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DA 17-167

Released: February 14, 2017

WIRELINE COMPETITION BUREAU ANNOUNCES RESULTS OF 2017 URBAN RATE SURVEY FOR FIXED VOICE AND BROADBAND SERVICES, POSTING OF SURVEY DATA AND EXPLANATORY NOTES, AND REQUIRED MINIMUM USAGE ALLOWANCE FOR ETCs SUBJECT TO BROADBAND PUBLIC INTEREST OBLIGATIONS

WC Docket No. 10-90

Today, the Wireline Competition Bureau (Bureau) announces the 2017 rate floor for incumbent eligible telecommunications carriers (ETCs) and reasonable comparability benchmarks for fixed voice and broadband services.¹ In addition, we announce the posting of the fixed voice and broadband services data collected in the most recent urban rate survey, and explanatory notes regarding the data, on the Commission's website at <http://www.fcc.gov/encyclopedia/urban-rate-survey-data>. The Bureau also announces the required minimum usage allowance for ETCs subject to public interest obligations for fixed broadband.

Voice Rates. Based on the survey results, the 2016 rate floor for voice services is \$22.49,² and the reasonable comparability benchmark for voice services is \$49.51.³ Under the Commission's rules, by July 1, 2017, all ETCs that are incumbent local exchange carrier (ILEC) recipients of high-cost support must report in their annual FCC Form 481 the number of residential service lines for which the sum of the local rate and state fees (as of June 1, 2017) is below \$22.49.⁴ To the extent that an ILEC's local rates (plus state regulated fees) in 2017 are less than \$20, that carrier's high-cost support will be reduced on a dollar-for-dollar basis.⁵ In addition, each ETC, including competitive ETCs providing fixed voice services,⁶ must certify in the FCC Form 481 filed no later than July 1, 2017, that the pricing of its basic residential voice services is no more than \$49.51.⁷

¹ See *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*USF/ICC Transformation Order*), *aff'd sub nom*, *In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014).

² The *USF/ICC Transformation Order* defined the average urban rate to include local end-user rates plus state regulated fees (specifically, state subscriber line charges (SLCs), state universal service, and mandatory extended area service charges). *USF/ICC Transformation Order*, 26 FCC Rcd at 17751, para. 238.

³ *Id.* at 17694, para. 84.

⁴ 47 CFR § 54.313(h). The rate floor rule only applies to ILECs that receive high-cost loop support or frozen support provided to price cap carriers to the extent that support was based on high-cost loop support or former high-cost proxy model support. 47 CFR § 54.318(d). This requirement does not apply to recipients of A-CAM support or Alaska rate-of-return carriers receiving support pursuant to the Alaska Plan.

⁵ See *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order et al., 29 FCC Rcd 7051, 7077-82, paras. 77-86 (2014) (waiving full impact of local rate floor over a four-year period).

⁶ The Bureau has adopted a benchmark only for fixed voice services because "the differences in rate plans and other attributes of fixed and mobile services would make it inordinately difficult to create a unified benchmark" that

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Broadband Rates. Recipients of high-cost and/or Connect America Fund support that are subject to broadband performance obligations are required to offer broadband service at rates that are at or below the relevant reasonable comparability benchmark.⁸ They are required to certify that they are meeting the relevant reasonable comparability benchmark for their broadband service offering in the FCC Form 481 filed no later than July 1, 2017.⁹

Under the approach adopted by the Bureau in 2014, the reasonable comparability broadband benchmark varies, depending upon the supported service’s download and upload bandwidths and usage allowance.¹⁰ The following table provides the 2017 benchmark for a number of different broadband service offerings:¹¹

Download Speed (Mbps)	Upload Speed (Mbps)	Usage Allowance (GB)	Benchmark
10	1	100	\$76.47
10	1	150	\$76.97
10	1	250	\$77.37
10	1	Unlimited	\$77.98
25	3	250	\$89.92
25	3	Unlimited	\$90.53
25	5	250	\$90.16
25	5	Unlimited	\$90.76

To facilitate benchmark calculations, the Bureau will post an Excel file and online tool in which providers can plug the relevant variables to determine the benchmark for specific service characteristics at <http://www.fcc.gov/encyclopedia/urban-rate-survey-data>.

Minimum Usage Allowance. Under the *USF/ICC Transformation Order* and subsequent orders, ETCs subject to broadband public interest obligations must provide broadband with usage allowances

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applied to both fixed and mobile services. *See Connect America Fund*, WC Docket No. 10-90, Order, 28 FCC Rcd 4242, para. 6 (WCB 2014).

⁷ 47 CFR § 54.313(a)(10); *see also USF/ICC Transformation Order*, 26 FCC Rcd at 18046-47, para. 1026. In the *USF/ICC Transformation Order*, the Commission required that as a condition of receiving high-cost support, ETCs must offer voice service in supported areas at rates that are reasonably comparable to rates for similar services in urban areas. *USF/Transformation Order*, 26 FCC at 17693, para. 81.

⁸ *Id.* at 17695, para. 86.

⁹ 47 CFR § 54.313(a)(12). The Commission has directed the Bureau to develop an Alaska-specific reasonable comparability benchmark. *See Connect America Fund; Universal Service Reform–Mobility Fund; Connect America Fund–Alaska Plan*, WC Docket Nos. 10-90, 16-271, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 10139, 10149, para. 28 (2016); *Connect America Fund*, WC Docket No.10-90, Order, 31 FCC Rcd 1208612092, para. 21 (2016).

¹⁰ *Connect America Fund*, WC Docket No. 10-90, Report and Order, 29 FCC Rcd 13485 (WCB 2014).

¹¹ We emphasize that carriers subject to broadband public interest obligations may offer their customers services other than those meeting the defined benchmark and minimum usage allowance. As long as the carrier offers at least one broadband service plan that meets the relevant metrics, it is free to offer other plans and packages to meet the varying needs of consumers. We note that usage allowance requirements do not apply to those areas that rely exclusively on satellite backhaul. *See USF/ICC Transformation Order*, 26 FCC Rcd at 17699-700, para. 101; *see also* 47 CFR § 54.313(g).

reasonably comparable to those available through comparable offerings in urban areas.¹² The Commission delegated to the Bureau the task of setting a specific minimum usage allowance and specified that minimum should be adjusted over time.¹³

In the 2016 *Rate-of-Return Reform Order*, the Commission specified that the required minimum usage allowance for rate-of-return carriers receiving A-CAM support would be 150 GB per month, or a usage allowance reflecting the average usage of a majority of fixed broadband customers, using Measuring Broadband America data or a similar data source, whichever is higher.¹⁴

In the 2016 *Phase II Auction Order*, the Commission concluded that price cap carriers could meet the baseline performance data usage allowance established for the Phase II auction support in lieu of meeting the standard previously adopted by the Bureau's *Phase II Service Obligations Order*.¹⁵ The usage allowance adopted by the Commission for the baseline performance tier is the same as that specified for recipients of A-CAM support: 150 GB per month, or a usage allowance that reflects the average usage of a majority of fixed broadband customers, using Measuring Broadband America data or a similar data source, whichever is higher.¹⁶

According to the Commission's 2016 Measuring Broadband America data, the average usage (mean) for fixed broadband subscribers is 164 GB,¹⁷ which is higher than 150 GB. For administrative simplicity, for 2017, we specify a minimum monthly usage allowance of 160 GBs for both price cap carriers receiving Phase II model-based support and rate-of-return carriers.¹⁸

¹² See *USF/ICC Transformation Order*, 26 FCC Rcd at 17699, para. 99. See 47 CFR §§ 54.308(a), 54.309(a).

¹³ *USF/ICC Transformation Order*, 26 FCC Rcd at 17699, para. 99. In 2013, the Bureau concluded that price cap carriers accepting model-based support would be required to offer a minimum usage allowance over the course of Phase II's term that (1) remains consistent with trends in usage for 80 percent of consumers using cable or fiber-based fixed broadband services, or alternatively, (2) is at least 100 GB and at or above the usage level for 80 percent of all of that carrier's broadband subscribers, including those subscribers that live outside of Phase II-funded areas. See *Connect America Fund*, WC Docket No. 10-90, Report and Order, 28 FCC Rcd 15060, 15068, paras. 18 (WCB 2013) (*Phase II Service Obligations Order*). Last year, the Bureau adopted the same approach for determining usage allowances for rate-of-return carriers as the Bureau had previously adopted for Phase II model-based support recipients. *Wireline Competition Bureau Announces Results of 2016 Urban Rate Survey for Fixed Voice and Broadband Services, et al.*, Public Notice, 31 FCC Rcd 3393 (WCB 2016). For 2016, the Bureau specified a 150 GB minimum usage allowance for both recipients of Phase II model-based support and rate-of-return carriers.

¹⁴ *Connect America Fund et al.*, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087, 3099, para. 27 (2016). See 47 CFR § 54.308(a)(1).

¹⁵ *Connect America et al.*, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 5949, 5959, para. 25 n.52 (2016).

¹⁶ *Id.* at 5959-60, para. 25. See 47 CFR § 54.309(a)(2)(ii).

¹⁷ See FCC's Office of Engineering and Technology and Consumer and Governmental Affairs Bureau, Measuring Broadband America, Measuring Fixed Broadband Report -- 2016, <https://www.fcc.gov/general/measuring-broadband-america-measuring-fixed-broadband#block-menu-block-4>. Records for cable, DSL, and Fiber usage were included in the observation, with certain records excluded. See Fixed Broadband Monthly Data Usage Estimation Methodology for 2017 Usage Allowance, <https://www.fcc.gov/general/urban-rate-survey-data-resources>.

¹⁸ In lieu of this national figure, price cap carriers receiving Phase II support are free to utilize the alternative measure adopted by the Bureau in 2013 if that is lower: a usage allowance that is at or above the usage level for 80 percent of all of that carrier's broadband subscribers, including those subscribers that live outside of Phase II-funded areas. See *Phase II Service Obligations Order*, 28 FCC Rcd at 15068, para. 18.

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