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Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

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TTY: 1-888-835-5322

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WIRELINE COMPETITION BUREAU ANNOUNCES RESULTS OF 2019 URBAN RATE SURVEY FOR FIXED VOICE AND BROADBAND SERVICES, POSTING OF SURVEY DATA AND EXPLANATORY NOTES, AND REQUIRED MINIMUM USAGE ALLOWANCE FOR ELIGIBLE TELECOMMUNICATIONS CARRIERS

WC Docket No. 10-90

Today, the Wireline Competition Bureau (Bureau) announces the 2019 reasonable comparability benchmarks for fixed voice and broadband services for eligible telecommunications carriers (ETCs) subject to broadband public interest obligations, including incumbent local exchange rate-of-return carriers, incumbent price-cap carriers receiving CAF Phase II support, Rural Broadband Experiment providers, and Connect America Fund Phase II Auction (Auction 903) winners.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 2019 urban average monthly rate (the rate floor) is \$26.98.² Therefore, the reasonable comparability benchmark for voice services, two standard deviations above the urban average, is \$51.61.³ Under the Commission's rules, each ETC, including competitive ETCs providing fixed voice services,⁴ must certify in the FCC Form 481 filed no later than July 1, 2019, that the pricing of its basic residential voice services is no more than \$51.61.⁵

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. The rate floor and reasonable comparability benchmark for voice services apply to mainland providers and those in Alaska.

³ *Id.* at 17694, para. 84.

⁴ 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 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).

⁵ 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.

In May 2017, the Commission froze the rate at which support reductions would occur at \$18 until July 1, 2018 or until the Commission takes further action.⁶ The Commission also sought comment on whether to make any changes to the current rate floor methodology or eliminate the rate floor and its accompanying reporting obligation entirely. This proceeding remains pending.⁷ Unless the Commission takes further action prior to July 1, 2019, carriers will be subject to support reductions for any rate that is less than \$26.98 and must report their rates to the extent those rates are below the rate floor (i.e. \$26.98) in their annual Form 481 filings.⁸

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.⁹ Carriers subject to the Alaska Plan are required to meet Alaska-specific benchmarks¹⁰ and 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, 2019.¹¹

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.¹² Alaska-specific benchmarks were developed in the same manner using data from Alaska carriers serving Alaska urban areas.

The following table provides the 2019 benchmark¹³ for a number of different broadband service offerings, though providers will need to determine the benchmark for services with characteristics not shown in the table:¹⁴

⁶ See *Connect America Fund*, WC Docket No. 10-90, Notice of Proposed Rulemaking and Order, 32 FCC Rcd 4509, 4514, paras. 14-15 (2017).

⁷ *Id.* at 4511-14, paras. 6-13.

⁸ See 47 CFR 54.313(h).

⁹ *Id.* at 17695, para. 86.

¹⁰ *Connect America Fund, Report and Order and Further Notice of Proposed Rulemaking*, WC Docket No.10-90, et al., 31 FCC Rcd 10139, 10149, para 28 (2016).

¹¹ 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).

¹² *Connect America Fund*, WC Docket No. 10-90, Report and Order, 29 FCC Rcd 13485 (WCB 2014).

¹³ We note that the 2019 reasonable comparability benchmarks calculated for fixed broadband services are similar to the 2017 reasonable comparability benchmarks, which are lower than 2018 reasonable comparability benchmarks. The reason for the change is that the standard deviation in survey data varies over survey years. The inconsistent rate variation in the data reflects rapid changes in the consumer market for fixed broadband services as well as a larger number of service offerings creating a smaller sample size for each service package offered in the market.

¹⁴ 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).

Download Bandwidth (Mbps)	Upload Bandwidth (Mbps)	Capacity Allowance (GB)	2019 U.S. (\$)	2019 AK (\$)
4	1	200	66.12	113.19
4	1	Unlimited	70.76	119.06
10	1	200	72.31	121.54
10	1	Unlimited	77.30	127.75
25	3	200	77.65	129.52
25	3	Unlimited	82.66	135.75
25	5	200	78.49	129.78
25	5	Unlimited	83.50	136.01
50	5	Unlimited	100.85	153.64
100	10	Unlimited	106.23	161.16
250	25	Unlimited	128.69	203.67
500	50	Unlimited	148.35	223.87
1000	100	Unlimited	162.33	232.38

To facilitate benchmark calculations, the Bureau will post an Excel file and online tool in which providers can enter 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 reasonably comparable to those available through comparable offerings in urban areas.¹⁵ The Commission delegated to the Bureau the task of setting a specific minimum usage allowance and specified that minimum should be adjusted over time.¹⁶

In the 2016 *Rate-of-Return Reform Order*, the Commission specified that the required minimum usage allowance for rate-of-return carriers receiving model-based 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.¹⁷ In the 2016 *Phase II Auction Order*, the Commission concluded that price cap carriers that accepted model-based support could meet the baseline performance data usage allowance established for the Phase II auction support in

¹⁵ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17699, para. 99. See 47 CFR §§ 54.308(a), 54.309(a).

¹⁶ *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*). 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).

¹⁷ *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).

lieu of meeting the standard previously adopted by the Bureau's *Phase II Service Obligations Order*.¹⁸ The usage allowance adopted by the Commission for the baseline performance tier is the same as that specified for rate-of-return recipients of model-based 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 (MBA) data or a similar data source, whichever is higher.¹⁹

For 2018, the Bureau specified a minimum monthly usage allowance of 170 GB (rounded from 172.3 GB for administrative convenience) for both price cap carriers receiving Phase II model-based support and rate-of-return carriers based on the Cisco Visual Networking Index (Cisco VNI) average Internet household usage in the United States.²⁰ The Bureau did this because at that time, the MBA program was phasing out collection of usage data. However, the MBA program has recently developed and deployed updated processes to collect such data. Based on MBA 2018 usage data, the average monthly usage is 215.62 GBs per month.²¹ For administrative convenience, the Bureau specifies a minimum monthly usage allowance of 215 GB for 2019.

For further information, please contact Suzanne Yelen, Telecommunications Access Policy Division, Wireline Competition Bureau, at (202) 418-7400 or (202) 418-0484 (TTY), or at suzanne.yelen@fcc.gov.

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¹⁸ *Connect America et al.*, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 5949, 5959, para. 25 n.52 (2016).

¹⁹ *Id.* at 5959-60, para. 25. See 47 CFR § 54.309(a)(2)(ii).

²⁰ Cisco Visual Networking Index: Forecast and Methodology, 2016-2021, Overview of VNI methodology available at https://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/complete-white-paper-c11-481360.html#_Toc484813975. 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.

²¹ We note that the Cisco VNI average Internet household usage was 254.7 GB per month in 2017. See Cisco Visual Networking Index: Forecast and Methodology, 2017-2022, Overview of VNI methodology available at https://www.cisco.com/c/m/en_us/solutions/service-provider/vni-forecast-highlights.html#.