

ACCESS CHARGE REFORM: WORKING TO REDUCE YOUR PHONE BILLS AND INCREASE YOUR CHOICES

The First Steps: Access Charge Reform and the CALLS Plan

Access charges are charges imposed by local telephone companies on both long distance companies and on subscribers. They are designed to recover the costs of connecting to the local phone network.

In May 1997, the Federal Communications Commission (FCC) took the first steps toward a comprehensive reform of the interstate access charge rate structure and of federal Universal Service support mechanisms. (Universal Service helps ensure that all Americans, including those living in rural and high-cost areas, have access to affordable, high-quality telecommunications services.) The FCC's mission? Lower the rates that Americans pay for phone service and reduce the confusion over their bills, while increasing competition, access and choice in the telecommunications marketplace.

In June 2000, the FCC adopted the Coalition of Affordable Local and Long Distance Service (CALLS) plan for access charge and Universal Service reform.

Among other things, the CALLS plan:

- eliminated the Presubscribed Interexchange Carrier Charge (PICC) for residential phone lines. PICC was a charge imposed by local telephone companies on long distance companies that ultimately was passed on to residential customers;
- ensured that AT&T and Sprint customers had at least one plan available without a monthly minimum usage charge;
- reduced the average per-minute rates that long distance companies paid to local companies, thus helping reduce the per-minute rates charged by long distance companies to consumers nationwide;
- approved a commitment by AT&T and Sprint to pass on the reduction in these per-minute rates to residential and business customers;
- increased the maximum amount that local telephone companies may charge subscribers for the Subscriber Line Charge or SLC. The SLC is a charge imposed by local telephone companies to recover some of the costs of the telephone lines connected to your home or business. Although this charge is sometimes called the "federal subscriber line charge" (because it is regulated and capped by the FCC and not by state public utility commissions), the SLC is not a government charge and it is not a tax. The government receives no money from this charge. The money is paid to local telephone companies. Under the CALLS plan, SLC caps are \$6 as of July 1, 2002, and they will increase to \$6.50 in July 2003; and
- removed \$650 million in Universal Service support from access charges and created a new federal support mechanism to replace it.



Although the CALLS plan applied to large local telephone companies and not to small, local rural companies, many of the long distance rate benefits that were reaped from the CALLS plan were extended to customers of small rural telephone companies.

The Next Step: Rural Access Charge Reform Plan

In October 2001, the FCC officially extended many of the CALLS reforms to the small, local rural telephone company/customer arena by developing rules aimed at small, local rural telephone companies ("rate-of-return carriers"). There are about 1,300 rate-of-return carriers in the United States, serving about eight percent of the nation's phone lines.

The "Rural Access Charge Reform Plan" fosters efficient, effective competition and long distance service choice among rural customers. It caps certain charges on small, rural telephone customers' bills, and it restructures and reduces other rates and charges imposed by small rural companies on long distance companies for originating and completing long distance calls.

What Are The Specifics of This Plan?

The Rural Access Charge Reform Plan has two main components affecting consumers:

1) Access Charge Reform

Subscriber Line Charge

The Rural Access Charge Reform Plan increases the subscriber line charge cap for customers of small local telephone companies to the levels already paid by most subscribers nationwide (see the CALLS plan reforms). Before, although it was more expensive to serve customers in rural areas than to serve customers in large urban areas, small local phone company customers were often paying less for SLC than those of large phone companies. The Rural Access Charge Reform Plan brings these price caps – or maximum charges – in line and ensures that phone customers in all areas pay reasonably comparable rates. *Note:* Lifeline support to low-income customers will be increased in an amount equal to any SLC rate increases.

The maximum multi-line business SLC imposed by small, local rural companies increased to \$9.20 starting January 1, 2002. (This change was implemented for customers of large telephone companies in 1997.)

Per-Minute Rates

At the same time, the Rural Access Charge Reform Plan reduces the amount that long distance carriers pay small, local rural carriers for access to their (local) networks. Average per-minute rates long distance companies pay small rural telephone companies now average about 4.6 cents per minute. Under the new plan, these rates will be reduced by about 2.4 cents per minute, bringing the per-minute average rate charged to long distance companies to about 2.2 cents per minute. This per-minute rate reduction should create an incentive for long distance companies to compete in rural areas of the country - creating more long distance choices for customers in these areas.



2) Universal Service Reform

The Rural Access Charge Plan also creates a new mechanism to help reimburse small, local rural companies for the cost to serve rural customers. This reimbursement mechanism will help provide certainty and stability for small local carriers and for the communities they serve. It will also create incentives for investment in rural America. The new support mechanism helps to ensure that consumers in high-cost rural areas have access to telephone service at affordable and reasonably comparable rates.

For more information about telephone and broadcast-related issues, please visit the FCC's consumer information Web site at www.fcc.gov/cgb.

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