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

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NEWS MEDIA CONTACT:
Michael Balmoris 202-418-0253
Email: mbalmori@fcc.gov

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 April 30, 2001.

The report released today addresses the various universal service support mechanisms, which amounted to greater than \$4.5 billion in 2000. The report presents current data in eleven categories:

- 1) **Industry revenues and contributions** – Industry revenues for the first half of 2000 increased by 5%, to about \$41 billion, from about \$39 billion for the first half of 1999. Total demand for the support mechanisms in the first half of 2001 increased by 26%, to about \$1.4 billion per quarter, from about \$1.1 billion per quarter in the first half of 2000. This required an increase in the contribution factor from under 6% to under 7%.
- 2) **Low income support** – Total low-income support in 2000 increased by about 8% over 1999, from about \$480 million to \$518 million. This includes the expansion of the Lifeline and Link Up programs during 2000 to address the needs of those living on tribal lands.
- 3) **High cost support** – In 2000, total high-cost support amounted to over \$2.2 billion, an average of about \$1 per loop per month. Individual company data are now available for the first time for the new interstate access universal service support mechanism, adopted in May 2000.
- 4) **Schools and libraries support** – Schools and libraries are making substantial use of their available support, with commitments as of February 2001 totaling about \$2.1 billion for the third year of the program (July 2000 - June 2001).
- 5) **Rural health care support** – The demand for rural health care support has remained at a modest level, with commitments of less than \$7 million for 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 average of 94.4% in 2000. Lifeline programs have significantly improved penetration rates.

- 7) **Rates and price indices** – Overall telephone rates decreased 2.3% in 2000 (compared to the general rate of inflation of 3.4% for all goods and services).
- 8) **Network usage and growth** – Total telephone usage continues to grow steadily. In 1999 there were over 4.4 trillion minutes of use, an increase of 12% from the previous year. Local calls grew by 13% in 1999, compared to a 7% increase in intrastate toll calls and a 6% increase in interstate toll calls.
- 9) **Quality of service** – The data show noticeable differences in the quality of service among carriers. For example, complaints per million residential access lines in 2000 varied from 41 for SBC Southwestern Bell to 1,049 for SBC Ameritech.
- 10) **Infrastructure** – The most rapid growth of infrastructure has been for fiber terminations (2000 growth rate of central office fiber terminations was 32%).
- 11) **Revenues, expenses and investment** – For the larger local exchange carriers, percentage of net income that is attributable to interstate (39% on average in 2000) is greater than the interstate share of revenues (28%) or expenses (26%).

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, Joint Board staffs have 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. The report is unique in that it is the only document that includes information on every incumbent local telephone company in the nation. 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. This is the fifth Monitoring Report from the Universal Service Joint Board staff.

The full text of this document is available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW, Room CY-A257, Washington, DC 20554. This document may also be purchased from the Commission's duplicating contractor, Qualex International, Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC 20554, telephone 202-863-2893, facsimile 202-863-2898, or via e-mail at <qualexint@aol.com>. The report may also be downloaded from the **FCC-State Link** Internet site, which can be reached at <www.fcc.gov/ccb/stats>. It is available in both page image (.pdf) format and in a compressed (.zip) format, which, when unzipped yields word processing and spreadsheet files.

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Common Carrier contact: Alexander Belinfante at (202) 418-0944; TTY (202) 418-0484.

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