Sprint
Together with NEXTEL

Sprint Nextel
2001 Edmund Halley Drive
Reston, VA 20191
Office: (703) 592-5115
Fax: (703) 592-7404

Anna M. Gomez
Vice President
Government Affairs
Anna.M.Gomez@sprint.com

October 7, 2008

Via Electronic Submission

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W., Room TW-A325
Washington, D.C. 20554

Re: ***Written Ex Parte Communication:*** *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92; *IP-Enabled Services*, WC Docket No. 04-36; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45

Dear Ms. Dortch:

On October 1, 2008, Sprint Nextel Corporation ("Sprint") filed its assessment of the September 12, 2008 Verizon intercarrier compensation proposal.[1] This letter provides additional input on one aspect of the Verizon proposal, the National Comparability Benchmark.

Sprint continues to maintain that there is no need for the creation of a new "access replacement" fund. Parties advocating creation of such a fund have not demonstrated that a uniform termination rate of $0.0007 per minute is not compensatory, nor have they shown that revenue from services they make available to their end user customers are insufficient to recover their costs. However, as noted in its October 1 Letter, to the extent the Commission adopts a new fund, it should be a short-term transitional measure that incorporates an appropriate benchmark to ensure that there is an equitable balance between end-user recovery and the fund. Sprint further notes that the benchmark should take into account revenues reasonably available to an incumbent local exchange carrier (LEC) from all of the services that typically are offered to end users over its network. If the revenue benchmark mechanism does not include all of the revenues provided over a carrier's plant, then the Commission must exclude a reasonable portion of the network costs from the total

[1] *See* letter from Anna M. Gomez, Sprint, to Marlene H. Dortch, FCC ("October 1 Letter"), CC Docket Nos. 01-92, 04-36 and 96-45; letter from Susanne Guyer, Verizon, to Chairman Martin and Commissioners Copps, Adelstein, Tate, and McDowell ("*Verizon Letter*"), CC Docket Nos. 01-92 and 96-45, p. 2.

costs that should be recovered from the services that are included in the mechanism. Otherwise, the LECs will benefit from a windfall in which all their costs but not all their revenues are taken into account.

A. The Benchmark Should Be Set at No Less than $60 per Month

Looking at available carrier data, it is clear that incumbent LECs are selling more products to their customer base over their network than at any time in the past. Voice customers are purchasing bundles that package calling features, long distance service, broadband, and sometimes video services. Each of these services provides yet another revenue stream that can contribute to the incumbent LECs' recovery of their costs, instead of imposing those costs on other carriers' customers via inflated intercarrier charges or universal service subsidies.

A brief review of bundled pricing for broadband and telephone services as reflected on carrier web sites demonstrates the significant revenue streams carriers are already receiving from the use of existing networks that must be considered in any realistic benchmark. Sprint specifically recommends the benchmark be set at no less than $60 per month. As carriers' retail rates and the attached appendices demonstrate, this represents a fair approximation of the amount of revenue per month available from consumers on a modern local network. If anything, this number under-represents the actual potential end user revenue these networks can generate.[2]

A $60 per month benchmark is reasonable when the carriers' retail rates as well as their ARPU are taken into account. First, a $60 benchmark is consistent with incumbent LEC broadband and telephone service plan rates. Below is a sample of those rates, which includes large carriers as well as mid-sized and rural carriers.[3]

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[2] For instance, this benchmark does not take into account additional sources of revenue that incumbent LECs generate from their broadband networks, such as video and gaming services, nor the revenues they generate because of their relationship with their subscribers, such as advertising revenue or reselling satellite video services. When the access charge regime and universal service mechanisms were established, incumbent LECs' revenue streams were limited to local exchange service. That is no longer true given the additional revenue sources available due to technology advances and industry convergence and consolidation.

[3] These prices are for a bundle that includes the lowest-speed DSL services each carrier offers, unlimited local and long distance calling, and a package of features. The prices can be viewed at the companies' websites as follows: AT&T, http://www.att.com/gen/general?pid=7682; Verizon, go to https://www22.verizon.com/ForYourHome/NationalBundles/NatBundlesQualify.aspx, and enter an address (the price listed assumes a MD address); Qwest, go to https://myaccount.qwest.com/MasterWebPortal/appmanager/home/Shop?_nfpb=true&_pageLabel=LocalLandingPhonePage and enter a ZIP code (price assumes a NM address); Embarq, go to http://www.embarq.com/ for the price for Local + DSL,

Footnote continued on next page

DSL and Unlimited Telephone Calling
Bundle Prices

AT&T		$60.00
Verizon		$65.98
Qwest		$59.98
Embarq		$65.00
Century Telephone (AR)		$87.41
TDS		
	California	$98.14
	Washington	$59.41
	Georgia, Ohio	$82.40
Guadalupe Valley Telephone Cooperative (TX)		$68.90
Copper Valley Telephone (AZ)		$59.95

The above sample shows that a $60 per month benchmark is entirely reasonable and would meet the Act's requirement that the Commission ensure that services are available at just, reasonable, and affordable rates,[4] and that rates in rural areas are reasonably comparable to rates in urban areas.[5]

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http://www.embarq.com/Residential/SpecialOffers, click on "Learn More" under "Long Distance love?" on that page to obtain price for unlimited long distance; Century Telephone, go to https://www.centurytel.com/bundlesDouble.flow?execution=c1v2, then select State and City from drop-down menus to obtain pricing; TDS, go to http://www.tdstelecom.com/LocationPicker.aspx, then select State and City, then click "Phone", select Unlimited Local and LD plan, then select DSL plan; Guadalupe Valley, go to http://www.gvtc.com/internet/broadband_residential-pricechart.php for Internet price ($19.95) and http://www.gvtc.com/telephone/gvtclongdistance.php for unlimited long distance and local phone plan ($48.95); Copper Valley Telephone, http://www2.vtc.net/fiberHome.asp. The prices listed were taken from these websites on October 6, 2008.

[4] *See* 47 U.S.C. § 254(b)(1) ("Quality services should be available at just, reasonable, and affordable rates.")

[5] *See* 47 U.S.C. § 254(b)(3) ("Consumers in all regions of the Nation . . . should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.")

Furthermore, service providers' ARPU data also demonstrates that a $60 per month benchmark is appropriate.[6] As the attached appendices demonstrate, a modern network's available revenue in the market today is approximately $135 per month ($40 voice, $30 broadband, $65 video). This revenue has permitted incumbent LECs to achieve ARPUs ranging from $55 to $64 per month, and these ARPUs are growing rapidly.[7] Furthermore, these ARPUs were achieved by incumbent LECs with low penetration rates for the "new" services – broadband (under 30%) and video (under 5%).[8] Thus, a benchmark of at least $60 is a conservatively low estimate of what is necessary to ensure that the Commission takes into account the revenues that carriers are able to generate.[9]

B. The Commission Must Strictly Limit any Carrier-to-Carrier Revenue Replacement Mechanism

Sprint believes that a $0.0007 per minute rate applicable to all terminating traffic is sufficient to fully compensate carriers for the costs they incur in terminating traffic and that all LECs should recover revenues via their own subscribers through services available to

[6] All ARPU data upon which Sprint relies in this letter and its appendices were culled from the following carriers' websites: AT&T, http://www.att.com/gen/investor-relations?pid=9531; Verizon, http://investor.verizon.com/financial/quarterly/index.aspx; Qwest, http://www.qwest.com/about/investor/financial/index.html; Embarq, http://investors.embarq.com/phoenix.zhtml?c=197829&p=irol-irhome; Cablevision, http://www.cablevision.com/investor/index.jsp; Comcast, http://www.cmcsk.com/phoenix.zhtml?c=118591&p=irol-irhome&lid=4AboutInvestors&pos=Nav; Windstream, http://www.snl.com/IRWebLinkX/GenPage.aspx?IID=4121400&GKP=202937; Frontier, http://phx.corporate-ir.net/phoenix.zhtml?c=66508&p=irol-irhome; TDS, http://ir.teldta.com/phoenix.zhtml?c=67422&p=irol-irhome; Cincinnati Bell, http://investor.cincinnatibell.com/phoenix.zhtml?c=111332&p=irol-IRHome; Century, http://ir.centurytel.com/phoenix.zhtml?c=112635&p=quarterlyearnings.

[7] In 2006, ARPUs ranged from $51 to $57, demonstrating an 8 to 12% increase in 2007.

[8] The cable provider's information in the attached appendices suggests that the incumbent LECs have significant revenue opportunities. Broadband penetration closer to the cable provider's level could increase the average revenue $10-$15 per line per month. In addition, video service provides a substantial revenue opportunity. For example, Verizon has reported average FiOS revenue of over $130 per subscriber. This figure is consistent with the $110 and $132 average revenue per basic video subscriber reported by Comcast and Cablevision, respectively.

[9] As Sprint notes below, the Commission should strictly limit any revenue replacement mechanism duration to three years. If the Commission were to extend the program beyond three years, it should establish a mechanism for adjusting the benchmark. The purpose of the benchmark is to identify end user revenues that carriers are able to generate over their networks. As consumer subscriptions to broadband services increase, for example, so will carriers' revenues.

their own subscribers. If the Commission concludes it must provide any replacement funding, however, the Commission must limit the duration of any revenue replacement fund to a period not to exceed three years. In addition, the Commission must prohibit carriers from counting IP minutes as assessable access minutes in computing the "access shift." Absent this restriction, the Commission would essentially be extending the flawed access regime to services that the Commission previously ruled were not subject to access charges. Finally, any revenue recovery mechanism should be technology and competitively neutral. Alternatively, if the revenue replacement funding is available only to one class of carriers (*e.g.*, wireline carriers), then only that class of carriers should be responsible for contributing to the fund.

C. Alternative Benchmark

If the Commission adopts a carrier-to-carrier fund, but declines to include all sources of revenue in the benchmark, then the Commission must also restrict availability of such funding to only those lines that do not purchase the additional services (*i.e.*, there should be no support provided for lines on which the customer purchases a bundle of services from the incumbent LEC). As the data provided herein demonstrate, incumbent LECs no longer rely solely on traditional basic local service and inflated access rates to recover the costs of their networks. If a benchmark is established based only upon basic service rates, then funding and the accompanying burden placed on other carriers' customers will be unnecessarily large. In addition, if the Commission adopts a basic-only benchmark, it must be benchmarked to inflation rather than static and subject to the same restrictions discussed above.

D. Subscriber Line Charge Caps

Sprint Nextel supports increases in subscriber line charge (SLC) caps as a method for incumbent LECs to recover their costs from their own customers rather than burdening other carriers' customers. In order to maximize the pro-competitive benefit of SLC cap increases and maximize the reduction in subsidies, the Commission should index the SLC caps to inflation and require reductions in existing high-cost-support in areas in which incumbent LECs have sufficient headroom under the new SLC caps and benchmarks.

* * * *

The Commission and Congress have envisioned a market in which true competition ensures that new and innovative services are continually made available to consumers at affordable rates. To foster that competition, the Commission must end the practice of forcing competing service providers that use alternative technologies to subsidize their incumbent LEC competitors. Sprint's proposal to establish a unitary $0.0007 termination rate; to strictly limit additional funding from rival service providers; and to ensure that transit and transport rates and obligations are based on efficient, forward-looking economic costs and technologies will ensure that all carriers, of all technologies, will compete on the basis of their products and prices for customers throughout the country.

Pursuant to Section 1.1206 of the Commission's rules, this letter is being electronically filed with your office. Please let me know if you have any questions regarding this filing.

Respectfully submitted,

/s/ Anna M. Gomez
Vice President, Government Affairs
Sprint Nextel Corporation

cc: Daniel Gonzalez
Amy Bender
Nicholas Alexander
Scott Bergmann
Scott Deutchman
Greg Orlando
Dana Shaffer
Don Stockdale
Marcus Maher
Julie Veach
Randy Clarke
Al Lewis
Victoria Goldberg
Tim Stelzig

APPENDIX A

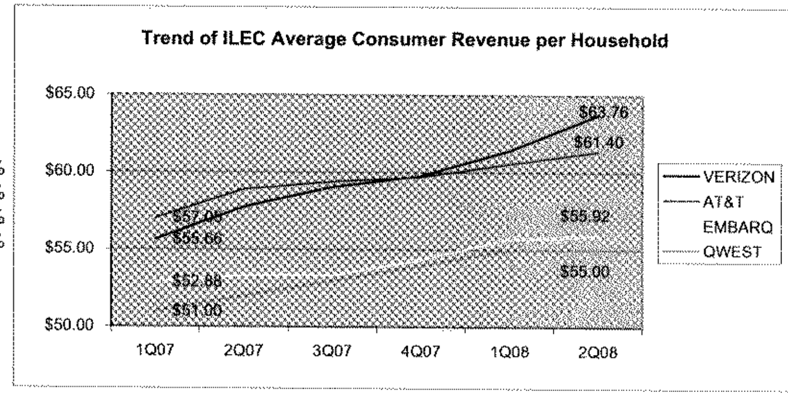
Average Revenue Comparisons
From Company Reported Financial Information

Average Revenue Comparisons
From Company Reported Financial Information
Bundle Value

Consumer Average Revenue per Household

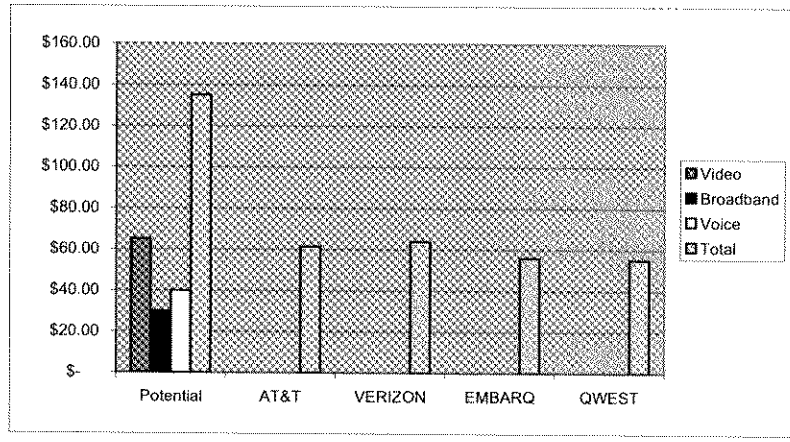
	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	Growth %
VERIZON	$ 55.66	$57.76	$ 59.05	$ 59.80	$ 61.44	$ 63.76	15%
AT&T	$ 57.05	$58.91	$ 59.43	$ 59.73	$ 60.57	$ 61.40	8%
EMBARQ	$ 52.88	$53.35	$ 53.35	$ 54.37	$ 55.70	$ 55.92	6%
QWEST	$ 51.00	$52.00	$ 53.00	$ 54.00	$ 55.00	$ 55.00	8%

Note: No other carriers researched reported consumer average revenues separately



Current vs. Potential -Total Bundle Value - Consumer

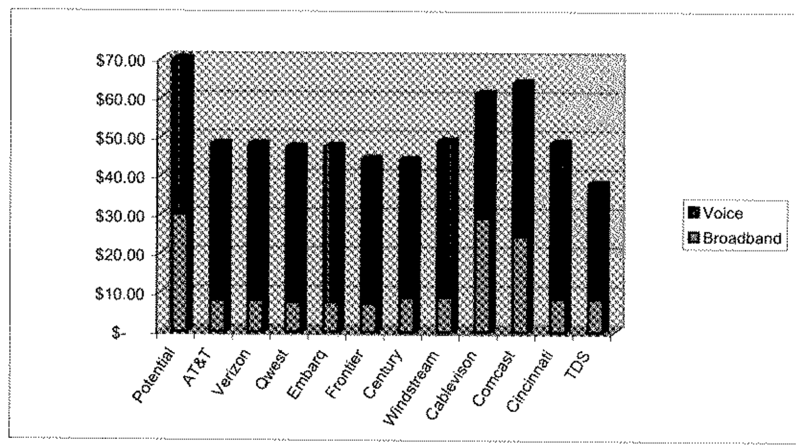
Total Bundle Values	Potential	AT&T	VERIZON	EMBARQ	QWEST
Video	$ 65.00				
Broadband	$ 30.00				
Voice	$ 40.00				
Total	$ 135.00	$61.40	$ 63.76	$ 55.92	$ 55.00



Current vs. Potential - Voice and Broadband Bundle

Total Bundle Values	Broadband	Voice	Total
Potential	$ 30.00	$40.00	$ 70.00
AT&T	$ 8.10	$40.00	$ 48.10
Verizon	$ 8.10	$40.00	$ 48.10
Qwest	$ 7.51	$39.88	$ 47.39
Embarq	$ 7.58	$40.00	$ 47.58
Frontier	$ 7.17	$37.24	$ 44.41
Century	$ 8.77	$35.29	$ 44.06
Windstream	$ 8.97	$40.00	$ 48.97
Cablevison	$ 29.27	$31.90	$ 61.17
Comcast	$ 24.56	$39.48	$ 64.04
Cincinnati	$ 8.53	$40.00	$ 48.53
TDS	$ 8.53	$29.42	$ 37.95

Notes: Assumes Maximum of $40 Total Voice if Reported Results are Higher



Various Reported Average Revenues
as Reported by the Local Service Provider in Quarterly Financial Statements

	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07	Notes
AT&T	$ 61.40	$ 60.57	$ 59.73	$ 59.43	$ 58.91	$ 57.05	Consumer Revenues per Household
Verizon	$ 63.76	$ 61.44	$ 59.80	$ 59.05	$ 57.76	$ 55.66	Consumer Retail ARPU , FiOS ARPU of $130+
Qwest	$ 55.00	$ 55.00	$ 54.00	$ 53.00	$ 52.00	$ 51.00	Consumer retail ARPU (voice, data, internet, video and wireless
Embarq	$ 55.92	$ 55.70	$ 54.37	$ 53.35	$ 53.35	$ 52.88	Consumer Revenue per Household also provides access lines, braodband and video connections
Frontier	$ 79.31	$ 78.77	$ 78.64	$ 77.31	$ 76.53	$ 84.38	prior to the 2Q08 reported average monthly total revenue per access line shown in this table, in 2Q2008 it added average customer revenue per line ($65.07 or 82% of total revenue) Also provides local and LD revenues separate and access lines and brodband and video connections
Century							provides voice only revenues, separately, access lines and brodband connections
Windstream	$ 83.20	$ 82.52	$ 80.85	$ 81.61	$ 80.62	$ 77.80	total wireline revenue divided by access lines
Cablevison	$ 132.29	$ 129.56	$ 125.10	$ 120.91	$ 121.01	$ 116.95	includes video, broadband, voice and a small amount of revenue from advertising and other (4.5% of revenue)
Comcast Cincinnati	$ 109.66	$ 106.74	$ 104.29	$ 102.38	$ 100.94	$ 96.30	includes video, broadband, voice and a small amount of revenue from advertising and other (11% of revenue)

Highlighted Areas are pure consmuer average revenue figurres reported

Voice Service Data -Reported

Subs

	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07	
AT&T	55,448,000	56,815,000	57,820,000	58,774,000	59,500,000	59,972,000	retail access lines
Verizon	38,264,000	40,521,000	41,441,000	42,316,000	41,832,000	44,154,000	total Lines
Qwest	8,258,000	8,493,000	8,694,000	8,877,000	9,057,000	9,265,000	Mass market only (Res and Sm.B)
Embarq	6,022,000	6,192,000	6,312,000	6,403,000	6,533,000	6,681,000	total lines
Frontier	2,341,747	2,387,108	2,431,676	2,461,617	2,503,718	2,538,471	total access lines (4Q2007 LD% 64.5%)
Century	2,077,000	2,108,000	2,135,000	2,171,000	2,205,000	2,070,000	total lines
Windstream	3,124,200	3,161,200	3,203,200	3,241,400	3,287,600	3,325,300	total access lines (LD subs 2049700 or 66%)
Cablevison	1,766,000	1,685,000	1,592,000	1,490,000	1,399,000	1,320,000	total telephony subscribers
Comcast	5,653,000	5,154,000	4,625,000	3,774,000	3,593,000	3,019,000	total telephony subscribers
Cincinnati	805,700	820,600	834,300	848,700	863,600	875,900	total access lines (LD subs 536300 or 67%)
TDS	577,000	579,200	585,600	595,100	601,600	610,300	total access lines (LD subs 346100 or 60%)

Revenues

	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07	
AT&T	$ 9,757,000,000	$ 9,919,000,000	$ 10,011,000,000	$ 10,356,000,000	$ 10,586,000,000	$ 10,677,000,000	total voice revenues
Verizon							nothing to accurately segment the local voice revenues massmarket
Qwest	$ 988,000,000	$ 1,020,000,000	$ 1,038,000,000	$ 1,057,000,000	$ 1,074,000,000	$ 1,083,000,000	total mass market voice revenues
Embarq	$ 994,000,000	$ 1,024,000,000	$ 1,032,000,000	$ 1,051,000,000	$ 1,071,000,000	$ 1,084,000,000	total voice revenues
Frontier	$ 261,615,000	$ 263,611,000	$ 265,290,000	$ 278,969,000	$ 279,675,000	$ 246,471,000	local and LD revenues
Century	$ 219,901,000	$ 220,480,000	$ 225,525,000	$ 229,862,000	$ 219,803,000	$ 209,075,000	total voice revenues
Windstream	$ 375,400,000	$ 378,200,000	$ 381,500,000	$ 389,300,000	$ 396,300,000	$ 397,200,000	voice and LD revenues
Cablevison	$ 169,000,000	$ 160,000,000	$ 147,000,000	$ 138,000,000	$ 128,000,000	$ 121,000,000	total voice revenues
Comcast	$ 669,541,320	$ 622,190,880	$ 561,382,500	$ 472,000,000	$ 459,832,140	$ 384,379,080	voice and LD revenues
Cincinnati	$ 123,500,000	$ 125,300,000	$ 124,700,000	$ 125,600,000	$ 130,100,000	$ 131,400,000	local rev and LD/VoIP
TDS	$ 50,925,000	$ 51,576,000	$ 53,521,839	$ 56,179,310	$ 56,447,000	$ 57,522,000	voice rev only, until 1Q20008 local service was reported then the category went to voice revenue (in !Q2007 local service was $49,642,000 vs. the later reported voice revenues of 57522,000 or 87%)

Average Revenues Per Sub

	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07	
AT&T	$ 58.66	$ 58.19	$ 57.71	$ 58.73	$ 59.31	$ 59.34	total voice revenues
Verizon							
Qwest	$ 39.88	$ 40.03	$ 39.80	$ 39.69	$ 39.53	$ 38.96	voice services
Embarq	$ 55.02	$ 55.12	$ 54.50	$ 54.71	$ 54.65	$ 54.08	voice revenues only
Frontier	$ 37.24	$ 36.81	$ 36.37	$ 37.78	$ 37.23	$ 32.36	local and LD revenues
Century	$ 35.29	$ 34.86	$ 35.21	$ 35.29	$ 33.23	$ 33.67	voice revenues
Windstream	$ 40.05	$ 39.88	$ 39.70	$ 40.03	$ 40.18	$ 39.82	voice and LD revenues
Cablevison	$ 31.90	$ 31.65	$ 30.78	$ 30.87	$ 30.50	$ 30.56	
Comcast	$ 39.48	$ 40.24	$ 40.46	$ 41.35	$ 42.66	$ 42.44	
Cincinnati	$ 51.09	$ 50.90	$ 49.82	$ 49.33	$ 50.22	$ 50.01	local rev and LD/VoIP
TDS	$ 29.42	$ 29.68	$ 30.47	$ 31.47	$ 31.28	$ 31.42	voice rev only, unitl 1Q20008 local service was reported then the category went to voice revenue (in !Q2007 local service was $49,642,000 vs. the later reported voice revenues of 57522,000 or 87%)
Wt Ave. All	52.70	52.57	52.29	53.23	53.61	53.49	
Wt Ave. Highlighted	38.17	38.32	38.11	38.85	39.07	37.54	

Note: Highlighed information is reflective of the value ILEC generate for total voice - Local and LD

Broadband Service Data-Reported

Subs	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07	NOTES
AT&T	14,963,000	14,647,000	14,156,000	13,760,000	13,261,000	12,861,000	total broadband connections (85.6% consumer)
Verizon	10,330,000	10,301,000	9,735,000	9,271,000	8,571,000	8,298,000	DSL plus FiOs Internet
Qwest	2,732,000	2,701,000	2,611,000	2,516,000	2,405,000	2,305,000	
Embarq	1,364,000	1,340,000	1,277,000	1,216,000	1,156,000	1,104,000	
Frontier	559,345	543,020	523,845	497,241	479,317	464,055	
Century	607,000	586,000	555,000	530,000	500,000	413,000	
Windstream	934,300	91,000	871,400	830,200	782,100	744,100	
Cablevison	2,395,000	2,343,000	2,282,000	2,220,000	2,168,000	2,118,000	
Comcast	14,357,000	14,078,000	13,586,000	12,888,000	12,771,000	12,432,000	
Cincinnati	229,200	227,900	221,500	217,600			
TDS	164,100	154,800	143,500	135,500	127,400	118,000	

Revenues	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07	
AT&T							Not Reported Separately
Verizon							Not Reported Separately
Qwest							Not Reported Separately
Embarq	$ 137,000,000	$ 133,000,000	$ 128,000,000	$ 124,000,000	$ 121,000,000	$ 116,000,000	
Frontier							Not Reported Separately
Century							Not Reported Separately
Windstream							Not Reported Separately
Cablevison	$ 275,000,000	$ 270,000,000	$ 262,000,000	$ 254,000,000	$ 252,000,000	$ 244,000,000	
Comcast	$ 1,809,412,710	$ 1,781,430,120	$ 1,724,063,400	$ 1,657,139,040	$ 1,654,738,470	$ 1,606,711,680	
Cincinnati							Not Reported Separately
TDS							Not Reported Separately

Average Revenues Per Sub - Reported

	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
AT&T	$ -	$ -	$ -	$ -	$ -	$ -
Verizon	$ -	$ -	$ -	$ -	$ -	$ -
Qwest						
Embarq	$ 33.48	$ 33.08	$ 33.41	$ 33.99	$ 34.89	$ 35.02
Frontier						
Century						
Windstream						
Cablevison	$ 38.27	$ 38.41	$ 38.27	$ 38.14	$ 38.75	$ 38.40
Comcast	$ 42.01	$ 42.18	$ 42.30	$ 42.86	$ 43.19	$ 43.08
Cincinnati						
TDS						

Projected Revenues

	2Q08		2Q08 Average Rev/Line	
AT&T	$ 6,386,680,000	Calculated @ $30	$ 8.10	Per Voice Line
Verizon	$ 3,718,800,000	Calculated @ $30	$ 8.10	Per Voice Line
Qwest	$ 983,520,000	Calculated @ $30	$ 7.51	Per Voice Line
Embarq	$ 548,000,000	Reported	$ 7.58	Per Voice Line
Frontier	$ 201,364,200	Calculated @ $30	$ 7.17	Per Voice Line
Century	$ 218,520,000	Calculated @ $30	$ 8.77	Per Voice Line
Windstream	$ 336,348,000	Calculated @ $30	$ 8.97	Per Voice Line
Cablevison	$ 1,100,000,000	Reported	$ 29.27	Per Basic Video Sub
Comcast	$ 7,237,650,840	Reported	$ 24.56	Per Basic Video Sub
Cincinnati	$ 82,512,000	Calculated @ $30	$ 8.53	Per Voice Line
TDS	$ 59,076,000	Calculated @ $30	$ 8.53	Per Voice Line

Broadband Penetration of voice subs for ILEC Broadband and Basic Able Subs for Cable Modem

	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
AT&T	27.0%	26%	24%	23%	22%	21%
Verizon	27.0%	25%	23%	22%	20%	19%
Qwest	25.0%	24.0%	23%	22%	20%	19%
Embarq	22.7%	22%	20%	19%	18%	17%
Frontier	23.9%	23%	22%	20%	19%	18%
Century	29.2%	28%	26%	24%	23%	20%
Windstream	29.9%	3%	27%	26%	24%	22%
Cablevison	76.5%	75%	73%	71%	69%	67%
Comcast	58.5%	57%	55%	53%	51%	50%
Cincinnati	28.4%	28%	27%	26%	0%	0%
TDS	28.4%	27%	25%	23%	21%	19%

Video Service Data - Reported

Subs	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07	
AT&T	2,784,000	2,611,000	2,347,000	2,112,000	1,897,000	1,697,000	Satelite & U-Verse (U-verse 549K in 2Q08)
Verizon	1,400,000	1,200,000	900,000	700,000	500,000		ViOS TV
Qwest	722,000	690,000	649,000	605,000	554,000	491,000	Satelite
Embarq	239,000	217,000	200,000	190,000	178,000	170,000	Satelite
Frontier	107,596	101,410	93,596	86,446	81,092	76,009	Satelite
Century							Nothing reported
Windstream	231,100	210,400	195,600	177,500	150,200	122,300	Satelite
Cablevison	3,132,000	3,125,000	3,123,000	3,122,000	3,139,000	3,139,000	Cable
Comcast	24,553,000	24,691,000	24,748,000	24,156,000	24,904,000	25,005,000	Cable
Cincinnati							Nothing reported
TDS							Nothing reported

Revenues	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07	
AT&T							Not Reported Separately
Verizon							Not Reported Separately
Qwest							Not Reported Separately
Embarq							Not Reported Separately
Frontier							Not Reported Separately
Century							Not Reported Separately
Windstream							Not Reported Separately
Cablevison	$ 741,000,000	$ 735,000,000	$ 703,000,000	$ 689,000,000	$ 701,000,000	$ 682,000,000	
Comcast	$ 4,726,000,000	$ 4,706,000,000	$ 4,406,000,000	$ 4,406,000,000	$ 4,597,000,000	$ 4,491,000,000	
Cincinnati							Not Reported Separately
TDS							Not Reported Separately

Average Revenues Per Sub

	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
AT&T						
Verizon						
Qwest						
Embarq						
Frontier						
Century						
Windstream						
Cablevison	$ 78.86	$ 78.40	$ 75.03	$ 73.56	$ 74.44	$ 72.42
Comcast	$ 63.98	$ 63.46	$ 59.34	$ 60.80	$ 61.40	$ 59.97
Cincinnati						
TDS						

Video Market Penetration

	2Q08	1Q08	4Q07	3Q07	2Q07	1Q07
AT&T	5.0%	4.6%	4.1%	3.6%	3.2%	2.8%
Verizon	3.7%	3.0%	2.2%	1.7%	1.2%	0.0%
Qwest	8.7%	8.1%	7.5%	6.8%	6.1%	5.3%
Embarq	4.0%	3.5%	3.2%	3.0%	2.7%	2.5%
Frontier	4.6%	4.2%	3.8%	3.5%	3.2%	3.0%
Century						
Windstream	7.4%	6.7%	6.1%	5.5%	4.6%	3.7%
Cablevison						
Comcast						
Cincinnati						
TDS						

APPENDIX B

Notes on Available Public Data
Carrier Financial Reports

APPENDIX B

Notes on Available Public Data - Carrier Financial Reports

In order to develop a national revenue benchmark, Sprint reviewed the financial reporting for the corporations that own the largest ILEC[1] telephone operations in the country as well as the largest cable operations. Although there are no standard metrics that all service providers follow, Sprint was able to glean significant meaningful information from these publicly available data. Below is the description of the information researched and relevant findings.

Average Revenue per User (Household/Access Line)

Four ILECs, AT&T, Verizon, Qwest and Embarq provide average revenue data in their quarterly financial reports. These data include local voice, long distance, features, broadband and video. In addition, although two cable companies also provide an average revenue amount, their average is based on basic video subscribers. None of the other carriers researched provided average revenues for all services provided, so Sprint reviewed data for individual services: voice, broadband and video.

Voice Revenues

The goal of looking at the reported voice service information was to see if average revenue per voice subscriber was available, so that Sprint could include only local service and long distance revenues without data, access or USF revenues. All providers of voice service researched provided the number of subscribers/access lines in service in each quarter. But the level of detail provided for the revenue information varied. One carrier reported only total wireline data, which could not be used to develop a meaningful average. Several carriers only reported total voice revenues, which, although better than wireline still overstated the average revenue. Several ILECs, however, did provide total revenues for local and long distance separately, permitting average revenue per access line to be computed.

From these carriers, the average revenue for voice service appears to approximate $38 per line per month. This average is also consistent with the average revenue for voice service reported by the cable providers. It should be noted that several ILECs reported access lines presubscribed to the ILEC's long distance service. None reported a percentage take rate of less than 60%.

Broadband Revenues

The goal of looking at the reported broadband service information was to see if average revenue per broadband subscriber was available. Average revenue per broadband subscriber was available for one ILEC ($33 per month) and for both cable

[1] These ILECs include price cap carriers, rate-of-return carriers, and carriers that continue to operate under both regimes.

providers ($40 per month). Using each provider's broadband connections data, Sprint calculated the penetration of the provider's customer base. The ILECs currently have penetration rates between 23% and 30% of their voice customers. The cable providers have penetration rates of approximately 60-75%. The latter's higher penetration rate means the average revenue currently realized on the cable providers' full customer base is $25-$30, while the ILECs with lower penetration generate approximately $8-$9 in broadband revenues per local voice customer. This lower penetration provides opportunities for the ILECs to continue to grow their average broadband revenue. Since 1Q2007, the average has already increased approximately $2-$3 per line per month.

Video Revenues

The goal of looking at the reported video service information was to see if average revenue per video subscriber was available. The cable companies of course report information on their video service. The cable companies provide subscribers, revenue, and average revenue. Cable generated average revenue of approximately $65-$75 per subscriber. ILECs have various business models to provide video service. AT&T and Verizon are entering the facilities-based video business, while the other ILECs in the study are reselling satellite services to their customer base. Yet many of these ILECs have been quite successful in selling these services, with two ILECs nearing double-digit penetration percentage.

The cable providers' information suggests significant revenue opportunities for the ILECs. Broadband penetration closer to the cable provider's level could increase the average revenue per line $10-$15 per line per month. In addition, video service provides a substantial revenue opportunity. Verizon is reporting average FiOS[2] revenue of over $130 per subscriber. This figure is consistent with the $110 and $132 average revenue per basic video subscriber reported by Comcast and Cablevision, respectively.

[2] FiOS is video, broadband and voice