

MONITORING REPORT

CC DOCKET NO. 87-339

MAY 1997

Prepared by Federal and State Staff for the

Federal-State Joint Board in

CC Docket No. 80-286

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Monitoring Report
CC Docket No. 87-339
May 1997

Introduction and Summary

This is the nineteenth report of a series of reports intended to help telecommunications policy makers and the general public monitor the impact of decisions adopted by the Federal Communications Commission (Commission) that initially stemmed from the Federal-State Joint Board in CC Docket No. 80-286 (Separations Joint Board) in 1987. These decisions included increased subscriber line charges, expanded federal lifeline assistance programs, retargeted high cost assistance, and a modified common line pooling system. To enhance our monitoring ability, a new open docket¹ was created, which allows data, materials, comments, and studies to be submitted at any time. In 1992, the Commission extended the monitoring program an additional five years, with annual reports to be released in May of each year from 1993 through 1997.²

The Telecommunications Act of 1996, signed into law on February 8, 1996, is bringing many changes in the telecommunications industry and the way it is regulated. One of the first changes was the creation of a new Federal-State Joint Board in CC Docket No. 96-45 (Universal Service Joint Board) to make recommendations relating to universal service issues. Although this Monitoring Report was designed for the Separations Joint Board, the monitoring needs of the two Joint Boards overlap. Consequently, on May 7, 1997, the Commission delegated to the Common Carrier Bureau, in consultation with the staffs of both Joint Boards, the creation of a new monitoring program, to supersede the present one.³ Accordingly, this is the final Monitoring Report in the present program. Materials from the reports of the administrator of the new universal service support mechanisms will be incorporated into the new Monitoring Reports.

This report has proven to be valuable in more ways than merely reporting the effects of regulatory changes. Most of the nation's smaller local exchange carriers are regulated primarily by the states rather than the Commission. The National Exchange Carrier Association (NECA), at the direction of the Commission, collects information from each of these smaller carriers in order to administer the access charge pools, the Universal Service Fund, and the lifeline programs. Because smaller carriers generally are exempt from most Commission reporting requirements, the Monitoring Report contains the most comprehensive data on these carriers. It provides a complete census of all

1 CC Docket No. 87-339.

2 Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, Establishment of a Program to Monitor the Impact of Joint Board Decisions, Order, CC Docket Nos. 80-286 and 87-339, 7 FCC Rcd 4541.

3 Federal-State Joint Board on Universal Service, Report and Order, CC Docket No. 96-45, para. 869, released May 8, 1997.

incumbent local exchange carriers, containing data on such matters as the number of telephone lines, calling volumes, and certain types of costs.

This report presents data for the eight subject categories selected for monitoring,⁴ which are: (1) subscribership and penetration levels; (2) lifeline assistance plans; (3) high cost assistance; (4) network usage and growth; (5) rates; (6) revenues, expenses and investment; (7) pooling; and (8) infrastructure and new services.

Since our May 1996 Monitoring Report, new information in each of the eight categories has become available and is incorporated in this report. The following are highlights of some of the new material. Section 1 includes Census data on subscribership for 1996 and March 1997. It also includes updated information on telephone penetration by income by state, and compares changes in penetration in states with and without Lifeline programs. Section 2 includes 1996 NECA data on the Lifeline and Link-Up America programs. It also provides data that have not been included since 1992 for individual study areas. Section 3 includes new data from the October 1, 1996, NECA universal service fund filing, a summary of four years of revised historical data, and a table showing study area changes in the last four years. It also includes, for the first time, a table showing the holding company affiliation of each study area. Section 4 includes 1995 NECA network usage data, 1996 NECA presubscribed line data, and five years of revised historical data. It includes, for the first time, interstate access minutes data for individual average schedule companies. Section 5 includes Consumer Price Index and Producer Price Index data through April 1997 and other updated rate information. Section 6 includes information on revenues, expenses and investment for 1996 from the Commission's Automated Reporting Management Information System (ARMIS) reports. Section 7 includes 1996 information on the NECA pools. Section 8 includes 1995 data on infrastructure from the ARMIS reports.

The Joint Board recommended that as much of the report as possible be made available electronically. This has been implemented by having the text and the tables in the report available through the FCC-State Link internet site, which can be reached via a link from the Common Carrier Bureau home page (<http://www.fcc.gov/ccb/>) on the World Wide Web. The Joint Board further recommended that information received well in advance of the next Monitoring Report be made available on an interim basis in separate staff reports. This is also done whenever possible, and those reports are also available in the internet site, as are most NECA filings used in the Monitoring Report. All of these materials, plus ARMIS data, are available on the FCC-State Link electronic bulletin board, which can be reached by dialing (202) 418-0241 with a computer modem.

4 Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, Establishment of a Program to Monitor the Impact of Joint Board Decisions, Recommended Decision and Order, CC Docket Nos. 80-286 and 87-339, 7 FCC Rcd 4285-4288.

For ease of public reference, we ask that parties submitting materials for this docket provide a duplicate copy to the Public Reference Room of the Common Carrier Bureau,⁵ where copies of all materials filed in the docket are available for public reference.

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