

Exhibit No. ____ (JAR-8)
Docket No. UT-040788
Witness: James A. Rothschild

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

VERIZON NORTHWEST INC.,

Respondent.

DOCKET NO. UT-040788

EXHIBIT TO TESTIMONY
OF

James A. Rothschild

EXPERT WITNESS FOR
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Re: Cost of Capital
Verizon NW Response to Staff Data Request No. 300

November 22, 2004

Data Requests Directed to Verizon Witness Dr. Vander Weide:

DATA REQUEST NO. 300:

Please explain whether a business requiring a large commitment to fixed costs has a higher barrier to the entry of competitors than a business that requires little or no fixed investment? If your answer is in the negative, please explain your answer.

RESPONSE:

No. There are many examples of industries that require a large commitment to fixed costs where entry barriers are relatively low. For example, the airline industry, the telecommunications industry, the merchant electric generation industry, the steel industry, and the automobile industry, for example, are all highly competitive industries to entry that require large commitments to fixed costs. Indeed, competition in high fixed costs industries tends to be particularly destructive because companies seem to have a high propensity to engage in price wars.

Prepared By: James H. Vander Weide
Date: June 28, 2004
Witness: James H. Vander Weide