Regulatory Policy Impact: Empirical Analysis

Agenda

- Measurement Problems
- Empirical Analysis
  - Choice
  - Effects
  - Results
- Summary & Conclusions
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Measurement Problems

- Yardstick
  - Unidimensional Measure

Measurement Problems

- Yardstick
- Causality
  - Correlation problem
  - AT&T rate decline, e.g.

Measurement Problems

- Yardstick
- Causality
- Competitive Effect
  - Jointly with incentive regulation
  - Usually linked

Measurement Problems

- Yardstick
- Causality
- Competitive Effect
- Mandated v. Motivated
  - Modernization required
  - Rates frozen
Measurement Problems

- Yardstick
- Causality
- Competitive Effect
- Mandated v. Motivated
- Demonstration Effects
  - Prove experiment
  - USWest in Nebraska, e.g.
- Timing
  - Transitions take time
  - Investment take time
- Sequencing
  - Intertemporal effects
Agenda
- Measurement Problems
- Empirical Analysis
  - Choice
  - Effects
  - Results

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Empirical Analysis: Effects
- Choice

Empirical Analysis: Effects
- Prices
- Cost Savings
- Productivity Improvements
- Infrastructure
- Service Quality
- Profits
- Universal Service
- New Services

Summary: Incentive Regulation
- Prices Reduced
- Cost Savings?
- Productivity Improvements
- Infrastructure Improvements
- Service Quality?
- Profits Improvement
- Universal Service Improvements
- New Services?

Summary & Conclusions
- No Undesirable Impacts
  - Prices decrease or unchanged
  - Productivity, Universal Service, and Profits improved or unchanged
  - Cost saving not demonstrated
  - Infrastructure improvements
  - Service quality??

Summary & Conclusions
- No Undesirable Impacts
- Superior to ROR
- Additional Research Needed