**The interstate rate case:**

**Questioning of final direct witness ends**

Cross-examination of the final direct witness in the interstate rate case took place this week. The witness was David A. Kosh, a Washington utilities consultant appearing as a cost of capital witness for the FCC Trial Staff.

Mr. Kosh, who was on the stand Monday, May 10, said AT&T should have a 50 per cent debt ratio. Questioned by Howard J. Trienens, counsel for AT&T, Mr. Kosh said debt coverage then would drop to 2.6 and admitted such conditions might jeopardize AT&T's triple A rating.

The next formal hearing is set for 10 a.m. June 1 for cross-examination of rebuttal witnesses. AT&T plans to put on two or three rebuttal witnesses; Department of Defense, one; and the FCC Trial Staff, one or two.

**Long Lines Plant strike ends after 6 days**

The six-day strike of Long Lines Plant Department employees in New York City ended late Tuesday, May 11, when the company and the union reached an agreement centered on the wording of the disciplinary action given a suspended union steward. Long Lines said the steward's record would only show that he had been told to leave and stay off the job 3½ days because of his activities relating to routine cleaning assignments which led to the walkout.

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**Business Conditions**

**Autos cause a big rise in GNP; progress elsewhere remains slow**

Despite the largest rise in the GNP on record during the first quarter, the economy has not yet broken out of its lethargy. Much of the rise continued to be due to inflation and all of the remainder could be attributed to the rebound from the auto strike. The non-auto sector of the economy declined somewhat in real terms during the first quarter, about wiping out its fourth quarter rise. About the only really cheering aspect was that the weakness in the non-auto sector was concentrated in the inventory portion, with real final demand posting its third consecutive quarterly increase.

**EEOC:**

**A status report**

A pre-hearing conference on the FCC’s upcoming hearings on employment practices of Bell System companies was held Tuesday, May 11, in Washington. Developments included:

- Hearing Examiner Frederick W. Denniston extended, to June 2, the date on which AT&T is to file its pre-hearing brief, in response to an earlier brief filed by the Equal Employment Opportunity Commission.
- September 1 was set as the tentative date on which EEOC will file its written testimony with the FCC.
- Mr. Denniston directed that California hearings in the case be scheduled to follow presentation of EEOC’s primary case in Washington.

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Much of the reason for the lack of a bonafide snapback lies in the continued restraint shown by the consumer. The savings rate remained relatively high at 7.2 per cent during the first quarter. This compares with an average of 7.3 per cent in 1970, but is still well above the 6 per cent average of the 1960’s.

One reason for this consumer caution is the continued high rate of unemployment. Unfortunately, unemployment—which rose to 6.1 per cent in April—is likely to be a stubborn problem for at least another year. In the twelve months after March, 1971, there will be over one million new entrants into the labor force, plus another 2-3 hundred thousand man reduction in the armed forces. Therefore, about 1 ½ million additional jobs will be needed just to keep the unemployment rate at its present level, and any greater job growth appears unlikely.

On the other hand, there continue to be favorable signs developing in the consumer and construction sectors. In addition, business investment plans are moderately encouraging. During periods when business is slowing down, successive surveys of these tend to be revised steadily downward, as happened last year. So far, however, the revisions of 1971 plans—though certainly not substantial—have been on the up side.

All in all, the economy seems to be continuing its slow response to the policies being used to prod it along. It may be behind the Administration’s schedule, but at least it’s still on the track.