

EX PARTE OR LATE FILED



United States Telephone Association

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September 30, 1994

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

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SEP 30 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

RE: **Ex Parte Meeting**
CC Docket No. 94-1

Dear Mr. Caton:

On September 29 1994, Whit Jordan and Frank McKennedy, representing the United States Telephone Association (USTA), met with Lauren Belvin of Commissioner Quello's office. The attached document was distributed and discussed. The discussion was consistent with USTA's written filings in this docket.

The original and a copy of the ex parte meeting notice are being filed in the Office of the Secretary on September 30, 1994, due to lateness of the meeting. Please include it in the public record of this proceeding.

Respectfully submitted,

A handwritten signature in cursive script that reads "Linda L. Kent".

Linda L. Kent
Associate General Counsel

Attachment
cc: L. Belvin

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LEC Price Cap Review--USTA Position

Revised price cap plan must provide:

- Market-determined investment and efficiency incentives
- Greater pricing flexibility in competitive access markets
- Streamlined regulation of new services
- Closer to regulatory parity among service providers

Adaptive regulation is needed now!

- Telecommunications playing critical and expanded role in economy
- Momentous changes in industry, converging technologies, market barriers falling, customers require flexibility, substantial competition

Eliminate ties to cost-plus regulation (sharing/LFAM)

- Greater incentives for investment and efficiency
- Elimination ensures that customers in less competitive markets are not affected by price declines in competitive markets
- LEC earnings have been at the low end of range of reasonableness

Productivity offset based on long-term industry total factor productivity (TFP)

- TFP is only appropriate measure
- Studies show around 2%
- 3.3% is unreasonably high
- Should not recapture short-term earnings
- Only correct for long-term trend in TFP

Increase pricing flexibility as markets become more competitive

- Classify discrete markets based on degree of competition
- Where competitors have facilities that can provide service on request, additional pricing flexibility provides greater alternatives for all customers

USTA Proposal will provide significant economic benefits