

JUL 18 2002

MEMORANDUM

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

DATE: July 17, 2002
TO: Marlene Dortch, Secretary
FROM: Diane Law Hsu, Acting Deputy Chief, Telecommunications Access Policy
Division, Wireline Competition Bureau
RE: CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170

Attached is the staff analysis of the likely impact of the proposed connection-based assessment on residential consumers referenced in the *Contribution Methodology Further Notice*.¹ Please enter this analysis into all of the referenced dockets.

Thank you.

¹ *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review - Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans With Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing Format*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, Further Notice of Proposed Rulemaking and Report and Order, FCC 02-43, 67 FR 11268, para. 46 (rel. Feb. 26, 2002).

Exhibit 1

Average Universal Service Assessment per Household under Current and Proposed Contribution Methodologies (based on June 2000 data)

Current Contribution Methodology

1	FCC contribution factor for interstate and international end-user revenue	0.08	1/
2	Households with phone service	99,800,000	2/
3	Residential lines	124,750,000	3/
Subscriber Line Charges (SLCs)			
4	Percentage of residential lines that are billed as non-primary	17.1%	4/
5	Residential lines charged at primary SLC rate	103,364,534	[3] * (1 - [4])
6	Residential lines charged at non-primary SLC rate	21,385,466	[3] * [4]
7	Primary SLC	4.28	5/
8	Non-primary SLC	5.99	5/
9	Total SLC revenue per month	\$570,499,146	[5] * [7] + [6] * [8]
10	SLC revenue per household	\$5.72	[9] / [2]
11	Pass-through charges associated with SLCs	\$0.46	[10] * [1]
Wireless Telephone			
12	Average wireless bill	\$45.15	6/
13	Wireless subscribers	97,035,925	6/
14	Percent wireless subscribers assumed to be residential	66.7%	7/
15	Total wireless revenue from residential customers	\$2,922,241,733	[12] * [13] * [14]
16	Percent of wireless revenues in contribution base	13.2%	8/
17	Total interstate wireless revenue from residential customers	\$386,794,063	[15] * [16]
18	Interstate wireless revenue per household	\$3.88	[17] / [2]
19	Pass-through charges for wireless telephony	\$0.31	[18] * [1]
Paging			
20	Total paging contribution base per month	\$329,000,000	9/
21	Percentage of paging assumed to be residential	66.7%	7/
22	Monthly paging contribution base per household per month	\$18,286,917	([20] * [21]) / 12
23	Interstate paging revenue per household	\$0.18	[22] / [2]
24	Pass-through charges for paging	\$0.01	[21] * [1]
Residential Interstate and International Long Distance			
25	Average pre-tax long distance bill	\$21.04	10/
26	Interstate & international share of long distance bill	64.5%	11/
27	Average household bill for toll minutes	\$13.56	[25] * [26]
28	Annual prepaid card revenues	\$990,000,000	12/
29	Average household pre-paid card expenditure per month	\$0.83	([28] / [2]) / 12
30	Total household interstate and international toll	\$14.39	[27] + [29]
31	Pass-through charges for long distance toll service	\$1.15	[30] * [1]
32	Average universal service assessment per household based on interstate and international end-user revenues	\$1.93	[11] + [19] + [24] + [29] + [31]

Exhibit 1 - continued

Per-Connection Contribution Methodology

33	FCC contribution factor for residential telephone connection	\$1.00	13/
34	FCC contribution factor for paging unit	\$0.25	13/
Residential Telephone Service Connections			
35	Residential wireline lines	124,750,000	[3]
36	Residential wireless subscribers	64,722,962	[13] * [14]
37	Pass-through charges @ \$1 per unit	\$189,472,962	([35] + [36]) * [33]
Paging			
38	Total paging units	16,300,000	14/
39	Residential paging units	10,872,100	[38] * [21]
40	Pass-through charges @ \$.25 per unit	\$2,718,025	[39] * [34]
41	Total pass-through charges to households for month	\$192,190,987	[37] + [40]
42	Average universal service assessment per household based on end-user connections	\$1.93	[41] / [2]

- 1/ Assumption for revenue-based contribution factor.
- 2/ Households with telephone service as of March 2000. Universal Service Monitoring Report CC Docket No. 99-202, Table 6.1 (Sep. 2000).
- 3/ Average for December 1999 and December 2000. Trends in Telephone Service, Table 8.4 (Aug. 2001) (Trends).
- 4/ Calculated as Price Cap ILEC and NECA ILEC non-primary residential lines (Trends, Table 1.3) divided by total analog and digital residential lines (Statistics of Communications Common Carriers 2000/2001 Edition, Table 2.6).
- 5/ Trends, Table 1.1 (rates in effect July 1, 2000).
- 6/ Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, Sixth Report, 16 FCC Rcd 13350, 13462, Table C1 (2001).
- 7/ Staff Estimate.
- 8/ Wireless telephony "potential universal service contribution base" divided by total end-user revenues for 2000. Telecommunications Industry Revenues, January 2000, Table 8 (Revenue Report 2000).
- 9/ Revenue Report 2000, Table 8 (amount shown in table divided by 12).
- 10/ Based on the quarterly Bill Harvesting® data collected by TNS Telecoms (Feb. 2001). Estimate represents total long distance payments by households for 1999, divided by the number of sample households. TNS Telecoms provides information on actual usage in the residential telecom market as collected from the actual telecommunications bills of households. The company has donated databases to the Commission containing information on residential phone usage.
- 11/ The percentage of end user revenues reported on FCC Form 499-A lines 413 & 414 reported as interstate and international service. Revenue Report 2000, Table 6.
- 12/ Revenue Report 2000, Table 6. Interstate and international revenues reported on Form 499-A line 411.
- 13/ Assumptions for residential telephone and paging service-based contribution factors.
- 14/ Based on Form 502 Numbering Resource Utilization/Forecast submissions.