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FEDERAL-STATE UNIVERSAL SERVICE 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 May 2006. This report, with a few exceptions, reflects data filed with the Federal Communications Commission (FCC) by the telephone industry for the year 2005 and prior years.

The report released today addresses the various universal service support mechanisms, which amounted to about \$6.5 billion in 2005. In 2005, disbursements among the four categories of universal service mechanisms were: 58.7% for high-cost support; 28.6% for schools and libraries support; 12.4% for low-income support; and 0.4% for rural health care support. The report presents data in eleven categories:

- 1) **Industry Revenues and Contributions** – Total industry revenues for telecommunications services provided to end users in 2005 were about \$234 billion, compared to about \$233 billion in 2004. Revenues for fixed local service providers remained at about \$83 billion, while wireless service providers' revenues increased to about \$102 billion, from about \$94 billion, and toll service providers' revenues decreased to about \$49 billion, from about \$56 billion.
- 2) **Low-Income Support** – Total low-income support increased to about \$804 million in 2005, from about \$763 million in 2004.
- 3) **High-Cost Support** – In 2005, total high-cost support amounted to about \$3.8 billion, an increase from about \$3.5 billion in 2004. This increase is due to support to competitive carriers (CETCs) increasing from \$0.3 billion in 2004 to \$0.6 billion in 2005.
- 4) **Schools and Libraries Support** – Schools and libraries are making substantial use of their available support, with commitments remaining about \$2 billion and disbursements remaining below \$1.9 billion for the latest school years.

- 5) **Rural Health Care Support** – The demand for rural health care support has remained at a modest level, with disbursements remaining at about \$25 million for the July 2004 - June 2005 funding year.
- 6) **Subscribership and Penetration** – According to the Current Population Survey, the percentage of households subscribing to telephone service declined to an average of 93.1% in 2005, from 93.8% in 2004.¹
- 7) **Rates and Price Indices** – The price index of overall telephone rates increased 0.4% in 2005, compared to the general rate of inflation of 3.4% for all goods and services.
- 8) **Network Usage** – Interstate toll usage for customers of incumbent local exchange carriers declined to 401 billion minutes in 2005, from 422 billion minutes in 2004.
- 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 2005 ranged from 17 to 897 for different carriers.
- 10) **Infrastructure** – The total number of access lines in service for the mandatory price-cap carriers (the regional Bell operating companies) declined to about 127 million in 2005, from about 136 million in 2004. On the other hand, measures of their fiber transmission generally grew in 2005.
- 11) **Revenues, Expenses and Investment** – For the larger local exchange carriers in 2005, 55% percent of net income was interstate, 35% of revenues was interstate, and 31% of expenses was interstate.

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 moved from the Separations Joint Board staff to the Universal Service Joint Board staff. This is the ninth 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, Best Copy and Printing, Inc., Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC 20554, telephone 202-488-5300 or 1-800-378-3160, facsimile 202-488-5563, TTY 202-488-5562, or via e-mail at <fcc@bcpiweb.com>. The report may also be downloaded from the Wireline Competition Bureau Statistical Reports Internet site, which can be reached at <<http://www.fcc.gov/wcb/stats>>. It is available in both page image (.pdf) format and in a compressed (.zip) format, which, when unzipped yields text and spreadsheet files.

¹ In 2006 the penetration rate for the months for which data is available has increased from the corresponding months in 2005.

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