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*Warren D. Hannah*  
Director, Federal Regulatory Relations  
United and Central Telephone Companies

**EX PARTE**

November 10, 1994

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

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

RE: In the Matter of Price Cap Performance Review for Local Exchange Carriers  
CC Docket No. 94-1

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

Today representatives of Sprint Corporation met with Chairman Reed Hundt and Ms. Karen Brinkman to discuss issues in the above referenced matter. Information on the attached, relative to Sprint's comments and reply comments submitted on May 9 and June 29, respectively, was discussed.

Representing Sprint were Messrs. John Hoffman and Alan Sykes. Sprint asks that this information be added as part of the record in this matter.

Sincerely,

Warren D. Hannah  
Director  
Federal Regulatory Relations

Attachment

cc: Chairman Reed Hundt  
Ms. Karen Brinkman

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**SPRINT  
PRICE CAP REFORM  
PLAN**

# SPRINT PRICE CAP REFORM OBJECTIVES

## OBJECTIVE

- INCREASED CONSUMER BENEFITS
- INCREASED INCENTIVES FOR PRODUCTIVITY/INFRA-STRUCTURE INVESTMENT
- MEASURED STEPS TO ENHANCE LEC's COMPETITIVENESS

## Achieved Through:

- Access Rate Reductions Greater Than Existing Price Cap Plan
- Higher Productivity Offset
- Elimination Of Sharing
- Streamlined Regulation/Increased Pricing Flexibility for LECs Choosing the Sprint Plan

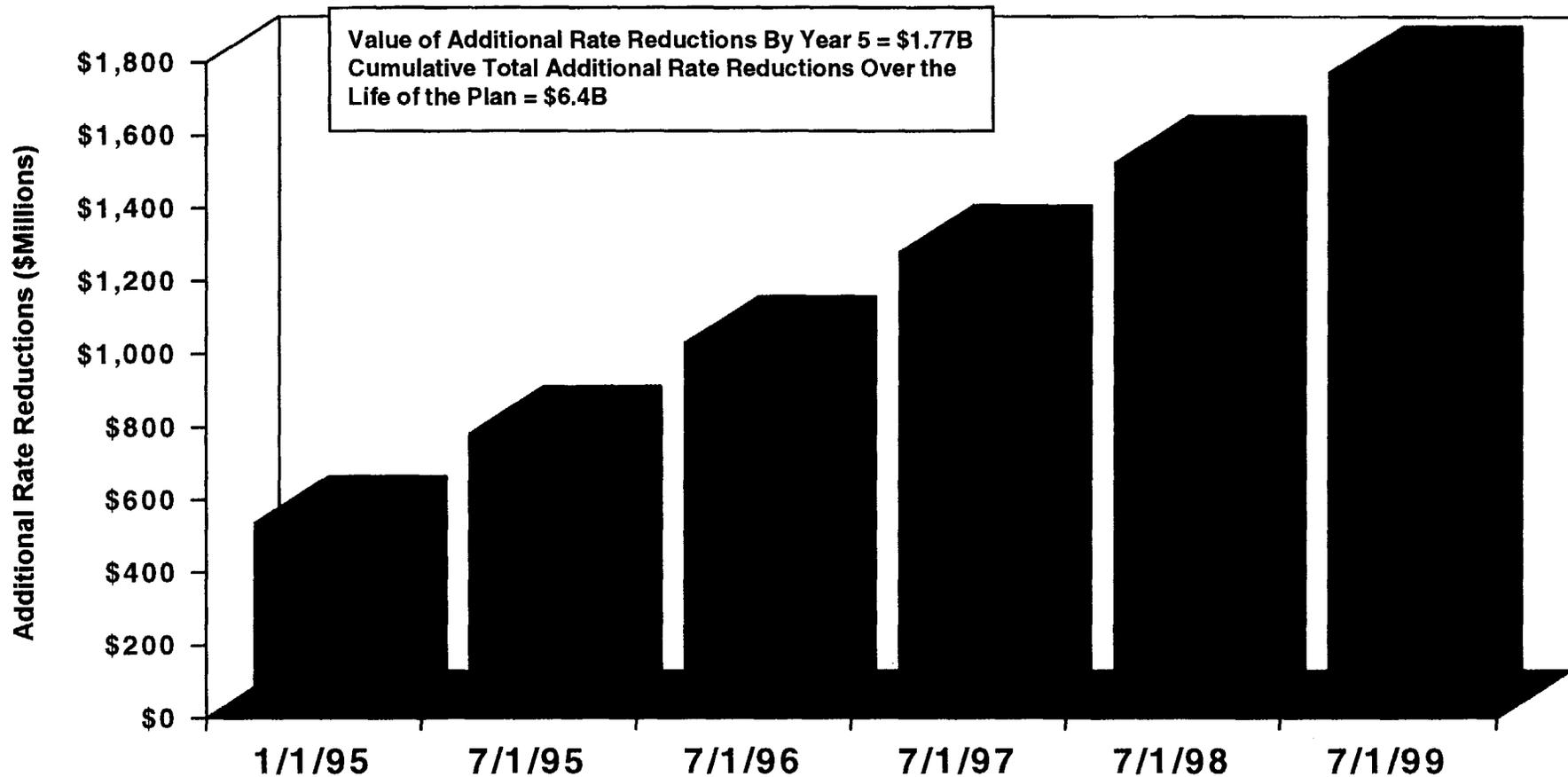
# **SPRINT PRICE CAP REFORM PLAN SUMMARY**

- **5 Year Plan**
- **Optional**
  - **LEC could opt to stay under current plan (3.3% productivity offset, sharing)**

## **Key Elements of the Sprint Price Cap Plan**

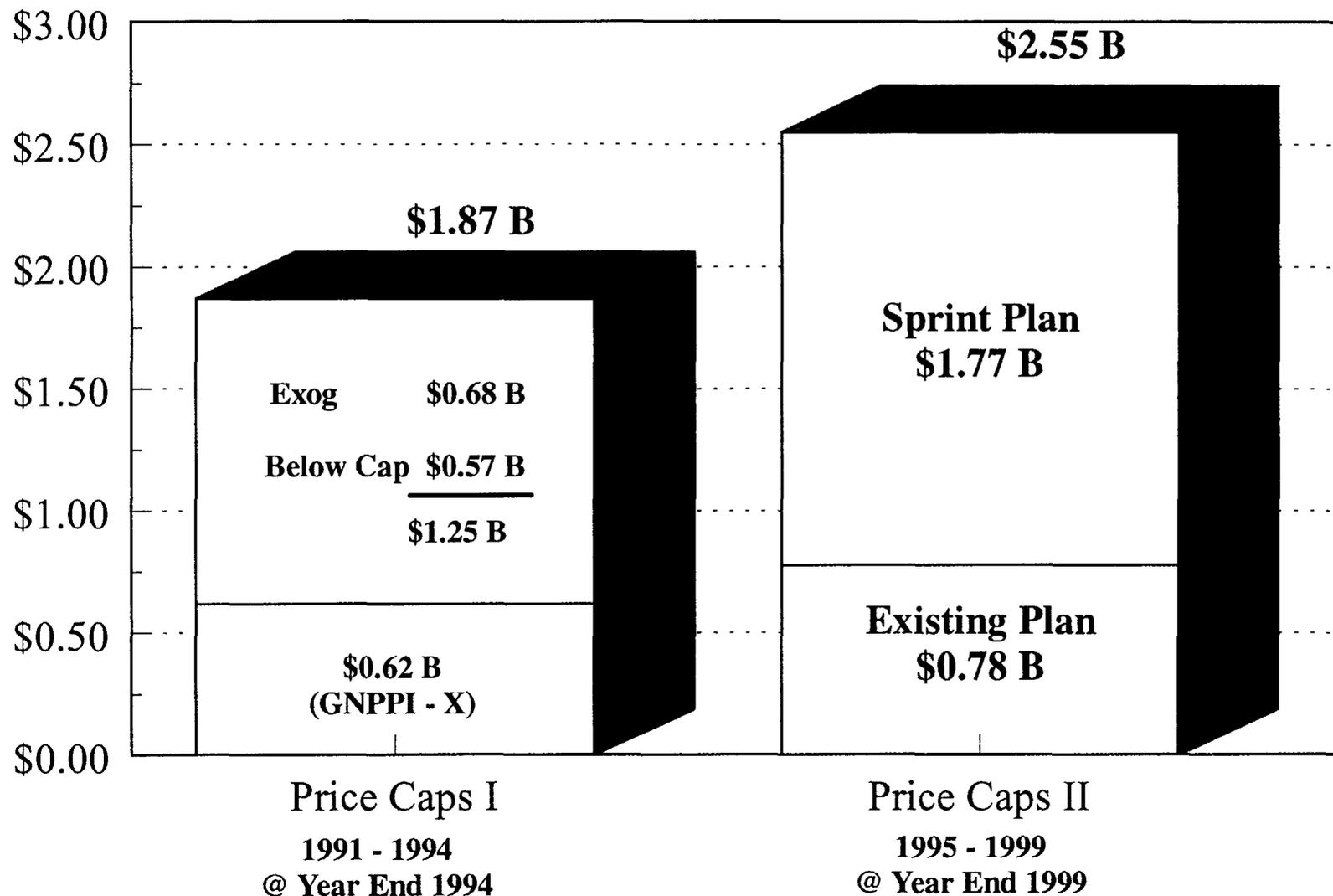
- **4.5% Productivity Offset**
- **2% Upfront Rate Reduction**
- **Elimination of Sharing/Lower Formula Adjustment Mark (LFAM)**

# Potential Rate Reductions Under The Sprint Price Cap Plan Compared to the Existing Price Cap Plan\*



\* Based on Total Industry 1993 Price Cap Revenues of \$20.6B  
- Assumes All Price Cap LECs elect Sprint Plan Option

# Potential Access Rate Reductions Under The Sprint Price Cap Plan



\* Assumes all Price Cap LECs elect Sprint Plan option.

# Elimination of Sharing/LFAM

- **Essential step in promoting Access/Local Competition**
  - Diminishes incentives for cross-subsidization
  - Eliminates Regulatory “guarantee” that a LEC will recover all of its costs (including profits)
  - Establishes framework in which LECs bear risks (as well as rewards) of competition
- **Strengthens incentives for efficiency**
- **Reduces administrative complexity of Price Cap Regulation**