



August 11, 2005

Honorable Kevin J. Martin, Chairman
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Dear Chairman Martin:

On July 26, 2005 the Federal Communications Commission (“FCC”) and the National Association of Regulatory Utility Commissioners (“NARUC”) announced the launch of the “Lifeline Across America” program to draw more low-income consumers into federal and state Lifeline and Link-up programs. This is a laudable effort, and the National Association of State Utility Consumer Advocates (“NASUCA”) commits to participating in and supporting “Lifeline Across America.”¹

Such programs -- and others -- require substantial support in the face of what appears to be a significant -- and unprecedented -- decline in telephone subscribership over the last two years. According to the Commission’s most recent Subscribership Report,² **telephone subscribership across the Nation declined from a high of 95.5% in March of 2003 to 92.4% in March of 2005.**³ In just the six months between November 2004 and March 2005 subscribership fell by 1.1% -- a decrease that the report describes as “statistically significant.”⁴ The previous eighteen years had shown a slow but inexorable rise in subscribership, from 91.4% to the March 2003 level of 95.5%. **Over**

¹ Many NASUCA members actively support Lifeline and Link-up programs within their individual states; NASUCA as an organization has actively supported the federal Lifeline and Link-up programs.

² Belinfante, “Telephone Subscribership in the United States (Data through March 2005),” Industry Analysis and Technology Division (rel. May 2005) (“Subscribership Report”).

³ *Id.*, Table 1.

⁴ See *id.*, p. 3.

the last two years, however, subscribership appears to have declined to a level last seen in 1987. Indeed, the latest report shows numerically more households without a telephone than at any time since reporting began in 1983.

Although there may have been methodological changes that affected the results of the subscribership survey, it is crucial that the Commission expeditiously determine the exact causes of the decline in reported subscribership. The Subscribership Report makes clear that the reported decline in subscribership is not simply caused by substitution of wireless phones in place of wireline connections -- the sampling methodology is supposed to include “wireless only” households in its penetration numbers.⁵ Whatever the cause, this dramatic decline in subscribership cannot be ignored.

As noted, the launch of “Lifeline Across America” is a valuable initiative for low-income households. However, the Subscribership Report shows declines in subscribership across the board, including among groups with income levels that would not qualify for Lifeline or Link-up benefits.⁶ Thus, improvements in Lifeline and Link-up will not increase subscribership for higher-income groups. Moreover, the Subscribership Report shows that several states – such as Arkansas, Louisiana and Mississippi – have now slipped below the 90% subscribership level.⁷

The FCC’s report states: “The number and percentage of households that have telephone service represent the most fundamental measures of the extent of universal service. ... The most widely used measure of telephone subscribership is the percentage of households with telephone service, sometimes called a measure of telephone penetration.”⁸ The recent disheartening *decrease* in telephone penetration comes at a time when the federal universal service fund -- the purpose of which is to produce affordable, reasonably comparable rates -- has reached its **highest** levels ever. There is a disconnect here that the Commission must address immediately. The apparent lack of access of an increasing number of Americans to basic telephone services cannot be overlooked as the nation moves to a broadband-based telecommunication system.

This Commission is well aware of the stated goal of the Bush Administration to make broadband communications universally available to all Americans. It goes without saying that as long as a substantial percentage of consumers do not even have access to basic dial tone, the Administration’s broadband goals are unlikely to be achieved.

NASUCA urges the Commission to immediately open an inquiry into the source (methodological and/or actual) of the decline in reported telephone subscribership. The 1996 Telecommunications Act states that “consumers in all regions of the Nation,

⁵ *Id.*, p. 2.

⁶ *Id.*, Table 4.

⁷ *Id.*, Table 3.

⁸ *Id.*, p. 1

including low-income consumers ... should have access to telecommunications and information services....” Telecommunications services which are available to only 92.4% of our population fall far short of that goal.

Respectfully submitted,

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