



## Federal Communications Commission Common Carrier Bureau

Spring 1996

# COMMON CARRIER COMPETITION

Early this year, federal lawmakers broke exciting new ground by passing the Telecommunications Act of 1996. The Act will have a dramatic impact on telecommunications in the United States and will encourage competition among telecommunications companies. Markets are being opened up to new kinds of competition: more companies, including long-distance, cable television, and wireless telephone companies, will be able to compete for local telephone customers, and in return, local telephone companies will be authorized to provide long-distance service to their customers. Opening markets will be very good news for consumers -- competition can lead to more choices and lower prices.

The Telecommunications Act of 1996 will encourage greater competition in local calling markets. Although widespread competition has not yet taken hold, state-by-state data shows an increase in the number of states with companies at the starting line.

Options for saving money on long-distance calls are rapidly expanding as competition intensifies. The Consumer Information Page provides some pointers to help consumers make informed choices among long-distance services.

As more people enter the information superhighway and order extra telephone lines for their homes and businesses, many localities are running out of seven-digit numbers. To keep pace with demand, new area codes are being assigned across the country at a rapid rate. In addition, the demand for toll-free 800 numbers has nearly exhausted the supply of 800 numbers. A new toll-free code -- 888 -- is now available.

In the midst of the most important changes to telecommunication markets in decades, the *Common Carrier Competition* report gives a brief overview of the topics above, and highlights the international calling market and high-growth sectors such as cellular service.

Regina M. Keeney, Bureau Chief

*Common Carrier Competition* is a periodic report prepared by the Common Carrier Bureau. It regularly monitors a broad range of topics, including telephone industry trends, the effects of regulation on the industry and consumers, and the status of specific projects within the Common Carrier Bureau. For more information, call the Bureau's Industry Analysis Division at (202) 418-0940.

## Pay Less for Long Distance Calls

Prices of long-distance telephone calls change frequently. Telephone companies change their rates, modify calling plans, institute new plans and offer new promotions -- a recent innovation is rewarding long-term customers with special discounts. Competition for long-distance customers has become increasingly intense. Consumers, showered with television and print advertising for an array of long-distance calling plans, may find it difficult to select a long-distance company with confidence. A few important points will help you save money.



**Consider a calling plan.** Many customers can save money by joining a calling plan. If you do not belong to a calling plan, you are paying full retail prices (known as "basic rates" in the telephone industry). Basic rates are usually very similar among companies, and have been rising for several years. The fiercest competition -- and the biggest discounts -- are in calling plans, usually the newest ones. Because your long-distance company will not automatically assign you to the best calling plan, call your long-distance company to find out about possible savings. Ask whether you are signed up for a special plan, and if a different plan would save you more money.



**Focus on price.** Special promotions can make switching calling plans worthwhile. Be prepared to switch companies if you can get a better plan. Price is the most important difference among plans. Sound quality is very similar among long-distance companies. You should take into account, however, that you will be charged by your local telephone company for switching long-distance companies. Some long-distance companies will pay this charge to get your business.



**Review your calling pattern.** Are you a high-volume caller? Do you make many calls to people over one thousand miles away or do you call the same people frequently? Are you an international caller? As you shop for calling plans, ask for the best plan for your calling pattern.



**Shop around.** Customer service numbers for nationwide carriers are:

AT&T	800-222-0300
Cable & Wireless	800-486-8686
Frontier	800-836-8080
LCI International	800-860-2255
LDDS Worldcom	800-275-0200
MCI	800-444-3333
Sprint	800-746-3767

There is also a large number of smaller long-distance carriers that offer a wide variety of calling plans. You can find out who is serving your local area by calling your local telephone company.

**Volume-discount plans:** Discounts from basic rates generally apply if you spend more than \$10 a month -- the more you spend, the greater the discount. Also, some volume-discount plans charge a flat fee per month. If you spend over \$10 a month on long-distance calls, a volume-discount plan may save you money.

**Flat-rate plans:** All long-distance calls are priced at the same per-minute rate, regardless of the distance of the call. Rates are generally lower at off-peak times -- evenings and weekends. If you make many coast-to-coast calls, consider whether a flat-rate plan will lower your long-distance bills.

**International plans:** Some companies charge a monthly fee for discounting international calls. Comparison shopping for international plans is especially important because prices vary greatly.

## LOCAL COMPETITION

The potential for competition in the local-calling market will be greatly increased by the recent passage of the Telecommunications Act of 1996. The new law provides for competition in local telephone service. Even before passage of this historic new law, competitors had begun offering switched local service in seven states: California, Illinois, Maryland, Massachusetts, Michigan, New York, and Washington. Competitive activity is not evenly spread within these states -- the first seeds of competition have sprouted in urban areas where many potential customers are concentrated. Generally, new competitors are small and are still experimenting in the market.

The Federal Communications Commission and state regulators are working together to encourage local competition and to develop a better understanding of its evolving nature.

The tables on the following pages show the current state of local competition. Rapid progress is expected once the ground rules for competition -- including interconnection, number portability, unbundling, universal service and resale -- are established.

Progress of Competition in Switched Local Service (as of March 21, 1996)				
	No current rulemakings	Rulemakings in progress	Some rules in place combined with agreements between firms	Rules in place (some interim)
Firms have applied for certification	AK,DC,JD,ME,MO,ND,NE,NV,SD,VT,WV	AL,DE,HI,IL,KY,MN,MS,NH,NJ,NM,OK,RI,SC	VA	CO,IA,
Firms have been approved for operation	AR,MT	KS,PA,TX,UT,WI,WY	NC	AZ,CT,FL,GA,IA,OH,OR,TN <sup>1</sup>
Competing firms have begun service			MA, MI	CA,IL,MD,NY,WA

<sup>1</sup> Rules adopted by Public Service Commission, need Attorney General's approval.

## STATUS OF LOCAL SWITCHED COMPETITION (as of March 21, 1996)

State	Competitors have applied	Competitive operations have begun	Notes on the status of local switched access competition
Alabama	yes		Workshops in progress. Public Utility Commission to prepare price regulation and local-competition plan.
Alaska	yes		Rules not yet in place.
Arizona	yes (approved)		Rules established.
Arkansas	yes (approved)		Rules not yet in place.
California	yes	yes	Interim rules through 1996 may become permanent 1/97. Interim number portability. Permanent implementation details and universal service in separate dockets at Public Utilities Commission. Interconnection agreement approved. Of 66 companies that have applied to compete, 31 have been approved.
Colorado	yes		Rules in committee at Public Utilities Commission. Competition set to begin 7/96. Some rules adopted.
Connecticut	yes (approved)		Interim rules set rates for unbundled service and interconnection. Guidelines established. Three companies have contracts with Southern New England Telephone. None are yet operating. Interim resale rates filed.
Delaware	yes		Rulemakings in progress.
District of Columbia	yes		Legislation pending.
Florida	yes (approved)		Rulemaking in process at Public Service Commission. Companies must negotiate. Three agreements reached setting rules for universal service, interconnection, temporary number portability, unbundling and resale.
Georgia	yes (approved)		Temporary rules in place. Workshops and hearings in progress. Number portability ordered to be in place by 9/97.
Hawaii	yes		Companies must negotiate. Open docket on rules to be completed 12/96. Legislation addresses rules and requires incumbent local exchange carrier to comply.
Idaho	yes		Rules not yet in place.
Illinois	yes	yes	Rules in place. Competition began 9/1/95. Number portability solution adopted, resale tariffs filed. Two competitors have reciprocal compensation co-carrier agreement with Ameritech in Chicago.
Indiana	yes		Hearings on local competition issues. Workshops in progress.
Iowa	yes (approved)		Rulemaking in progress. Local service offered through resale of Centrex services. US West tariffs disputed.
Kansas	yes (approved)		Rulemakings and workshops in progress. One new entrant in operation, bought facilities from United but faces no competition. One other carrier certified for area, but is not yet operational.
Kentucky	yes		Docket in progress. Generic proceeding underway at public utilities commission. Hearing scheduled 3/96.
Louisiana	yes		Public service commission has adopted rules.
Maine	yes		Rules not yet in place.
Maryland	yes	yes	911 and interconnection rules in place. Interim rules on number portability. Competition in test period.
Massachusetts	yes	yes	Docket regarding rules suspended pending federal action. Contracts between firms. MFS actively marketing services and serving a handful of customers.
Michigan	yes	yes	Interconnection contracts in place between firms.
Minnesota	yes		Rules docket to be complete 8/97 for companies serving >50,000 lines. Rules for smaller companies by 1/98. Task forces considering interconnection, number portability, etc.

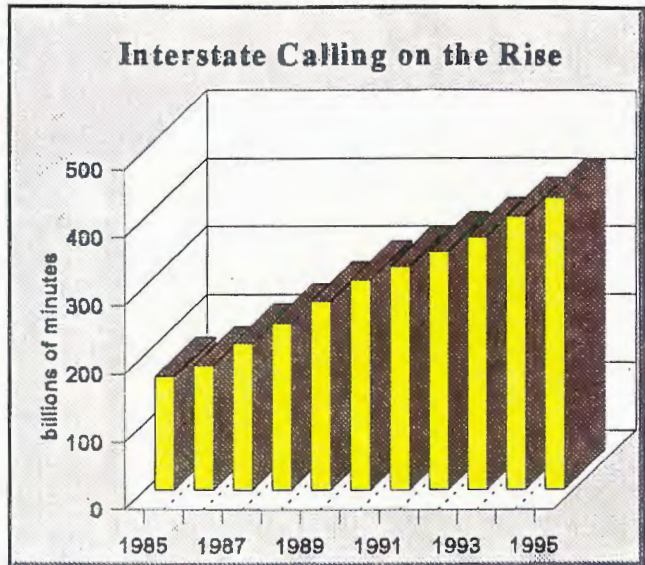
**STATUS OF LOCAL SWITCHED COMPETITION**, continued

State	Competitors have applied	Competitive operations have begun	Notes on the status of local switched access competition
Mississippi	yes		Rules not yet in place. Docket established, no dates set.
Missouri	yes		Rules not yet in place.
Montana	yes (approved)		Rules not yet in place.
Nebraska	yes		Rules not yet in place. To be certified, potential competitor must prove incumbent is inadequate.
Nevada	yes		Contracts must be developed between firms.
New Hampshire	yes		Public Utilities Commission has rules docket in progress. Rules must be completed by end of 1996.
New Jersey	yes		Rulemaking in progress -- comment/reply stage.
New Mexico	yes		Rulemakings in progress. Companies serving < 100,000 lines exempt.
New York	yes	yes	Rules in place. 23 competitive companies are certified. Competition limited to NYC and Rochester.
North Carolina	yes (approved)		Interim rules in place. Parties to negotiate in "good faith", after 90 days can petition Public Utility Commission for determination. Companies serving < 200,000 lines exempt. Competition to begin 7/96.
North Dakota	yes		Rules not yet in place.
Ohio	yes (approved)		Interim interconnection agreement in place for two companies. Public Utility Commission has proposed generic local competition rules.
Oklahoma	yes		Rules not yet in place. Rulemaking in progress. Bill introduced.
Oregon	yes (approved)		Public Utilities Commission adopted temporary number portability, bill-and-keep rules for two years. Working on permanent number portability solution.
Pennsylvania	yes (approved)		Rules not yet in place. Rulemakings in progress.
Rhode Island	yes		Rules not yet in place. Public Utilities Commission has open docket and is following the progress of Massachusetts and Connecticut.
South Carolina	yes		Rules not yet in place.
South Dakota	yes		Rules not yet in place. Public Utilities Commission has legal authority. No other actions have been taken.
Tennessee	yes (approved)		Rules approved by Public Service Commission and need to be approved by Attorney General.
Texas	yes (approved)		Proposed rules in hearing stage. Universal service provisions in state law. Competitors began filing 9/95.
Utah	yes (approved)		Contracts must be developed between firms. Interconnection hearings delayed pending federal action. Interim number portability agreement. Compensation on bill-and-keep basis.
Vermont	yes		Rules not yet in place. Public Utilities Commission has an open docket.
Virginia	yes		Generic rules in place, details to be worked out between firms.
Washington	yes	yes	Interconnection rules in place. Six companies authorized to compete with incumbents, serving a handful of customers.
West Virginia	yes		Rules not yet in place. Public Utilities Commission continuing general investigation, which began 11/94.
Wisconsin	yes (approved)		Rules are in a pending docket at the Public Utilities Commission. Discussions concerned with interconnection, number portability, reciprocal compensation.
Wyoming	yes (approved)		Rules not yet in place.

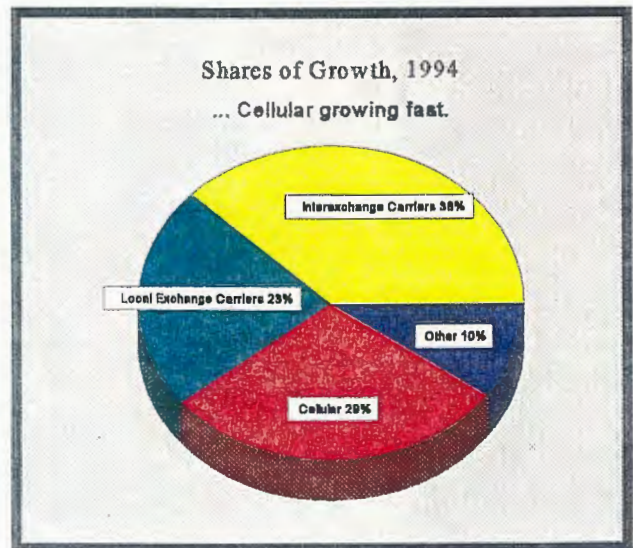
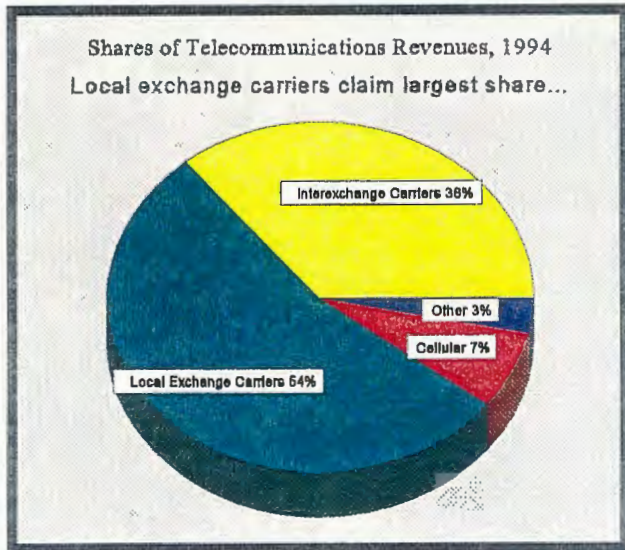
## Telecommunications Market Shows Robust Growth

Americans are using their telephones more and more. The interstate calling market has more than doubled in size in the last decade, while prices have fallen. In 1994, telecommunications revenues were \$184 billion; local telephone companies got the largest share (54%) -- which includes fees paid by long-distance carriers for access to local customers. Cellular companies may only have cornered 7% of the market in 1994, but grew at an impressive rate -- claiming 29% of the growth of the entire telecommunications industry.

Exciting changes are expected this year in the wake of the Telecommunications Act of 1996. The Common Carrier Bureau of the FCC will track changes in household spending, revenue and growth shares, and will report the findings to the public. The Bureau will also continue to make available information about consumer complaints and other industry issues of concern to telecommunications consumers.



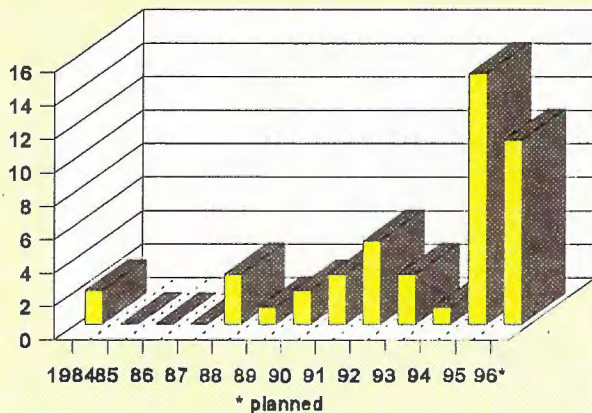
In the pie charts below, "Other" includes competitive access providers, paging and dispatch carriers, operator service providers, pay phone operators, and resellers.



## Demand for Telephone Numbers Grows -- New Area Codes Assigned

In 1994, many area codes were stretched to the limit as demand for telephone numbers continued to rise. Adding new area codes became difficult because some older telephone equipment was designed to recognize only area codes with a middle digit of 0 or 1 and the supply of those numbers was dwindling. On January 1, 1995, the restriction on the middle digit was removed -- and 640 new area codes were made available.

### New Area Code Assignments



During 1995, 15 new area codes were assigned -- the largest single-year expansion of area codes in decades. Many more new area codes are expected in 1996.

Much planning is required to introduce a new area code. Communities must decide whether to split an old area code's reach geographically or to "overlay" the new area code over the old one. In communities that choose an overlay, only new telephone numbers are assigned the new code. Most communities faced with too much demand for one area code choose a geographic split. Indeed, all of the new codes shown here are splits rather than overlays.

### New Area Codes -- 1995 and 1996

Location	Date	Current Code	Added Code
Alabama	1/95	205	334
Washington	1/95	206	360
Texas	3/95	713	281
Arizona	3/95	602	520
Colorado	4/95	303	970
Florida	5/95	813	941
Virginia	7/95	703	540
Georgia	8/95	404	770
Connecticut	8/95	203	860
Florida	9/95	305	954
Tennessee	9/95	615	423
Bermuda	10/95	809	441
Oregon	11/95	503	541
South Carolina	12/95	803	864
Florida	12/95	904	352
Missouri	1/96	314	573
Illinois (Chicago)	1/96	708	847
Puerto Rico	3/96	809	787
Ohio	3/96	216	330
Minnesota	3/96	612	320
Florida	5/96	407	561
Barbados	7/96	809	246
Illinois (Chicago)	8/96	708	630
Bahamas	10/96	809	242
Illinois (Chicago)	10/96	312	773
British Columbia	10/96	604	250

Widely used toll-free 800 telephone numbers have not been immune to increasing demand. The few remaining unassigned 800 numbers are expected to run out early this year. A new toll-free code, 888, was inaugurated in March, 1996, providing approximately 8 million more toll-free numbers.

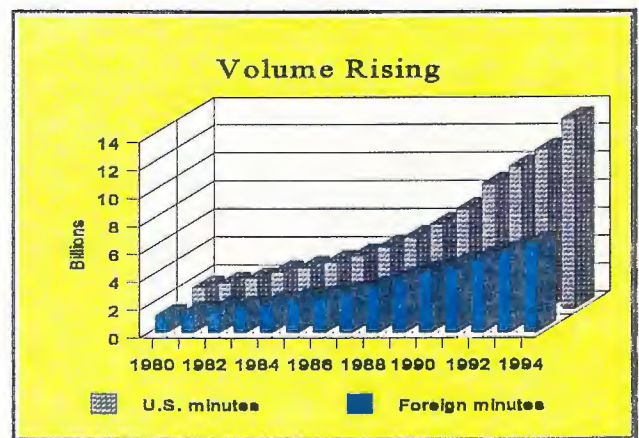
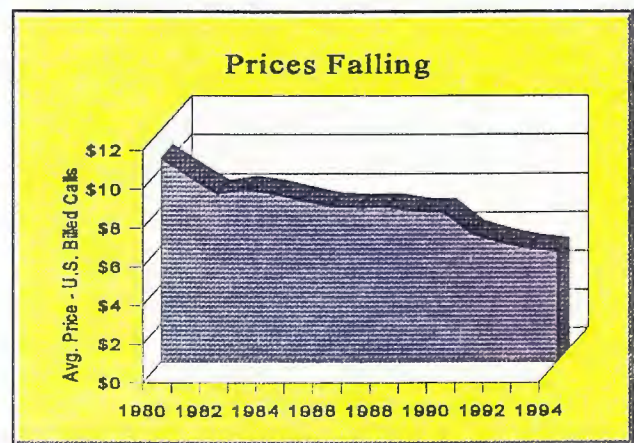
## INTERNATIONAL CALLING MARKET BOOMING PRICE OF AVERAGE CALL CONTINUES TO FALL



**D**ramatic growth in the international calling industry continues. Calling traffic has experienced more than a seven-fold increase since 1980. International calls originating in the United States have grown over ten percent a year for well over a decade -- with the fastest growth in calls to our closest neighbors, Canada, Mexico and the Central American countries.

**M**eanwhile, the cost of making international calls has fallen. An international caller in 1980 paid over \$10 for the average call. Today, the average call costs less than \$6. International rates have not fallen as dramatically as have domestic long-distance rates, but consumers are increasing pressure on the industry to cut prices by seeking out international discount plans. Consumers are also economizing by making shorter international calls. The increase in calling volume more than compensates for the drop in average cost -- net revenues are currently growing at a rate of more than sixteen percent per year.

The graphs illustrate the dramatic growth of the international calling industry. For more detailed information, see the Industry Analysis Division's *International Trends Report*.





## For Additional Information

A variety of periodic reports provides information on such subjects as carrier revenues, market shares, technology deployment and other industry trends. A list of these publications is available from the Commission's **Fax On Demand** system at (202) 418-2830. [Request: *Resources Available from the Industry Analysis Division.*]

- All of the periodic reports published by the Common Carrier Bureau can be downloaded from the **FCC-State Link** computer bulletin board at (202) 418-0241. A directory of bulletin board files is also available from the **Fax on Demand**. [Request: *Index of Industry Analysis Division Data Sets and Publications Available through the FCC-State Link.*] Reports used herein include the **Reference Book, Telecommunications Industry Revenue: TRS Fund Worksheet Data**, and the **Telephone Subscribership** report.
- The FCC-State Link can also be reached through the National Technical Information Service's **FedWorld** system at (703) 321-3339 or through FedWorld's telnet internet node: fedworld.gov.
- The Common Carrier Bureau has a home page on the **World Wide Web**. This home page can be accessed directly (<http://www.fcc.gov/ccb.html>) or through a link from the main FCC home page (<http://www.fcc.gov>).
- The **Statistics of Communications Common Carriers** is prepared annually by the Commission and is the standard reference work for telecommunications data. The book is published by the U.S. Government Printing Office, and the 1994/1995 edition may be purchased from the Superintendent of Documents, Washington, DC 20402-9328, or by calling GPO's Order and Inquiry Desk at (202) 512-1800.

Copies of all reports are available from the Commission's duplicating contractor, International Transcription Services, Inc. (ITS) at (202) 857-3800. The material can also be copied in the Public Reference Room maintained by the Common Carrier Bureau, located at 1919 M Street, N.W., Room 509, Washington, DC 20554.

**For additional information on the telecommunications industry, contact the Industry Analysis Division of the Common Carrier Bureau at (202) 418-0940.**