

2014 Urban Rate Survey

The form and content of the Urban Rate Survey for fixed voice services was adopted in an Order released in April 2013.¹ That Order concluded that the urban rate survey would be conducted from a statistically valid sample of fixed terrestrial voice providers drawn from 2010 Census urban areas and urban clusters within Metropolitan Statistical Areas.

Sample Selection

The Urban Rate Survey asked for voice service rates from a sample of service providers. To determine which voice providers to sample, the Wireline Competition Bureau (Bureau) relied on data collected via FCC Form 477, which is a biannual voice and broadband data collection. The Bureau used the U.S. Census Bureau's definition of urban to determine what areas were eligible for the survey and then defined as the sample pool any fixed terrestrial voice service provider that operated in these areas.

The sample was determined in a two-stage process. First, 500 census tracts were selected using random generator software from the 58,332 urban census tracts in the 50 states and Puerto Rico. The selection criteria for census tracts were weighted so that those with a greater number of households received a higher probability of being chosen. Second, a service provider was randomly chosen from each of the selected census tracts. The Bureau used FCC Form 477 data to determine which companies are providing fixed residential voice service in a given area. The selection criteria for service providers was weighted so that non-incumbent local exchange carriers (LECs) that nationally have low voice connection density per ZIP code area had a lower probability of being selected than other service providers. This sampling process resulted in an Urban Rate Survey sample of 500 service provider/census tract pairs; the pairs encompassed 497 different census tracts and 103 different companies.

Collection of Data

On December 16, 2013, the Bureau contacted all companies included in the Urban Rate Survey sample to notify them that they must report their voice service rates for specific census tracts by January 17, 2014. Many companies were asked to report rates for multiple census tracts. Survey participants were given a hyperlink and told how to log in to the Urban Rate Survey data collection system. In the system, survey participants reported rate components for standard, non-promotional, standalone residential voice services. Specifically, the survey asked for current rates on unlimited or flat-rate local voice service (i.e. R-1 service), measured or messaged voice service, and unlimited all-distance service offered to customers in the specified census tract. If a provider did not offer a given service at that time in the specified census tract, they indicated this in the system.

¹ *Connect America Fund*, WC Docket No. 10-90, Order, 28 FCC Rcd 4242 (Wireline Comp. Bur. and Wireless Telecom. Bur. 2013).

For each type of service, respondents reported values of the following monthly rate components charged to customers: recurring service charge, Federal subscriber line charge (SLC), Access Recovery Charge, State SLC, mandatory extended area service (EAS), voluntary EAS, and the total of all other surcharges, taxes, and TRS charges. Respondents also indicated whether the service was provided by circuit switched or VoIP technology. Once the respondent had completed all questions, a certifying official submitted the survey.

To ensure accurate and consistent data, Bureau staff was available to answer questions, and did respond to requests for assistance. Bureau staff also followed up with any companies not initially responding to the survey. These efforts resulted in a 99 percent response rate. Further information about the data collection process, including instructions provided to Urban Rate Survey respondents is available at <http://www.fcc.gov/encyclopedia/urban-rate-survey-data>.

Rate Floor Computation

The Commission specified in the 2011 *USF/ICC Transformation Order* what components were to be included in calculating the rate floor. For each survey response, a monthly rate was calculated as the sum of the local end-user rate and state regulated fees (specifically, state subscriber line charges (SLCs), state universal service, and mandatory extended area service charges) for unlimited or flat-rate local service. While the survey required respondents to report if they offered measured or message local service, the survey instrument did not collect data from respondents regarding average minutes of use for customers electing to purchase such service plans. Incorporating measured service rate structures would require significant assumptions regarding customers' minutes of use; as a result, the Bureau decided to calculate the rate floor using only data for local flat-rate services. The Bureau based its calculation on data from incumbent LECs. There were 17 incumbent LEC service providers in 135 census tracts that reported rates for the unlimited or flat-rate local service. These rates ranged from \$11.15 to \$34.93, with a median of \$20.62. The average monthly rate of \$20.46 was calculated as a weighted average of these rates.