

The economic reply

State regulation of services unnecessary, unworkable

By MIKE PERRIN

The Texas Legislature is considering a program of folly, which if carried through, could lead to the deprivation or cutback of vital services, including telephone, natural gas, and electricity.

Utilities have always received special treatment in this country, because of a much-touted theory of cost curves.

The theory is the more people that are hooked into a utilities system, the less it costs each member of the system; so that is more efficient to have one big company doing all the business in town rather than have a standard competitive setup, like grocery stores.



But those who proposed these monopolies also saw that creating "the only telephone company in town" could lead to the company acting like just that — the only one in town, with resultant high rates and poor service or some combination of the two.

So these men decided that political bodies should "regulate" these companies, that is, the companies would have to accept a certain rate for operation in return for having no competition. In many areas, a single commission was set up for the entire state; in Texas, each city was to set its own rates.

Texas is the only state without a state regulatory commission; but Texas does not have the highest utility rates in the country — far from it. Some towns are higher than others, as some are more successful in their efforts at regulation than others.

But even this limited amount of regulation indicates that the cost structure for utilities is not unique; that the cost per customer does not in fact decline with each additional hookup.

If a utility became more and more efficient and therefore cheaper and cheaper as it got more and more hookups, then we would not see rate increases now. Even with all other costs rising, the utilities should be able to at least hold rates steady by hooking up more and more customers; but instead, even as this goes to press, the federal government is proposing rules that states must allow automatic rate increases based on cost increases to the utilities.

So either the costs do go up for extra customers or else the utilities are able to get rate increases politically all over the country. If the curves are like those of a normal business, then the utilities should be run like normal businesses — free of restrictions, but also clear of being granted a monopoly by law.

Or in other words, regulation is either unnecessary or unworkable. Laws exist to keep people from starting up competing utilities companies. If a company wanted to start another electric company tomorrow in Bryan, they couldn't. The law would not let them.

The mere existence of this law proves that there is fear that someone would like to start up a little competition in this area.

There are three other reasons we should be wary of a state regulatory commission — the Supreme Court's recent utilities decision, political tradeoffs, and desire by the utilities for a commission.

The Supreme Court ruled over the Christmas break that utilities companies need not observe the

principles of due process when dealing with their customers; that is, disconnections may be made without notice and for any cause. There need not be second notices or any of the other niceties of fair play.

That development means there is no legal pressure on utilities to play fair, regulated or not.

Political tradeoffs can occur — it works like a bridge party; if you're not there, they talk about you. Every area in Texas cannot be fully represented on the commission. Those areas which lack real representation will be the ones which get the utility rate increases, because board members are not going to raise their home district's rates. This is the backroom kind of politics which has no place in the legitimate business world.

Coastal States Gas has already publicly announced that they would support a single state commission instead of the 254 city councils now in effect. The reason is and should be obvious — expense and trouble.

At present, if a statewide rate increase is sought by Bell Telephone, then they must deal with 254 city councils — which means Bell must convince more than 1,000 people that an increase is necessary.

If you want to count in the costs of bribery, direct and indirect, on a majority or more than 500 people, then you are talking about a lot of money.

I am not suggesting that any of this bribery actually occurs, I am only saying that it could if one were bent that way.

Now compare that 1,000-person-problem with a 40- or 50-person-problem. Not only are there fewer total people to deal with, they also affect a larger area — the largest state in the continental U.S. The utilities' job of pleading, convincing, harassing, bribing and threatening is made 25 times easier.

If the public sector can't or won't regulate, then the private sector must. How? Competition. If there are three gas companies in town, all three will treat you a lot nicer; any rate increases must be held to the bare minimum necessary to keep from going out of business or customers will switch to someone else with a lower rate.

Since there seems to be little evidence for special cost situations for utilities, then competition would work; it would work at least as well as in the grocery stores or electronic calculators. Your rights would be guaranteed by competitive pressure; with this Supreme Court ruling, even state regulatory commission can't protect you.

The only logical answer is deregulation and demonopolization. I only hope that the Legislature doesn't succumb to the temptation of creating yet another political white elephant and retirement home for their relatives.

Correction

The Battalion regrets that an error was made in Tuesday's column, Your Man at Batt. The Student Government Book Mart was reported to purchase books for 40 to 50 per cent and sell them for 60 per cent of retail.

The Book Mart buys books for 60 per cent and sells them for 65 per cent of retail. (See related letter, Listen up).

I anxiously await the day that serious and conscientious reporting

Editorial

Student pub

... I'll drink to that ...

The University of Texas opened a campus pub last week. And the Rice University Board of Trustees is expected to approve a campus pub Thursday; construction is scheduled for February. The experiences of those schools show that it takes three to four semesters—after a strong push from the students—to open a pub. First top administrators need to be convinced that the students should have a pub. Then the board of directors needs to give permission. And there are problems with proper licenses. Finally, there is money and time spent for design and construction of the pub.

Basement Committee is building a coffeehouse in the Memorial Student Center which would be a convenient place to sell beer and wine. Cheryl Hall, chairman of the Basement Committee, says she likes the idea. So the time and expense for pub design and construction could be eliminated. The problem now lies in convincing President Jack K. Williams and the TAMU Board of Directors that the students should have a pub.

The most compelling argument for any student service is student demand. That's why we have food services, dorm rooms, laundry service, intramural programs, placement offices, counseling services, health services, professors and classes.

But a pub raises prejudices which we can't explain. It has something to do with the idealism of higher education. It has something to do with a moral prejudice against alcohol. It has something to do with a fear of drunken Aggies on campus during school nights. And it has something to do with the image of Aggies as all-American, diligent, no-nonsense students (an image lacking at Rice and UT).

There is no substantial legal argument against a campus pub. There would be no substantial financial argument against it—if there was student demand. There seems to be only prejudice. And right now it seems to be the prejudices of Williams and the board.

Campus pubs are not worthy causes for political martyrdom, and it is doubtful that Student Government, the MSC Council or the Residence Hall Association will make a strong push on this issue unless there is overwhelming student support.

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Do students want a campus pub? We were planning to print a questionnaire today. But the response would be questionable following a pro pub editorial. So we will wait a week or two for other arguments—con and pro—before we print the questionnaire. Let us know what you think through "Listen Up" and "Aggie Forum."

Listen up

V.P. explains Book Mart

Dear Editor:

Once again in trying to serve the students you may have done them a disservice. In Tuesday's Batt, Your Man at Batt told us where we could buy used text books. It discussed the four retail stores in the area that sell used books and, as an afterthought, the article mentioned the Student Government-sponsored Book Mart giving highly erroneous information.

The real facts about the retail stores:

(1) None of those stores will pay more than 40 to 50 per cent of the original retail price for books and even less for most paperbacks.

(2) They all sell books back to students for 75 per cent of the original retail price — a mark-up of 50 per cent.

(3) For some strange reason, each of those stores (including the Exchange Store) price books the same — did I hear someone say price fixing?

In an effort to serve the students more directly in that area, Student Government initiated the Book Mart to purchase books from students for cash at 60 per cent of the retail price — not 40 to 50 per cent as was reported. The Book Mart sells books back at 65 per cent of retail, not 75 per cent like the other retail stores. The student saves both ways! The Book Mart is open from 9 a.m. to 4 p.m. each day on the second floor of the MSC.

I anxiously await the day that serious and conscientious reporting

becomes the hallmark of the Batt, for only then will the students and other readers be served.

Curtis W. Marsh V.P. for Finance, Student Government



PICTURES FOR 1975 AGGIELAND

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