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FEDERAL-STATE JOINT BOARD STAFF RELEASES MONITORING REPORT

Comprehensive Report Tracks Trends Related to Universal Service

Washington, D.C. – The staff of the Federal-State Joint Board on universal service has released its most recent Monitoring Report on Universal Service. This report reflects information on the telephone industry filed with the Federal Communications Commission (FCC) through September 11, 2000.

The Report released today details the various universal service support mechanisms, which are projected to amount to over \$4.5 billion in 2000. The report presents current data in each of the eleven subject categories selected for monitoring, and includes the following information in each category:

- 1) **Industry revenues and contributions** - Industry revenues grew 9% in 1999, with the most rapid growth being for wireless services (32%) and competitive local exchange carriers (61%), and the slowest growth for incumbent local exchange carriers (4%) and toll service (3%);
- 2) **Low income support** - Lifeline support grew 5% in 1999 and Link Up support decreased 20%;
- 3) **High cost support** - Two new high cost support mechanisms have been implemented since October 1999: the forward-looking high cost model support (projected at \$219 million in 2000) and the interstate access universal service support (projected at \$325 million in 2000);
- 4) **Schools and libraries support** - Schools and libraries are making substantial use of their available support, with commitments totalling nearly \$2 billion for the second year of the program (July 1999 – June 2000);
- 5) **Rural health care support** - The demand for rural health care support has grown to \$5.4 million committed in the second year of the program (July 1999 – June 2000);
- 6) **Subscribership and penetration** - The percentage of households subscribing to telephone service reached an all-time high of 94.6% in March 2000;
- 7) **Rates and price indices** - Overall telephone rates increased 0.4% in 1999, which is less than the general rate of inflation (2.7%), with increases in local rates being offset by decreases in toll rates;

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- 8) **Network usage and growth** - Telephone usage continues to grow steadily (9% in 1998), with the largest growth rate in recent years being for local calls (11%);
- 9) **Quality of service** - The data show noticeable differences in the quality of service among carriers;
- 10) **Infrastructure** - The most rapid growth of infrastructure has been for fiber digital carrier transmission (1999 growth rate of fiber working channels was 31%); and,
- 11) **Revenues, expenses and investment** - For the larger local exchange carriers, percentage of net income that is attributable to interstate (33% on average in 1999) is greater than the interstate share of revenues (27%) or expenses (25%).

A monitoring program was established in the mid-1980's, at the recommendation of the separations Joint Board, to track trends related to universal service and related matters. Since then, the Joint Board staff has prepared Monitoring Reports at least once a year -- a compendium of hundreds of pages of statistical data on subscribership and penetration, loop costs, separations factors, universal service fund payments, etc. In 1998 the publication of this report was changed from the separations Joint Board staff to the universal service Joint Board staff, and the frequency was increased to twice a year. This is the third Monitoring Report from the universal service Joint Board staff.

The Monitoring Report is unique in that it is the only document that includes information on every local telephone company in the nation. The FCC has not imposed any new reporting burdens on any company to generate the information. Instead it uses data which the National Exchange Carrier Association collects for its own needs, data from the Bureau of Labor Statistics and other organizations, and publicly available ARMIS submissions. Another characteristic of the monitoring reports is that they are staff reports. They are not intended to be policy documents and contain only enough text to describe the tables.

A copy of the Report is available for inspection in the FCC's Reference Information Center, Courtyard Level, 445 12th Street, SW. The Report can be downloaded by section from the **FCC-State Link** internet site, which can be reached at <http://www.fcc.gov/ccb/stats> on the World Wide Web. Names for print image files: mrs00-0.pdf, mrs00-1.pdf, ..., mrs00-11.pdf for the introduction and each section separately. Names for condensed files in word processor (Word 97) and spreadsheet (Lotus 123 .wk4 or Excel 97) formats: mrs00-0.zip, mrs00-1.zip, ..., mrs00-11.zip.

Copies of the Report are available for purchase from the Commission's duplicating contractor, International Transcription Service, Inc. (ITS) at (202) 857-3800.

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