



Federal Communications Commission Common Carrier Bureau

Fall 1995

Common Carrier Competition

This is the second in a series of periodic reviews of the state of the common carrier industry.

Competition is a cornerstone of the FCC's regulatory policy. The FCC seeks to encourage the introduction of competition into all communications markets because of the benefits competition offers consumers and the economy.

In the last decade, increasing competition in the long distance market has resulted in lower prices and more choices for consumers. Today, consumers use debit cards, calling cards, access codes and other methods to reach the party of their choice at the best price they believe is available. At the same time, not all consumers have benefited. Some consumers have been slammed -- had their phone service switched without authorization. Other consumers make few long distance calls and have seen their basic long distance calling rates increase. Many other consumers simply lack the information they need to get the best deal available to them.

As competition expands in communications markets, business customers who spend more on telephone service will generally get the first benefit as new entrants market services for them. Residential customers, especially those in rural areas, may wait longer to see results. As competition grows, the importance of information about the market will grow as well.

This issue of "Common Carrier Competition" seeks to address the need for information with hints on selecting a calling card, information about the growing popularity of debit cards and the emergence of hundreds of smaller long distance companies. This report also includes information on consumer complaints and the development of local telephone competition.

The bottom line is: consumers won't get the top dollar from competition without information. Through this report and other releases, the FCC continues its efforts to provide that information.

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.

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Consumer Information

Prepaid Calling Cards

Comparing Costs

If you use the calling card issued by your local telephone company while on the road, you may be in for a surprise. You will pay the rates charged by the long distance company serving the telephone you are using. You may save money by dialing the access code for your preferred long distance company and by using your long distance company's calling card. However, prepaid calling cards may save you even more than you would be charged by the long distance company serving the telephone you are using - - especially for short calls - - because they do not have per-call surcharges.

Prepaid calling cards are now widely available. They are generally sold in pre-set amounts of \$5, \$10, \$20, \$40 or \$50, and are easy to use. Callers simply dial the 800 number that is printed on the card. Step-by-step directions are then given on how to proceed, and the caller is informed of how many minutes of credit are available on the card.

Consumers should be cautious: some calls made with these cards are delayed because of a shortage of available lines. Also, at least one calling card company has gone out of business, stranding thousands of customers with unused calling cards. Consumers may want to start with a small denomination card and move to larger denominations as their satisfaction with the calling card company grows.

If you want to save money on long distance, you may wonder which is the least expensive way to make a call. Consumers now have several choices for making a long distance call away from home, and deciding on the best way to call can be difficult. The following chart shows that your best choice depends on the kind of call you are making.

If you want to make a long distance call and you are not at home, you have three choices. First, if you are using a payphone or a hotel or motel telephone, you may place calls by using coins, a credit card, or your local telephone company's calling card. The call may be more expensive than you expect - - payphones and hotel/motel telephones are sometimes serviced by companies that add a surcharge or commission fee to the cost of the call.

Your second choice is to use a calling card provided by your long distance company. You will probably pay more for calls made away from home even when you first access your own long distance carrier because most companies add a surcharge to calling card calls.

Your third choice is to use a prepaid calling card. These cards have no first-minute surcharge and may be the best choice for short calls, although some prepaid calling cards are at higher rates than others.

Sample prices for a three minute call made on Sprint network. Rates for other companies may vary greatly.			
	Per-Minute Charges	Additional Per-Call Charges	Total Cost
Operator handled call	15¢-37¢	\$2.15-\$4.50	\$2.60-\$5.61
Long distance calling card call	10¢-42¢	80¢	\$1.10-\$2.06
Prepaid calling card call	45¢-60¢	0	\$1.35-\$1.80

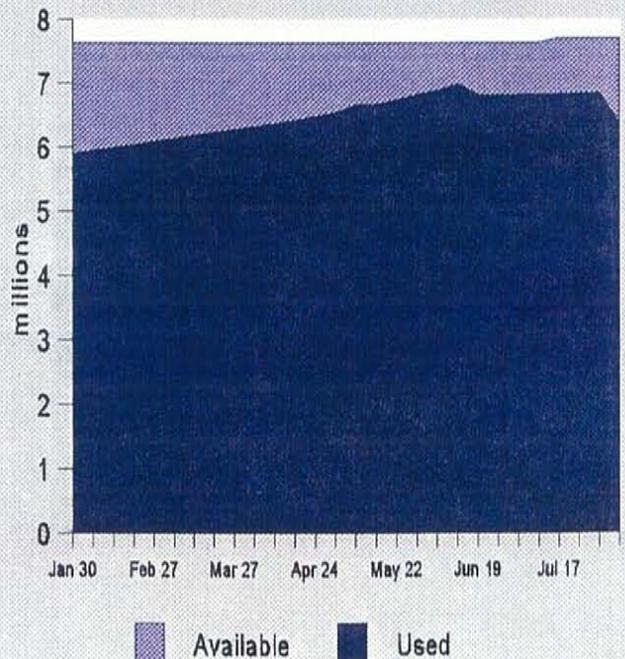
Choosing a prepaid calling card - questions to consider:

- Ⓒ What is the per-minute rate?
- Ⓒ Will the card expire if not used quickly?
- Ⓒ What time segment is used to calculate the cost of a call: 6 seconds? 30 seconds? (Shorter segments translate to savings)
- Ⓒ Can the card be "recharged" at a discounted rate?
- Ⓒ Does a larger denomination card have a lower per-minute cost?

800 NUMBER CRISIS AVERTED

Early in 1995, 800 numbers were being requested at a rate much higher than anticipated, threatening to exhaust the supply. A new toll-free area code -- 888 -- was originally scheduled to open in April 1996. Emergency conservation efforts were called for in order to delay premature exhaustion of remaining 800 numbers. A cooperative effort between the FCC and the telephone industry has smoothed the transition from 800 to 888. Between speeding up the reactivation of disconnected 800 numbers, the FCC-ordered conservation of 800 numbers, and planning faster deployment of new 888 numbers (now scheduled for March 1996), the toll-free crisis has been averted and new toll-free services continue to be available.

800 Numbers Used in 1995



LOCAL COMPETITION

Competition in the local calling market continues to expand as a growing number of states allow companies to compete with local telephone companies. To date, a large majority of states have resolved to allow local competition, and four states have active competition in switched local service: Illinois, Michigan, New York, and Washington. The Federal Communications Commission, committed to fostering local competition, has required local exchange carriers to interconnect with their competitors. The Commission is currently

working closely with state regulators to improve information on local competition.

Many states now allow competition in the local switched access market. The tables on the following pages show that since the beginning of 1995, thirteen states have adopted pro-competitive legislation. Local exchange switched access competition is forbidden only in the District of Columbia and six states: Alaska, Arkansas, Kentucky, Louisiana, Mississippi, and Missouri.

STATE REGULATORY COMMISSION TREATMENT OF COMPETITION IN SWITCHED LOCAL SERVICE (as of September 1, 1995)

	Decision made: competition is allowed		Allowing competition under consideration	Allowing competition not being considered
	Rules regarding competition are in place	Rules are not in place		
Firms are actively competing	IL, MI, NY, WA			
Firms have been approved for operation	CT, MD, MA, NC	AZ, OH, TN, UT		
Firms have applied for certification	CA, GA, TX	AL, FL, IA, OR, WI	KS, NJ, PA	
No statutory or generic regulatory barrier		CO, HI, ID, MN, NH, NM, NV, RI, SD, VA, WY	IN, ME, NE, OK, SC, VT, WV	DE, MT, ND
Generic policy or order is barrier				AK, MS
Statutory barrier			DC, KY	AR, LA, MO

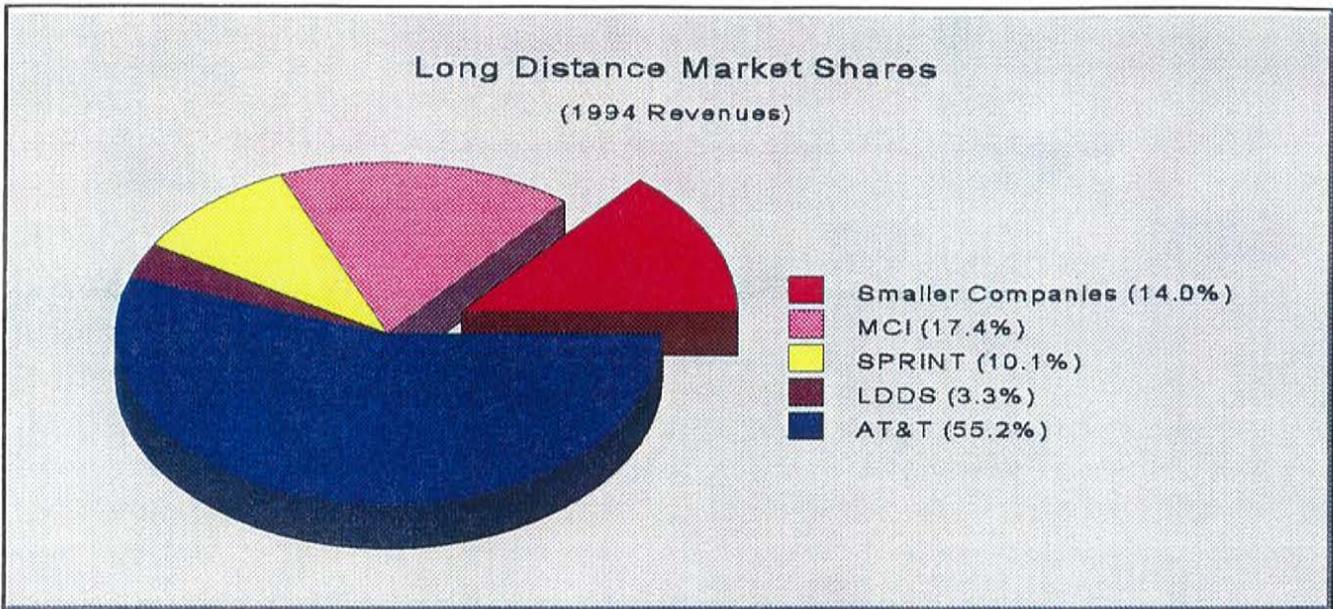
STATUS OF LOCAL SWITCHED ACCESS COMPETITION (as of September 8, 1995)

State	Decision to permit competition:	Have any companies applied to compete?	Active competition?	Notes on the status of local switched access competition
Alabama	8/95	yes	not yet	Rules not yet in place.
Alaska	policy barrier			Competition not being considered.
Arizona	7/95	yes	not yet	Rules not yet in place.
Arkansas	prohibited			Competition prohibited by regulatory barrier.
California	7/95	yes	not yet	Competition set to begin 7/96. Implementation details and Universal Service being considered separately by public utilities commission.
Colorado	5/95		not yet	Competition set to begin 7/96. Rules in committee at public utilities commission.
Connecticut	7/94	yes	not yet	3 companies have contracts with Southern New England Telephone.
Delaware	no regulatory barrier			Competition not being considered yet.
District of Columbia	statutory barrier			Legislation pending.
Florida	6/95	yes	not yet	Rulemaking in process at public service commission, active competition cannot occur until 1/96.
Georgia	7/95	yes	not yet	Temporary rules are in place.
Hawaii	6/95		not yet	Legislation addresses rules, requires local exchange company to comply.
Idaho	prohibited			Competition not allowed for customers with less than 5 lines.
Illinois	1988	yes	yes	Metropolitan Fiber System began operations 9/1/95.
Indiana	no regulatory barrier			Competition under consideration.
Iowa	5/95	yes	not yet	Rules not yet in place.
Kansas	no regulatory barrier	yes		Companies have filed for authorization pending the decision to allow competition.
Kentucky	statutory barrier			Generic proceeding underway at public service commission
Louisiana	prohibited			Public service commission has legislative power and is currently designing policy.
Maine	no regulatory barrier			Competition under consideration.
Maryland	1994	yes	not yet	Permanent rules are still being developed by public service commission.
Massachusetts	1991	yes	not yet	Contracts must be developed between firms.
Michigan	1991	yes	yes	Contracts must be developed between firms.
Minnesota	8/95		not yet	A rules docket is currently in progress at public utilities commission. Authorization will occur afterwards.
Mississippi	policy barrier			Competition not yet being considered.
Missouri	prohibited			Competition prohibited by statutory barrier.

STATUS OF LOCAL SWITCHED ACCESS COMPETITION, continued

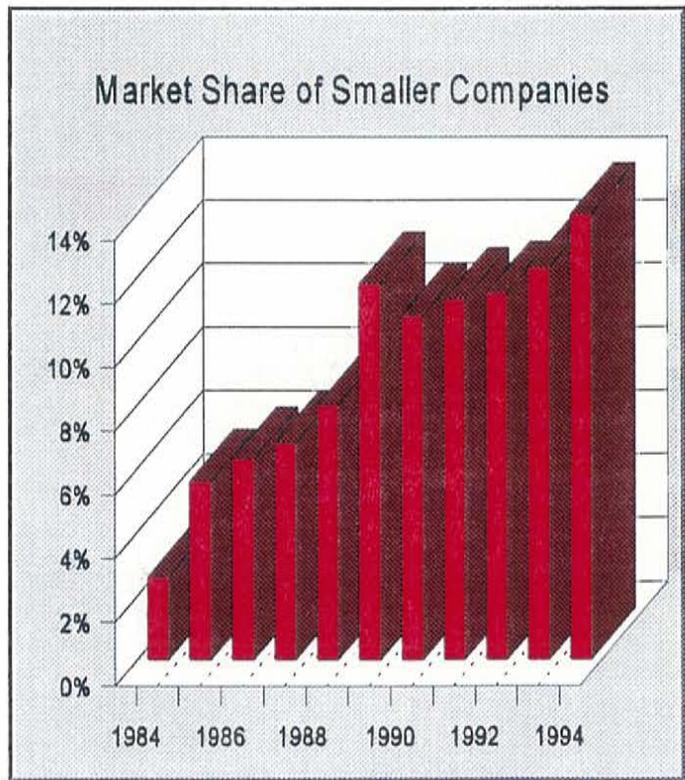
State	Decision to permit competition:	Have any companies applied to compete?	Active Competition?	Notes on the status of local switched access competition
Montana	not prohibited			Competition not yet being considered.
Nebraska	not prohibited			Allowing competition currently under consideration.
Nevada	5/95	not yet	not yet	Contracts must be developed between firms.
New Hampshire	8/95			Public utilities commission rules docket in progress. Must be completed by 12/96.
New Jersey	under consideration	yes		Board of public utilities awaiting completion of intraLATA presubscription docket.
New Mexico	1995			Companies serving less than 100,000 lines exempt from competition.
New York	1992	yes	yes	Active local competition.
North Carolina	1995	yes	not yet	Competition set to begin 7/96. Companies serving less than 200,000 lines exempt.
North Dakota	no regulatory barrier			Competition not yet being considered.
Ohio	8/95	yes		Metropolitan Fiber System granted certification, awaiting rules from public utility commission.
Oklahoma	no regulatory barrier			Corporation commission taking up docket 9/95.
Oregon	1993	yes	not yet	Public utility commission certification order pending.
Pennsylvania	no (yes, informally)			Public utility commission took informal, non-binding poll agreeing to allow competition. Formal vote and rulemaking scheduled for late September, 1995.
Rhode Island	yes			Public utilities commission has open docket, following closely the progress of Massachusetts & Connecticut.
South Carolina	no regulatory barrier			Allowing competition currently under consideration.
South Dakota	yes			Public utilities commission has legal authority, no other actions have been taken.
Tennessee	1995	yes		Rules not in place yet.
Texas	1995	yes		Competitors allowed to begin filing 9/95.
Utah	1995	yes		Contracts must be developed between firms.
Vermont	no regulatory barrier			Public service commission has open docket.
Virginia	1995			Rules being drafted by the public utility commission.
Washington	1994	yes	yes	Active local competition.
West Virginia	no regulatory barrier			Public service commission began general investigation 11/94.
Wisconsin	yes	yes		Rules not in place yet.
Wyoming	1995			Rules not in place yet.

SMALL LONG DISTANCE COMPANIES COMMAND A GROWING SHARE OF THE MARKET.



Since the divestiture of AT&T in 1984, the infant industry in competitive long distance has grown significantly. Four large companies (AT&T, MCI, Sprint and LDDS) account for most of the once-monopolized long distance market, and a highly competitive fringe of smaller companies commands a growing share of the market.

Competition in the long distance industry is steadily evolving. AT&T, which at one time was the only long distance company, has seen its market share cut almost in half. Smaller carriers are gaining a larger share of the market. In 1993, LDDS joined the ranks of companies with more than one billion dollars in annual revenues. By the end of 1994, carriers with less than one billion dollars in annual revenues had gained 14% of the long distance market. Continued competitive pressure by smaller companies is expected to discipline the largest carriers, leading to price declines for long distance service.

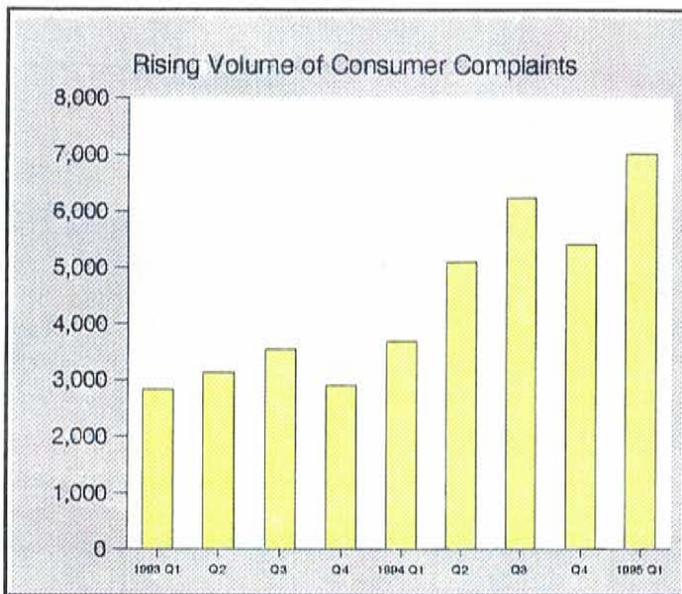


Preview of new FCC consumer information publication:
CARRIER PERFORMANCE SCORECARD

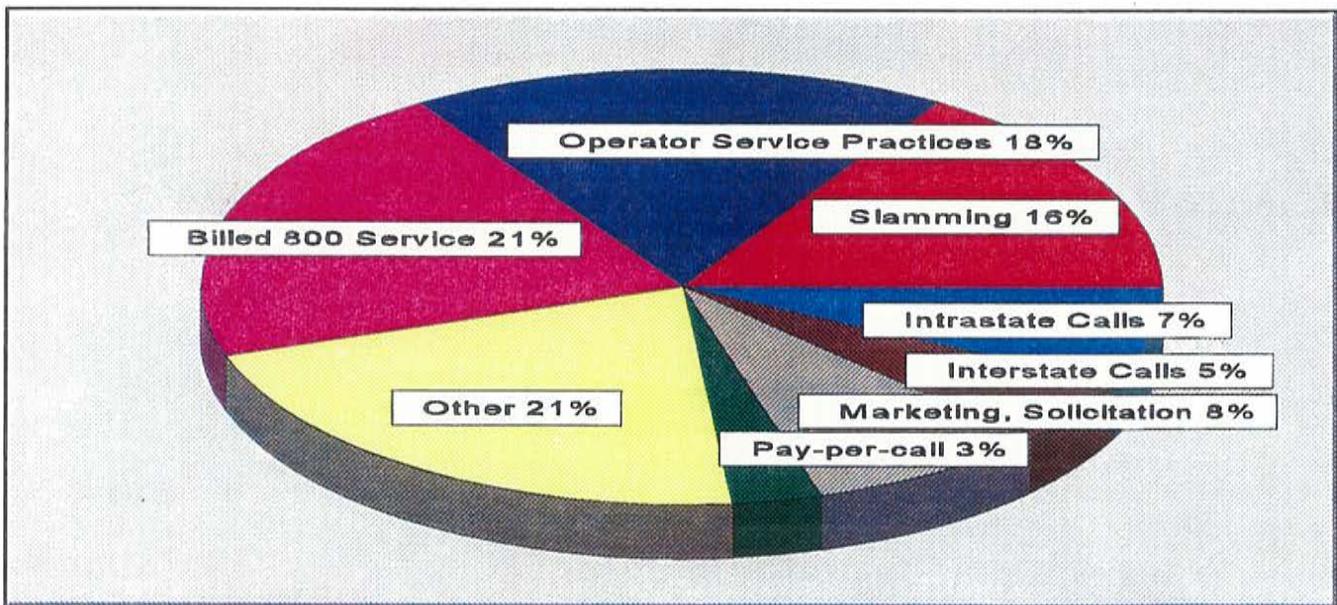
Faced with dramatic increases in consumer complaints, the Common Carrier Bureau has responded by increasing staffing, automation, and encouraging creative responses to reduce backlogs in processing complaints.

The FCC is compiling the first Carrier Performance Scorecard, containing data on companies with the most complaints. The Scorecard will help consumers avoid the most common telecommunications problems and the most notorious companies.

The FCC assists consumers in resolving a wide variety of problems. Three types of complaints, however, accounted for more than half of the complaints received in 1994. The top three categories of complaints were related to 800 calls where the initial "free" call turned into a billable call; operator service company practices and rates; and unauthorized switching of long distance service ("slamming"). During early 1995, the same three complaint categories continued to account for more than half of all complaints. The proportion of



slamming complaints, however, increased dramatically, while the number of 800 complaints dropped sharply. The FCC also responds to complaints about marketing and solicitation practices, pay-per-call, and other topics.



For Additional Information

A variety of periodic reports provide 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 here include the quarterly *Long Distance Market Shares* report, the *Carrier Performance Scorecard*, and *Long Distance Carrier Code Assignments*.
- 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 1993/1994 edition may be purchased from the Superintendent of Documents, Washington, DC 20202-9328 or by calling GPO's Order and Inquiry Desk at (202) 512-1800.
- The staff of the Federal-State Joint Board prepares an annual *Monitoring Report* that contains detailed statistical and financial data on a state-by-state basis. The report presents data on eight categories: (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. The *Monitoring Report* is released each May, and the information is also made available on the **FCC-State Link** bulletin board.

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 Industry Analysis Division, located at 1919 M Street, N.W., Room 533, Washington, DC 20554.

For additional information on the common carrier industry, contact the Industry Analysis Division at (202) 418-0940.