

**In the matter of an Application for Review of a NEMMCO determination on the SNI
Interconnector dated 6 December 2001**

Murraylink Transmission Company Pty Ltd ABN 42 089 875 605

Applicant

National Electricity Market Management Company Limited ABN 94 072 010 327

Respondent

Yallourn Energy Pty Ltd ABN 47 065 325 224

NRG Flinders Operating Services Pty Ltd ABN 36 094 130 837

TransGrid

Minister for Energy (NSW)

Minister for Energy (SA)

Additional Parties

STATEMENT OF ALFRED E KAHN

On 3 July 2002, I, Alfred Edward Kahn of 308 North Cayuga Street, Ithaca, NY 14850 USA, Special Consultant to National Economic Research Associates (NERA) and the Robert Julius Thorne Professor of Political Economy, Emeritus, Cornell University say as follows:

1. I have been successively Professor, Chairman of the Department of Economics and Dean of the College of Arts and Sciences, Cornell University, and have devoted the major portion of my professional career to the organization, behavior and control of industry, with especial concentration over the last 35 years on economic regulation and deregulation. Apart from my two-volume, *The Economics of Regulation* (originally published by John Wiley, 1970 and 1971, reprinted by The MIT Press, 1988), and some scores of professional articles on this subject and two recent books (*Letting Go: Deregulating the Process of Deregulation* and *Whom the Gods Would Destroy, or How Not to Deregulate*), I have served three years as Chairman of the New York State Public Service Commission, regulating public utilities in the State, Chairman of the U.S. Civil Aeronautics Board, presiding over the deregulation

Clayton Utz
Lawyers
Levels 23-35
No. 1 O'Connell Street
Sydney NSW 2000

DX 370 Sydney
Tel: 02 9353 4000
Fax: 02 8220 6700
Ref: 822

of the airline industry, and Advisor to President Carter on Inflation and Chairman of the U.S. Council on Wage and Price Stability, in which capacities I played a leading role in the deregulation of surface transportation. During the last 22 years, I have written, consulted and testified extensively, particularly on the economics of deregulation, including, in addition to the transportation industries, telecommunications and electric power.

2. In May 2002, I was retained by Clayton Utz, solicitors for TransGrid in these proceedings, to report on matters related to this proceeding. Now produced and shown to me at the time of signing this witness statement and marked "**AK-1**" is a true copy of a report prepared by me and dated 3 July 2002 (the "**Report**"). Attached to the Report is a copy of my curriculum vitae. The matters upon which my advice was sought by Clayton Utz are set out in the Report.
3. I provided the Report to Clayton Utz on 3 July 2002.
4. Apart from the preparation of my Report, I have not been previously retained by TransGrid or any company associated with it to carry out an engagement on their behalf.

Witnessed at Ithaca, in the state of New York,
United States of America
this 3rd day of July 2002
Before me:
