in the U.S. economy, their impact is reflected in economy-wide measures of productivity.

[108] Gollop at 19, Sect. 2.

Company	Downsizing		Company	Downsizing
Apple Computer	1,300		Lockheed	17,000
Boeing (Feb. 1993)	28,000		3M	5,000
Boeing (Dec. 1993)	3,000		Philip Morris	14,000
Bank of America (1992)	12,000		Navistar	3,000
Bank of America (1993)	3,750		Nortel	5,200
Bank of America (1996)	3,700		NYNEX	16,800
Baxter	3,000		Pacific Bell	10,000
Bell South	10,200		Procter & Gamble	13,000
Chemical Bank	12,000		Rubbermaid	1,260
Delta	18,000		RJR Nabisco	6,000
DuPont	2,900		Sears	50,000
DEC (1994)	20,000		AT&T	40,000
DEC (1996)	7,000		US Air	2,500
Eastman Kodak	16,800		UNISYS	4,000
General Dynamics	27,000		US West	9,000
General Motors	74,000		Wells Fargo	7,000
GTE	17,000		Warner Lambert	2,800
IBM	60,000		Xerox	10,000
Kimberly-Clark	6,000		Woolworth	13,000

Nor were the LEC severance packages unusually lucrative. In Attachment 1 BellSouth has compiled a summary of newspaper articles describing early retirement offers made by U.S. companies in the 1991-1993 time frame. As can be seen, offers of up to five years age and five years service credit and/or up to a year's salary were commonplace.

In early 1998, AT&T significantly downsized its force. Despite being no longer subject to price cap regulation, AT&T offered its employees a generous, voluntary separation package to induce them to leave. The New York Times published an article on AT&T's offer, and the reasons for it.[109]

Noting the "corporate vogue" of white-collar layoffs at a variety of companies, the Times described the severance plans as "a kinder, gentler kind of downsizing." The Times noted that

[109] Seth Suhiesel, "Earning it: A Leaner Company Without a Crash Diet," The New York Times, February 8, 1998, Section 3; Page 11; Column 3.

involuntary layoffs can be damaging to the company. Describing the reaction to a previous set of involuntary layoffs by AT&T in 1996, The Times stated: "Morale at the company was crippled; Robert E. Allen, then AT&T's chairman, found his picture on the cover of Newsweek magazine, in a police-style lineup under the headline 'corporate killers.'"

The Times stated that "enhancing buyout packages can be vital to shoring up shaky employee morale." John A. Challenger, executive vice president of Challenger, Gray & Christmas, an outplacement firm, was quoted as saying: "Companies are recognizing that they run a real risk of losing the goodwill of the employees who remain, who are friends with the people who leave," said Challenger. "They run the risk that the people who remain, who are being asked to work longer and harder, are going to resent that, especially since they no longer feel they necessarily have lifetime job security."

The LECs' decision to pay severance benefits to departing employees has been previously recognized by the Commission as management decisions not to be second-guessed by regulators applying price caps. The Staff's proposed disallowance of actual LEC severance payments in the Staff 1999 TFP Study is arbitrary and capricious, and must be rejected by the Commission.

3. <u>The Use Of DEMs To Measure Local Output Is Inappropriate</u>

Because of rising Internet usage, the staff proposes to substitute Dial Equipment Minutes ("DEMs") as the measure of local output rather than call volume, which is the measure of local output in the 1997 Staff TFP Study.[110] Professor Gollop agrees that a measure of local output that captures the changing calling patterns fostered by the explosive growth of the Internet is

[110] The use of call volumes as a measure of local output in the 1997 Staff TFP Study is another aspect of the AT&T TFP Study adopted by the Commission. AT&T's incessant lobbying of the Staff to replace call volumes with DEMs as the measure of local output contradicts AT&T's own evidence and is simply another bald attempt by AT&T to artificially inflate the X-Factor.

appropriate. However, DEMs is not an appropriate output measure because it has little relationship to revenues:

> Since X is used to cap prices and therefore revenue, output in the X-Factor calculation must be defined as closely as possible to the unit measure on which market price is based. It is the specific source of local revenue that forms the proper external standard defining the measure of local output.[111]

Professor Gollop was provided by the LECs a comparison of the source of local revenue which indicated that 80 percent of local revenue is flat rate or line volume related, whereas only 20 percent of local revenue is related to usage. Since much of the growth in access lines are second lines used to access the Internet, Professor Gollop recommends use of access lines as the new measure of local output. "If the Commission is intent on changing the measure of local output but wants a single quantity measure, the number of access lines is the only economically meaningful choice."[112]

DEMs is not revenue related since most local service is provided on a flat rate basis. To the contrary, growth in DEMs over flat rated lines causes costs to increase with no increase in revenue.[113] In such circumstances, DEMs growth acts to overstate output, and thus, productivity. Professor Gollop's use of access lines is revenue related, thereby providing an appropriate means to reflect Internet growth in the TFP process.

4. <u>The Staff Uses An Incorrect BLS Input Price Series</u>

Professor Gollop identified an apparent Staff error in the identification of the appropriate input price series used by BLS in its calculation of TFP growth for the U.S. nonfarm sector. Professor Gollop contacted BLS and confirmed that the input price series provided to him by

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[111] Gollop at 20, Sect. 3.

[112] Gollop at 21, Sect. 3.

[113] Indeed, in those states that require incumbent LECs to pay reciprocal compensation for calls to the Internet, huge losses are incurred with DEMs growth.

BLS and used by him in the USTA update to the 1997 Staff TFP Study filed with the Commission on September 10, 1999 is the correct and most recently updated series produced by BLS. Professor Gollop uses the correct BLS input price series in his simulation.[114]

5. The Staff Includes Incorrect And/Or Inconsistent Data Points

In addition to the methodological errors discussed above, Professor Gollop identified a number of data errors introduced by the author of the 1999 Staff TFP Study. Dr. Gollop identifies these errors in detail in Appendix A to his report. Professor Gollop uses corrected data in his simulation.[115]

6. Professor Gollop's Corrected 1999 Staff TFP Model

In Appendix B to his report, Professor Gollop recalculates the 1999 Staff TFP Study using appropriate economic TFP modeling principles and correcting methodological and data errors in the 1999 Staff TFP Study. In Table 6, he illustrates the differences in X-Factor calculations that result from modeling errors. The time period summaries of the three models are set forth below. The first column is the 1997 Staff TFP Model, updated by USTA in its September 10, 1999 filing with the Commission. The second column is the uncorrected 1999 Staff TFP Study. The third column is the 1999 Staff TFP Study, corrected for the errors and changes identified by Professor Gollop.

Time Periods	1997 Staff TFP Study USTA 9/99 Update	1999 Staff TFP Study	
		Uncorrected	Corrected
1986-90	5.43%	5.51%	5.58%
1991-98	4.12%	6.33%	3.29%
1994-98	4.06%	6.02%	3.76%

114 Gollop at 23-24, Sect. 4.

115 Gollop at 31, Sect. 5.

Professor Gollop concludes that the X-Factor is quite sensitive to modeling errors. He notes that the comparison in Table 6 should be considered to be an illustration only. If the Commission chooses to switch from an internal rate of return methodology adopted in the 1997 Staff TFP Study to an external rate of return model, considerable additional effort will be required to accurately model the X-Factor.[116]

7. Recent BEA Revisions Reduce The X-Factor

Professor Gollop notes that the Bureau of Economic Analysis has revised its Gross Domestic Product accounts in October and November, 1999. The revisions add an additional 0.5 percentage points per year to nonfarm productivity growth. BLS is expected to release revised multi-factor indices during the spring. Professor Gollop notes that the revisions will reduce both the measured TFP growth differential and the measured X-Factor. He urges the Commission to make provision now for incorporating the BLS revisions into its X-Factor calculations.[117]

Dr. Gollop concludes that both the FCC's 1997 Staff TFP Model and a properly designed and implemented 1999 Staff TFP Model lead to the same policy conclusions: the present 6.5 percent X-Factor is not justified by any meaningful measure of LEC productivity. Indeed, both models indicate the LECs have never achieved a 6.5 percent X-Factor in any year since price caps began.[118]

B. The Staff Imputed X Study Is A Repudiation of Price Cap Regulation

In addition to the highly questionable and obviously biased 1999 Staff TFP Study discussed above, the FNPRM also presents what is called the Staff Imputed X Study. This study represents a radical departure from the fundamental principles of price cap regulation embraced

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[116] Gollop at 31, Sect. 6.

[117] Gollop at 33, Sect. 7.

[118] Gollop at 34-35, Sect. 8.

by the Commission for more than a decade. Indeed, it is a thinly disguised return to rate of return regulation. In the FNPRM, the Commission describes the 1999 Staff Imputed X Study:

> [W]e could ... directly determine, from aggregate interstate expenses and revenues, the X-Factor that, if it had been prescribed from the inception of price caps, would leave capital compensation at the competitive level at the end of the study period.[119]

That is bureaucrat-speak for cost of service regulation.[120] Indeed, the FNPRM freely acknowledges as much:

> While price caps provide incentives for cost reduction similar to those of competition, they do not guarantee that revenues will follow a similar path.[121]

That, of course, is precisely the point of price cap regulation. Price cap regulation regulates prices. Cost of service regulation regulates revenues. Revenue is equal to price times quantity. The whole point of price cap regulation is to provide incentives for the regulated firm to increase its output (quantity), and hence earnings, without increasing its prices beyond those permitted by the price cap. Thus, the firm has incentives to utilize inputs more efficiently. It has an incentive to invest in new technology that permits it to offer new products and services desired by its customers. It has incentives to market its products and services to stimulate demand. It is precisely these incentives that price cap regulation was designed to stimulate. This fact has been recognized and extolled by the Commission[122] and the Courts[123] for over a decade. The Staff's

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[119] FNPRM at 7.

[120] Compare, *National Rural Telecom Ass'n. v. FCC,* 988 F.2d 174, 177-78 (D.C. Cir. 1993) ("Rate-of-return regulation is based directly on cost. Firms so regulated can charge rates no higher than necessary to obtain 'sufficient revenue to cover their costs and achieve a fair return on equity.'")(Citations omitted.)

[121] FNPRM at 9.

[122] See, e.g., 1995 LEC Price Cap Performance Review 10 FCC Rcd at 8973-74, para. 28. ("The price cap limits are set by the Commission to ensure that rates remain within a zone of reasonableness. Prices are held to a maximum level by the cap, much as they are by the rivalry among companies in competitive markets. The carrier gains the opportunity to earn higher profits by operating more efficiently or by developing new services customers want, not by raising overall prices. This opportunity to increase its profits in turn encourages the carrier to

Imputed X Study would eviscerate these incentives by returning to the cost of service paradigm--the regulation of revenues rather than prices. The Staff Imputed X Study would use the cold, dead hand of cost of service regulation to snuff the life out of the incentive structure that the Commission has nurtured for the last decade.

USTA has asked Dr. William E. Taylor, Senior Vice President of National Economic Research Associates, Inc. to evaluate the theoretical validity of Staff Imputed X Study and its impact on incentive structure that price cap regulation was designed to foster. Dr. Taylor concludes:

> The Staff's imputed X study is theoretically unsound and inferior to the use of total factor productivity ("TFP") growth to determine the appropriate X-factor in the Commission's price cap plan primarily because it relies on jurisdictionally separated data and an interstate-only calculation makes no economic sense. In addition, using accounting measures of the productivity gains realized under price caps to recalculate the firm's price cap productivity target would eviscerate the productivity incentives for which price cap regulation was implemented. If the Staff's imputed X study were used to determine a value of X going forward, the price cap LECs would face perverse productivity incentives—essentially the same disincentives of traditional cost-plus regulation. Such a plan would re-impose the need to collect detailed accounting data from the regulated firm (and all the associated difficulties with separating common costs) and would represent a step backward, slowing the transition toward a competitive marketplace where market forces determine outcomes and consumers benefit.[124]

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apply its resources in the most efficient manner possible, providing more and better service at lower cost. By increasing its productivity, the carrier can increase its profitability.")

[123] See, e.g., *National Rural Telecom Ass'n. v. FCC*, 988 F.2d 174, 178 (D.C. Cir. 1993): ("Under a price cap scheme, the regulator sets a maximum price, and the firm selects rates at or below the cap. Because cost savings do not trigger reductions in the cap, the firm has a powerful profit incentive to reduce costs."); *Bell Atlantic Telephone Companies v. FCC*, 79 F.3d 1195, 1198 (D.C. Cir. 1996) ("Price cap regulation is intended to provide better incentives to the carriers than rate of return regulation, because the carriers have an opportunity to earn greater profits if they succeed in reducing costs and becoming more efficient."); *USTA v. FCC*, 188 F.3d 521, 524 (D.C. Cir.1999) (Price caps "sets rate ceilings and, with some qualifications, allows the utilities to keep whatever profits they can make while charging rates at or under the cap.")

[124] Comments of William E. Taylor, Ph.D. on Behalf of United States Telephone Association ("Taylor") at 3, ¶ 4.

Dr. Taylor notes that the regulation of prices rather than revenues provides the regulated firm with both technical efficiency and dynamic efficiency incentives that are muted under cost-of-service regulation.[125] However, in order for those incentives to operate, the regulator must commit to allowing the "regulatory contract" to operate over a sufficient period of time for the regulated firm to recognize the rewards or punishment from its implementation of its business plan. He notes that the "incessant recontracting" that has characterized the Commission's implementation of the LEC price cap plan "severely undercuts its ability to induce the type of behavior (with respect to investment in new infrastructure technology, pricing, implementation of new services, etc.) that we would see in unregulated, competitive markets."[126]

> In theory, X should be set at the beginning of the price cap plan, using the best information available regarding historical changes in unit costs, and then left alone. In contrast, the FCC has proposed or adopted five different methods for calculating X since 1990, with values that differ by nearly a factor of 4. Even ignoring the inference a price-cap LEC might draw from the consistent increase in the proposed values of X, no LEC could safely assume that its current earnings were irrelevant to the determination of future values of X, given the Commission's history of past revisions.[127]

Evaluating the Staff's Imputed X Study, Dr. Taylor concludes that the study "has no basis in economics" because it relies on accounting costs that have been jurisdictionally separated, and is inconsistent with the Commission's stated goal of relying less on regulatory accounting and earnings data.[128]

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[125] Taylor at 4, ¶ 6: "The fundamental reason why telecommunications regulation in the U.S. has evolved away from rate of return principles is its promise of improved incentives for regulated firms to achieve two important economic goals: use the fewest resources possible to achieve a given level of output (technical efficiency) and develop and introduce innovative new products and services (dynamic efficiency). Since price cap regulation does not link permitted revenues to realized production costs, the regulated firm has the proper incentive to use the cost-minimizing level and mix of resources to provide a given level of output."

[126] Taylor at 5, ¶ 7.

[127] Taylor at 7-8, ¶ 10.

[128] Taylor at 12, ¶ 19.

> Adopting the Staff's imputed X study would provide price cap LECs with perverse productivity incentives—essentially the same disincentives of traditional cost-plus regulation. Using the productivity gains realized under price caps to recalculate the firm's price cap productivity target is inconsistent with price cap regulation and is a step backward away from a transition towards a competitive marketplace where market forces determine outcomes and consumers benefit. In order to maximize the economic surplus and gains available to consumers and the firm, the Commission should not penalize price cap LECs in the future for efficiency improvements in the past.[129]

Dr. Taylor notes that the Staff Imputed X Study is simply a variant on AT&T's Historical Revenue Method that the Commission justly criticized when it was first proposed in 1995 and affirmatively rejected in the 1997 LEC Price Cap Performance Review.[130] He notes that in justifying the adoption of a TFP approach to the Court of Appeals, the Commission implicitly rejected the Historical Revenue Method.[131] He notes that even the current FNPRM acknowledges Commission rejection of the Historical Revenue Method, and the Staff has made no attempt in Appendix C to refute the Commission's earlier criticisms of this method.[132]

The Staff Imputed X Study is also flawed because it is an attempt to estimate an interstate-only X. The Commission has previously recognized that attempting to measure interstate-only productivity is economically meaningless, since the production of both interstate and intrastate output relies on common input. The Commission defended this finding to the Court of Appeals in response to MCI's appeal, and the Court of Appeals agreed.[133] The Staff makes no attempt to address or refute this concern in Appendix C, choosing instead to repudiate

[129] Taylor at 13, ¶ 22.

[130] Taylor at 13, 15-16, ¶¶ 23, 25, 29-30.

[131] Taylor at 16-17, ¶ 31, citing FCC's Brief for Respondents at 12.

[132] Taylor at 17, ¶ 32.

[133] See *USTA v. FCC,* 188 F.3d at 528: "[I]t is not clear that 'interstate productivity,' as opposed to total company productivity, is measurable, or even economically well-defined. This is so because direct productivity measurement requires measurement of inputs, and there is no obviously meaningful way to segregate LEC interstate and intrastate inputs because, as is

the TFP method itself. In light of the status of this case on remand from the Court of Appeals, the Commission would have a tremendous burden of persuasion to justify abandoning its recently adopted TFP method that was approved by the Court. Dr. Taylor provides an extensive discussion demonstrating that an interstate-only X-Factor calculation is conceptually incorrect.[134]

Dr. Taylor also demonstrates that the use of interstate accounting earnings to measure the X-Factor results in erroneous conclusions. He notes that LEC earnings as measured by regulatory accounting do not measure economic profit and are a poor proxy for it. This is because economic profit is not defined for interstate services because there is no economic basis upon which to divide the common costs between interstate and intrastate services, regulatory earnings are affected by numerous accounting conventions that provide no forward-looking information about profit opportunities, and accounting costs reflect regulated depreciation rates that both currently and historically are too low and inflate accounting profits.[135]

> Specifically, accounting earnings are dependent on the investment and expenses that have been separated and allocated to the inter- and intrastate jurisdictions. The Commission's Part 36 Rules do not jurisdictionally separate costs for the purpose of setting forward-looking prices. They do not accurately reflect cost causation, and interstate costs do not even approximate the economic forward-looking cost of supplying interstate services. Earnings growth measures based on separated costs would be distorted by changes in the separations formulas and factors and would provide no meaningful information about the earnings growth of interstate services.[136]

Dr. Taylor cites as an example Internet-bound calls, which the Commission has determined are jurisdictionally interstate, but which the Staff has required the LECs to book to the intrastate jurisdiction. He notes that SBC was recently required to reassign approximately 23

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undisputed, 'interstate and intrastate services are usually provided over common facilities.' *1997 Order*, 12 FCC Rcd at 16,685, para. 107."

[134] Taylor at 18-21, ¶¶ 34-41.

[135] Taylor at 21-22, ¶ 42.

[136] Taylor at 23, ¶ 45.

billion dial equipment minutes associated with Internet traffic from the interstate to the intrastate jurisdictions. This had the effect of shifting approximately $117.5 million in costs to intrastate, giving the appearance of increased interstate earnings. Likewise, NECA pool members reported a $170 million misallocation of costs to the intrastate jurisdiction resulting from incorrect assignment of interstate, Internet traffic to the intrastate jurisdiction. Such traffic is growing rapidly, thereby causing increasing distortions in reported interstate earnings.[137] Even the current impact of assigning interstate, Internet-related costs to the intrastate jurisdiction can have an enormous impact on reported interstate earnings. In a study based on June, 1999 data, BellSouth determined that treating interstate traffic to Internet Service Providers as intrastate artificially inflates BellSouth's reported interstate earnings by 400 basis points. Such anomalies in the separations process make reliance on interstate accounting earnings wholly inappropriate for policy-making decisions by the Commission.

Finally, Dr. Taylor notes that the Staff Imputed X Study is upwardly biased because the staff added stimulated revenues without adding any additional costs. Dr. Taylor shows that operating costs, such as measurement, rating and billing, would certainly go up with each additional call. Repair and maintenance expenses would also go up, even in the short run. Even if short run marginal capital costs are low, the permanent increases in demand assumed in the staff model would affect the timing of capital additions. In short, the staff's assumption that additional output generates revenues but not expenses biases its estimate of X upward.[138]

[137] Taylor at 24-25, ¶¶ 47, 49.

[138] Taylor at 26, ¶ 50.

C. The Commission Should Eliminate The CPD Prospectively

As BellSouth demonstrated above with regard to the remand period, the CPD cannot be justified for purposes of the reinitialization ordered by the Commission in the 1997 LEC Price Cap Performance Review.[139] In his Comments on behalf of USTA, Dr. Taylor demonstrates that the CPD should be eliminated prospectively. The CPD was never meant to be a permanent part of the price cap plan. It's purpose was to ensure that access customers received the first efficiency gains from the switch from cost of service to price cap regulation.[140] However, once the Commission gained historical experience over a period that included all price cap years, the addition of a CPD simply double-counts expected productivity gains.[141] This point was essentially conceded by the Commission staff in the FNPRM.[142]

With regard to the incentives created by the elimination of sharing, Dr. Taylor notes that price cap LECs have had a no-sharing option in the price cap plan since 1995. In 1995, virtually all of the price cap LECs elected a no-sharing option.[143] Dr. Taylor also notes that few of the states that have adopted price cap regulation since 1994 have required sharing and currently only

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[139] Indeed, because the X-Factor for the remand period justified by the record does not exceed 4.86 percent, the entire concept of a "reinitialization" was unjustified and should be abandoned by the Commission.

[140] In addition, the sharing mechanism also required LECs to reduce rates if earnings reached prescribed thresholds.

[141] Taylor at 27, ¶ 52.

[142] See FNPRM, Appendix B at 43: "Note, however, that increased efficiency incentives related to the switch from rate of return regulation to price caps will dissipate when price caps have been in effect for some time and the historical period evaluated is one where price caps were in place. In this case, the historical data are already reflecting the increased incentives for efficiency created by price caps."

[143] This point was also conceded by the Commission before the Court of Appeals in *USTA v. FCC*. See FCC Brief for Respondents at 49: "The 1996 annual access tariff filings indicate that 'substantially all' of the large LECs had selected the 5.3% X-Factor option under the previous interim regime and thus had already removed themselves from any sharing obligations."

one, New Jersey, imposes a sharing obligation. Therefore, the incentive impact resulting from elimination of sharing is already fully embedded in the historical X-Factor calculations and the CPD should be eliminated.

Giving consumers the "first benefits" of the change to price cap regulation has clearly been accomplished over the years that the CPD has been in effect. The CPD, however, is cumulative in effect and becomes permanently embedded in the PCI each year. Over the past decade, the PCI is significantly lower than it would have been if no CPD had been imposed. Access customers have enjoyed the benefits of the CPD since 1991, and will continue to benefit from the embedded reductions in the PCI from prior CPDs, even if the CPD is eliminated prospectively.[144]

D. <u>The Commission Should Adopt A Conservative X-Factor.</u>

The FNPRM and most of the discussion thus far in these comments assumes that the Commission should set the future X-Factor at the level of the historically achieved X-Factor.[145] The FNPRM asks if the Commission should prescribe an X-Factor based on a "central tendency" of historical X-Factors, and if so which measure of central tendency to use.[146] However, there are several reasons why a simple assumption that past productivity gains are a good proxy for the future will overstate the appropriate X-Factor. The most obvious is that as the LEC markets become increasingly competitive, there is no reason to assume that the LECs will continue to be able to outperform the national economy on a continuing basis. As Professors Bernstein and Sappington note, while competitive pressures may speed technological progress, as a result of

[144] If the Commission adopts BellSouth's recommendation for the remand period in Part VI above, it will have effectively removed the CPD for the remand period. Consumers will still receive prospectively the effect of the CPD that is embedded in the PCI for the years 1991-95.

[145] See discussion in FNPRM, Appendix B at 43-44.

[146] FNPRM at 7.

the loss of sales by an incumbent to a new entrant, "competition can reduce the incumbent supplier's scale economies (p), particularly in the short run when the presence of fixed inputs limits the incumbent supplier's ability to reduce inputs at the same rate that outputs decline."[147] Indeed, new entrants are most likely to compete initially for the highest margin services in the densest geographic areas. The entry decisions by competing LECs and alternate access providers clearly demonstrates this pattern of behavior.[148]

The market changes brought about by the 1996 Telecom Act also will suppress future productivity gains by the incumbent LECs. The requirement that incumbent LECs transfer portions of their networks (that portion serving their highest margin customers) to competitors in the form of UNEs at TELRIC rates will clearly reduce revenue growth. In addition, the incumbent LECs have incurred and will continue to incur huge uncompensated costs to accommodate new competitors in their networks and OSS systems. For the Bell Operating Companies, the Department of Justice and the Commission are insisting on "self-enforcing remedies" for failure to provide equal access to competitors that greatly increases the financial risk for these BOCs.[149]

A significant factor contributing to past measured productivity growth by the price cap LECs was the recovery of non-traffic sensitive costs through a per-minute rate structure. When minutes grow faster than lines under such a rate structure, LEC revenues (output) grow faster

[147] Bernstein, J.I. and David E.M. Sappington, *Setting the X-Factor in Price Cap Regulation Plans*, located at the Internet site for Graduate Programs in Business, Warrington College of Business, Fisher School of Accounting, http://bear.cba.ufl.edu/sappington/pprs2.html.

[148] See *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, "UNE Fact Report" Submitted by USTA and authored by Peter W. Huber and Evan T. Leo, Parts I and II.

[149] See *In the Matter of Application of Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Service for the State of New York*, CC Docket No. 99-295, Memorandum Opinion and Order, FCC 99-404 (released December 22, 1999).

than costs (input), resulting in increased measured productivity. In the Access Reform proceeding, the Commission rationalized the LECs rate structure, phasing out the Carrier Common Line charge.[150] While such rate structure changes enhance economic efficiency they also remove a significant source of historical productivity gains.[151]

Price cap LECs have already had a decade to "pick the low-hanging fruit," making incremental productivity gains more difficult to obtain. For example, most of the price cap LECs have already engaged in substantial force cuts. These cuts result in increased productivity in the short-run, but are a one-time event that cannot be repeated in future years. USTA's sensitivity analysis indicates that force reductions in the early 1990s increased measured productivity gains by nearly one percentage point annually.[152] Obviously, force reductions of such magnitude cannot be repeated. Below is a chart showing the magnitude and timing of Bell Operating Company force reductions.

[150] *In the Matter of Access Charge Reform*, CC Docket No. 96-262, *Price Cap Performance Review for Local Exchange Carriers*, CC Docket No. 94-1, *Interexchange Carriers Purchases of Switched Access Services Offered by Competitive Local Exchange Carriers*, CCB/CPD File No. 98-63. ("Access Reform Proceeding".)

[151] In the Access Reform Proceeding, Dr. Taylor filed Comments on behalf of USTA on October 29, 1999 in which he demonstrated that growth adjustments (referred to as the "G-Factor" and "Q-Factor" in the FNPRM) are not justified for price caps, because they are already embedded in the historical X-Factors. BellSouth will not repeat that analysis here. See Access Reform Proceeding, Comments of W.E. Taylor, at pages 21-25.

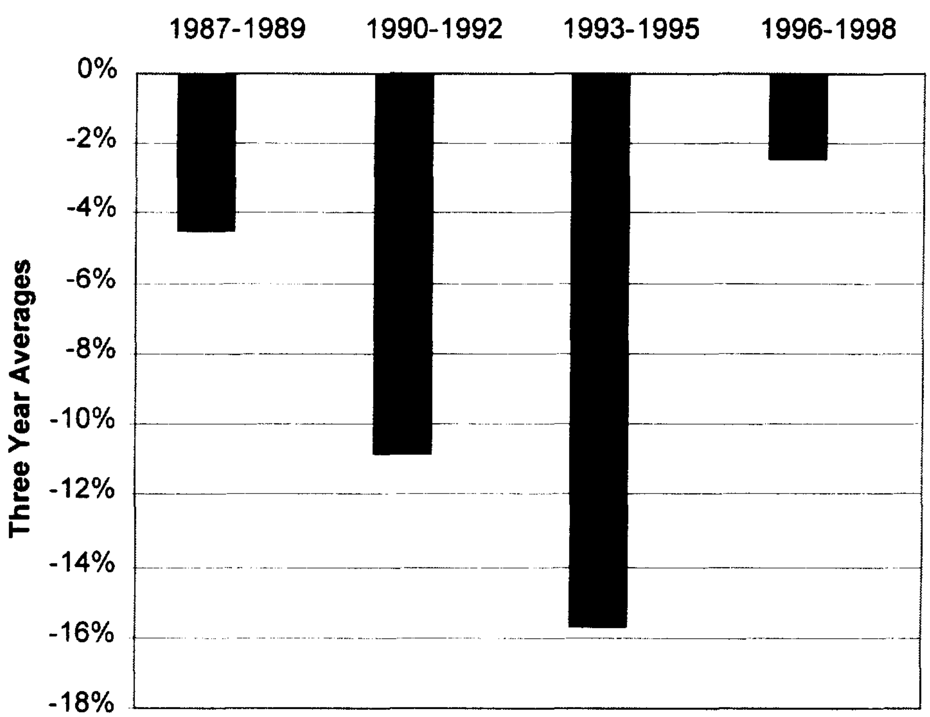
[152] *In the Matter of Access Charge Reform*, CC Docket No. 96-262, *Price Cap Performance Review for Local Exchange Carriers*, CC Docket No. 94-1, *Interexchange Carriers Purchases of Switched Access Services Offered by Competitive Local Exchange Carriers*, CCB/CPD File No. 98-63. ("Access Reform Proceeding".)

Data from FCC TFP Study

	BOC LEC Employees		Change over Three years
1986	482,698		
1987	477,714	1987-1989	(21,549)
1988	466,827	1990-1992	(49,982)
1989	461,149	1993-1995	(64,324)
1990	443,105	1996-1998	(8,439)
1991	414,457		
1992	411,167		
1993	395,639		
1994	367,196		
1995	346,843		
1996	338,040		
1997	338,177		
1998	338,404		

	Percent Change Employees
1987-1989	-4.5%
1990-1992	-10.8%
1993-1995	-15.6%
1996-1998	-2.4%

Percent Change, BOC Employees (3 -Yr Avgs.)



When one compares the timing of these force reductions with the measured X-Factor gains in the updated 1997 Staff TFP Study, it is apparent that these force reductions were a major factor in the higher productivity gains through 1995. Their completion is also largely responsible for the lower measured X-Factors in the 1996-98 time frame in the FCC model.

Based on these factors, the Commission should prescribe a conservative X-Factor prospectively. To preserve "regulatory constancy", the Commission should continue to use its 1997 Staff TFP study to estimate historical X-Factors. The September 10, 1999 USTA update provides a reliable basis to prescribe a forward-looking X-Factor of 4 percent. The Commission should concentrate on removing services from price cap regulation as quickly as possible, allowing market forces rather than regulatory fiat to set access prices.

E. <u>The Commission Should Adopt The Calls Proposal</u>

The Commission currently has before it a proposal by the Coalition for Affordable Local and Long Distance Services ("CALLS") that would, as part of a comprehensive plan to reform access charges and implement universal service, make it unnecessary to address the issues raised in the FNPRM.[153] BellSouth is a signatory to the CALLS proposal and fully endorses its adoption by the Commission. As these Comments demonstrate, the 6.5 percent X-Factor adopted in the 1997 LEC Price Cap Performance Review cannot be justified for either the remand period or prospectively. The CALLS proposal therefore includes a major, pro-consumer concession on the part of the price cap LECs that cannot lawfully be imposed if the Commission proceeds to a decision in this docket.

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[153] See *Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long Distance Users, Federal-State Joint Board on Universal Service*, Notice of Proposed Rulemaking, CC Docket Nos. 96-262, 94-2, 99-249, and 96-45, FCC 99-235 (rel. Sept. 15, 1999).

VIII. Conclusion

BellSouth has demonstrated that the 1997 Staff TFP Study does not justify the Commission's decision to adopt a 6.5 percent X-Factor. The 1997 Staff TFP Study (either in its original form or updated to incorporate later data) is the only evidence upon which the Commission can lawfully rely in setting the X-Factor for the remand period. Even if the Commission could rely on studies not in the record before the Court of Appeals, the 1999 Staff TFP Study and the Staff Imputed X Study are so fundamentally flawed that they will not support a lawful represcription of the X-Factor. Professor Gollop's simulation of the 1999 Staff TFP Study demonstrates that if sound economic principles are applied and methodological and data errors are corrected, the 1999 Staff TFP Study produces an X-Factor slightly lower than that produced by the updated 1997 Staff TFP Study. The Staff Imputed X Study is a repudiation of price cap regulation that warrants no consideration in the Commission's decision. The Commission can avoid having to decide the issues presented in this docket by adopting the CALLS proposal.

Respectfully submitted,

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January 7, 2000

Comments of BellSouth
CC Docket No. 94-1 and 96-262

Attachment 1

Summary of Newspaper Accounts of Early Retirement Plans: 1991-93

ATTACHMENT 1 – BELLSOUTH SUMMARY OF NEWSPAPER ARTICLES

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
Air France	12/09/93 The Plain Dealer	Reduce work force by 2,100 or approximately 5% in 1994.	
Alcatel Network Systems, Inc.	07/26/93 Business Dateline; Triangle Business	Restructuring – could affect more than 1,000 jobs by September 1993 – 1,050 employees are eligible for early retirement incentive package. This is the 2nd major restructuring for Alcatel since early 1992.	Offered to employees who are at least 50 years old – company will calculate the retirement package by adding 5 years of service and 5 years of age to bring the age base to 55 years and then calculate the annuity amount. Benefits will begin September 1. Also, the company will offer a lumpsum amount to each employee, the amount of which will vary according to the employee's work history. Referred to as a "standard" retirement package.
American Cyanamid Company	10/25/93 Chemical Marketing Reporter	**Same article as the one on Pfizer** Announced a downsizing of 2,500 workers in its remaining segments over the next 3 years.	
Anheuser-Busch Cos. Inc.	10/11/93 Business Insurance	Reducing its salaried work force by 10%, or approximately 1,200 positions by the end of 1994.	
AQMD	12/03/93 PR Newswire	Early retirements (and layoffs) "last summer" reduced the agency's full-time work force by more than 21%, from 1,163 to 915 employees	
AT&T	01/24/91 PR Newswire	States AT&T's earnings. Mentions at year-end, total work force was 273,700, compared to 283,500 a year before, as many left under early retirement or other voluntary programs.	
Bayer	11/17/93 Chemical Week	During 1992, Bayer implemented a program based on incentives for early retirement, reducing work force to 3,250.	
Bristol-Myers Squibb Co.	11/08/93 Chain Drug Review	It is offering early retirement programs in an effort to control costs and to reduce the risk of furloughing other employees.	
Brunswick Mining and Smelting Corp.	11/15/93 American Metal Market	Mining division is scheduled to put in place a 3-part voluntary employee reduction program for a 6-week period beginning 11/15/93.	Appeals to workers 55 or older or those who have more than 20 years' service with the company.
Canada	12/13/93 Buffalo News	Discussion of Canada's recession in 1990-1992.	
Coors	07/19/93 Modern Brewery Age	Job cuts representing approximately 20% of 2,500 white collar work force.	
	11/01/93	Last summer Coors announced plans to trim 500 white-	

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
	Associated Press	collar jobs. Company estimated the work force reduction would result in a pretax cost between $65 million and $75 million.	
	10/27/93 Associated Press	233 employees accept early retirement.	Permits participants to add 5 years to age and 5 years to length of employment to calculate retirement benefits. A second voluntary severance package gives 4 weeks' pay for each year of employment, with a cap at 2 years' salary.
Dairy Industry	12/92 Delta Communications Inc. Dairy Foods Magazine	**Kraft** attempted to reduce its work force by 1,000 in May by offering early retirement packages to qualified white-collar employees.	
Delta Air Lines, Inc.	08/23/93 Atlanta Journal and Constitution	Delta announced an early retirement program aimed at reducing work force by 3,000 people.	Program name is Leadership 7.1 Program, as per 10-K form filed 09/28/94.
	09/06/93 Business Insurance	"Sweetened retirement benefits." Hopes to cut work force by 1,000 through early retirement program being offered to approximately 3,000 employees. Airline will take a one-time charge of approximately $70,000 for each individual who accepts the offer.	Employees at least 52 years old on or before 11/01/93 are eligible. Five years of age or service, or a combination of the two totaling five, will be added to their defined benefit pension calculation formula. Delta will waive the early retirement medical premium for the retirees and their spouses for those retiring before age 65. Airline will take a one-time charge of approximately $70,000 for each individual who accepts the offer.
Du Pont	01/93 SAM Advanced Management Journal	**Same article as General Article listed at end of this chart** Offered early retirement programs to trim work force. In 1992, all 6,500 employees who were offered early retirement agreed to retire.	
Eli Lilly & Co.	10/25/93 Business Insurance	Will reduce its work force by as much as 10% through early retirement program. Expects about 2,000 – 3,000 eligible employees to exercise this option.	Program will be offered to employees whose age plus years of service equal 76 or greater by Dec. 31. Under the program, the normal 3% per year reduction for early retirement will not be applied. Employees who opt for the program by Dec. 9 will receive 4 years toward the age-and-service requirement and a lump-sum payment of one-half month of base salary multiplied by years of service, up to a maximum of one year's base salary. Early retirements will be effective Dec. 31.
	12/16/93 Seattle Post-Intelligencer	Announced it is eliminating 2,600 positions in voluntary early retirement program.	
	12/17/93 Orlando Sentinel	More employees than expected opted for early retirement package. Almost 1,900 of 2,500 eligible	

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
		employees in the U.S. accepted.	
Ethyl	10/27/93 Chemical Week	Plans to reduce the number of its employees by 155 mostly through an early retirement program. Company expects to take a $6 million or 5 cts/share, after-tax charge against 3rd quarter earnings. Program will result in annual after-tax savings of $10 million.	
Fieldcrest Cannon	11/03/93 PR Newswire	182 of approximately 400 eligible employees accept voluntary retirement.	
Ford Motor Co.	03/01/91 Chicago Tribune	Unveiled a sweeping series of cost-cutting moves aimed at trimming $3 billion in expenses.	Early retirement would be offered in March and observers estimated Ford was targeting 10,000 of its 52,000 salaried employees. Workers age 55-62 with 10 years of service would be eligible w/ monthly payments equal to approximately 40% of their current salary until age 65, when the payments would decrease.
FPL	10/25/93 New York Times	FPL to cut work force by approximately 1,700 positions.	
General Motors	02/20/93 The Record	New program follows popular early retirement programs offered last year to white-collar workers over 50 that reduced work force from 91,000 to 79,000. It's trying to cut 74,000 blue and white-collar jobs.	
	03/04/93 St. Louis Post-Dispatch	Plans to reduce hourly work force to 250,000 by 1995, from 304,000 now and 288,000 by the end of 1993.	Retirement program was twofold: One part offered early retirement benefits for workers at least 50 years old with 10 years' experience. Benefits depended on length of service. Another part offered active workers 62 or older normal retirement benefits plus a $10,000 voucher for the purchase of a new GM vehicle and a $3,000 rebate.
Georgia Power	12/13/91 Atlanta Journal and Constitution	Approximately 600 employees, 55 years or older with at least 10 years service have been offered early retirement. Acceptance deadline is Dec. 31.	In some cases, an employee who elects to participate in the voluntary program might receive more than one year's salary and benefits, depending on length of service.
GTE Corp.	03/14/93 Dallas Morning News	Wants to reduce work force of 81,000 through voluntary severance packages and early retirements.	
Hewlett-Packard	01/93 SAM Advanced Management Journal	**See article below re IBM – same article** Has reduced its work force by 5.5% since 1989 without abandoning its non-layoff policy.	
	01/92 Personnel Journal	**Relates to plan in the late 80's.**	Details of the plan in the late 80's – 2 types of programs. 1) payout averaged one-year's salary and all accrued retirement benefits to employees who were at least 55 years old and had served at least 15 years 2) program was based on a formula of 6

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
			months' plus 2 weeks pay per year of service. Maximum payout was 1 year's salary.
IBM	08/09/93 Newsweek	Lou Gerstner announced he would reduce work force by 35,000 workers, which would reduce the company's work force to around 225,000 employees in 1995, down from a peak of 406,000 in 1985. To pay for the cost of eliminating these jobs, it will take an $8.9 billion charge against its earnings.	
	08/10/92 Business Journal-Charlotte	Discussion of early retirement IBM employees who are going to work for Solectron – describes early retirement package of IBM employees. 32,000 employees will leave under the early retirement plan.	Two weeks' salary for every year worked at IBM, capping it at 52 weeks of pay. Employees then take a leave of absence with full medical and dental benefits.
	09/14/92 Austin Business Journal	Profile of an IBM employee who took early retirement.	He received one year's salary and retirement pay.
	01/93 SAM Advanced Management Journal	Reduced its work force from 405,000 in the mid-1980s to approximately 320,000 in 1991. Employment is expected to be reduced by another 20,000 in 1992.	
	03/11/93 Facts on File World News Digest	Would reduce its work force in 1993 by more than the previously announced figure of 25,000 employees. IBM had cut its work force by more than 100,000 people since 1986 through early retirement packages.	
Johnson & Johnson	10/25/93 Chemical Marketing Reporter	**Same article as the one on Pfizer** States that it has announced in the past few month is that it is scaling back	
Kodak	08/09/93 New York Times	In 1986 and 1987 it shed about 13,000 workers worldwide. In 1991, 8,300 workers left to take advantage of early retirement program which some investors criticized as too generous. The company had counted on a reduction of only 3,000 – 4,000 employees and was surprised when so many took advantage of the offer.	Per 10-K form covering 1992 activity, the voluntary early retirement program was known as the Resource, Redeployment and Retirement ("RRR") Plan. 10-K discusses one individual, Mr. Fowble, who will receive an unreduced retirement benefit, one year's salary, monthly payments equal to the social security payment he would be entitled to receive at age 62, payable from the date of retirement until he reaches age 62, company paid health care during retirement, and a lump sum payment equal to 2 years of retirement benefit. Eligible employees who elected to retire between 10/1/91 and 12/1/91 became entitled to: (1) a retirement income benefit that is not reduced for early retirement; (2) a Social Security bridge payment payable for the number of months before the retiree attains age 62; and (3) a special separation allowance equivalent to 2 weeks of pay for

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
			each year of service, up to a maximum of 52 weeks.
Lockheed Fort Worth Co.	09/06/93 Business Insurance	**Same article as the Delta article.** Approximately 1,600 employees qualify for incentives.	One-time, lump-sum offer of one week's pay for each year of service for workers who retire between July 1 and Nov. 1. Offer is open to employees at the Fort Worth unit who already meet the qualifications of retirement, which include an age of 55 and at least 10 years service with Lockheed.
Lukens	11/18/93 Pittsburgh Post-Gazette	Plans to cut 150 jobs. It has 3,315 employees.	
Lykes Brothers Steamship Co. Inc.	08/06/93 St. Petersburg Times	Plans to reduce work force by 700 through early retirement programs.	
Merck	07/20/93 Business Wire	Goal of reducing its work force by 1,000 people worldwide through early retirement. Merck has exceeded this goal with a reduction of approximately 2,100 positions at a cost of $450M.	
	07/20/93 Business Wire	Merck announced in March it planned to reduce work force by 1,000 and announced today that the reduction should be complete by the end of 1993.	
New England Telephone	05/14/93 PR Newswire	In 1992 implemented work force reductions.	
Norfolk Southern	08/21/93 Washington Times	Said it is offering early retirement plan which could reduce nonunion work force by approximately 13%.	
Northeast Utilities	10/28/93 Hartford Courant	Laid off more than 300 workers. Between 1987 and the end of 1993, company expects to have reduced work force by approximately 2,000 employees.	
Nynex		Experienced recent cutbacks.	
PacBell	12/21/93 Associated Press	In 1990 it said it planned to cut 11,000 jobs by the end of 1994. Approximately 9,500 have left the company since then, all but 11 of them through attrition and early retirement plans.	
Pfiser, Inc.	10/25/93 Chemical Marketing Reporter	Announced plans to downsize by 3,000 jobs worldwide. Most of the employee reductions in the drug industry have occurred as part of early retirement programs. Took a $525 million after-tax charge for its announced restructuring program in the 1993 3rd qtr.	
Philip Morris	11/27/93 Courier-Journal	Said it will cut worldwide work force by 8% and will eliminate 900 jobs at Richmond, Virginia plant.	
Proctor & Gamble	Referenced in Kodak article of 03/11/93	Mentions that it cut jobs.	

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
	07/26/93 Pensions & Investments	Discusses P&G's planned reduction of work force by 13,000.	Formula starting with 2 months' base salary plus ½ a month's salary for each full year of service. Minimum payment is 3 times the final months' salary and the maximum payment is 12 months' salary. Health & life insurance benefits will continue for a maximum of 12 months.
Raytheon	10/30/93 Boston Globe	800 employees will leave under voluntary early retirement program, 600 of which will be in Massachusetts. This will reduce Massachusetts work force about 8%. It has steadily cut its staff since 1989.	
Southern New England Telecommunications Corp.	10/28/93 Hartford Courant	**Same article as the one on Northeast Utilities** Has made similar early retirement offers and now says layoffs are on the horizon in 1994.	
Texas Utilities	01/05/93 Dallas Morning News	Several Texas utilities recently have made large work force reductions through early retirement. Approximately 1/3, or 4,700 **Texas Utility Co.** employees took offers to leave in 1992. **Houston Lighting & Power Co.** eliminated 1,600 jobs in 1992. In 1991, 3,750 workers accepted early retirement offers from **Southwestern Bell**.	
Toyota Motor Corp.	07/27/93 Courier-Journal	Said it will reduce its U.S. salaried work force of 3,000 by 150 within 2 years through early retirement and attrition.	
United Illuminating	10/28/93 Hartford Courant	**Same article as the one on Northeast Utilities** It is completing an organization review that could affect some of its 1,500 employees in early 1994.	
University of California	03/23/91 The Recorder	Description of retirement plans offered.	Professors get a check worth 3 months pay and increased monthly retirement payments that can vary from a 10-25% increase in their monthly retirement benefits, which are paid the rest of their lives. One professor from Hastings College of the Law stated that the monthly payments can ultimately be worth $25,000 – $30,000. One Professor was offered: A lump-sum severance payment equal to 25% of his annual salary and an increase of approximately 10% in his monthly retirement check. Retirement benefits are based on age, avg. salary and years Of service. For participants, an extra 5 years Of service is tacked on which can increase retirement benefits up tot 25%.

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
Upjohn Company	10/25/93 Chemical Marketing Reporter	**Same article as the one on Pfizer** Announced plans to downsize by 1,500 jobs worldwide. Charge for restructuring totaled $183 million, after-tax, resulting in a $30 million loss.	
Utah Powers	12/93	Vice Pres. Robert Gordon accepted an early retirement program.	
Volkswagen	02/10/93 New York Times	Plans to cut 36,000 jobs.	
Xerox	02/92 Corporate Cashflow Magazine	Took a $175 million hit to 4th quarter earnings to pay enhanced severance packages.	Cost is expected to average $70,000 per employee. Offer provides incentives for employees 50 years old or older and who have at least 8 years service. Those with at least 20 years of service qualify for the top benefit – 18 months of salary and medical benefits. Those with between 8 and 20 years service get 15 months of salary.
General Article Covering Several Businesses	12/09/93 Facts on File World News Digest	Among recent employee reductions: **Philip Morris** – announced plans to eliminate 8% of its work force, or about 14,000 jobs over 3 years **NCR Corp., a division of AT&T** – announced that it would seek to cut 7,500 jobs, or 15% of total work force, by offering early retirement package to 25,000 current employees. **RJR Nabisco Holdings Corp.** – unveiled plans to cut its 63,000 employee work force by 9.5% or 6,000 workers over several years. **The Boeing Co.** – announced that as many as 3,000 jobs would be cut over 1994. **Baxter International, Inc.** (hospital products maker) – said it would eliminate 7.3% of its work force, or 4,500 jobs over 5 years. **BankAmerica Corp.** – announced between 3,000 and 3,750 jobs would be eliminated by end of 1994. Company currently had 98,000 employees worldwide. **Warner-Lambert Co.** (pharmaceutical co) – said it would cut 2,800 jobs, or 8% of its global work force over the next few years. One-half of the jobs eliminated will be in the U.S. **Xerox Corp.** – unveiled restructuring plan calling for job cuts totaling 10,000, or 10% of worldwide work	

COMPANY	SOURCE	SUMMARY OF ARTICLE	RETIREMENT PACKAGE DETAILS
		force, by 1996. Company will also take a one-time charge of $700 million in the 4th quarter to cover the costs of the restructuring.	
General Article re Downsizing	01/18/93 Industry Week	87% of domestic organizations undertook cost-cutting initiatives during the last 5 years, 86% of companies abroad also downsized. Same study found that US, Canada, United Kingdom, Germany and Japan have all increased downsizing drastically during the last 6 years. **Downsizing worldwide stood at a projected all-time high in 1992.**	
General Article re No-Layoff Policies and Corporate Financial Performance	01/93 SAM Advanced Management Journal	Lists firms with no-layoff policies. **Du Pont** offered early retirement programs to trim work force. In 1992, all 6,500 employees who were offered early retirement agreed to retire.	
General Article re voluntary severance plans	10/15/91 The Boston Globe	Describes common types of retirement plans	Most common is an early retirement program, where a co. will offer to artificially add years to an older employee's age or length of service, making the worker eligible for a pension. The other common type is lump-sum offer in which employees are offered a certain number of weeks' pay for each year of service with the company.
General Article re Voluntary Buyouts	10/29/92 USA Today	Discusses how many "voluntary" retirement offers are not really voluntary.	States that typically, the companies add years to an employee's age and length of service to allow the employee to collect benefits. Typical benefit is 2 weeks' pay for every year of service, up to a year's salary.
General Article re Early Retirement Offers	04/04/93 Orlando Sentinel Tribune	Profiles 2 former Southwestern Bell employees who chose to accept early retirement proposals.	Southwestern Bell offered full retirement health benefits plus, for one of the parties, one year's salary and a full pension and for the other, a lump-sum payment of all her pension benefits.

CERTIFICATE OF SERVICE

I hereby certify that I have this 7th day of January, 2000, served the following parties to this action with a copy of the foregoing **COMMENTS ON FURTHER NOTICE OF PROPOSED RULEMAKING**, reference CC Docket No. 94-1 and CC Docket No. 96-262, by hand delivery or by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed below:

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*** *VIA HAND DELIVERY***