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For Immediate Release

FCC HALTS RURAL PHONE RATE HIKE
Freezes ‘Rate Floor’ Pending Further Review

WASHINGTON, May 18, 2017 – The Federal Communications Commission today stopped a federally mandated rate increase for certain rural phone customers, pending review of an FCC policy known as the “rate floor.”

The FCC froze the current minimum rate for local voice services at \$18 per month for customers of companies that receive support from the FCC’s universal service program. That minimum rate, or rate floor, was scheduled to rise to \$20 on July 1, and to \$22 on July 1, 2018.

The freeze will stay in effect until the FCC reviews its rate floor policy, or no more than two years. The review was launched by the Commission today in a Notice of Proposed Rulemaking seeking comment on the policy.

In rural areas where the cost of providing service is high, phone company revenues come from three primary sources: customer rates, subsidies from the Universal Service Fund to keep those rates affordable, and intercarrier payments from long-distance providers. In 2011 the FCC set a rate floor for local voice services based on a national average; carriers that do not charge their customers at least the rate floor amount are penalized with a loss of universal service funding.

However, stakeholders ranging from the AARP to the National Tribal Telecommunications Association to small, rural telephone companies have argued that the rate floor has made basic voice service less affordable in some rural areas, resulted in rural rates that are higher than in some urban areas, limited consumer choice, and slowed broadband deployment.

In response, the FCC will seek comment on whether the rate floor has met its intended purposes, whether changes should be made to the current rate floor methodology, or whether it should be eliminated entirely. More generally, the FCC will seek comment on the costs and benefits of the rate floor.

Action by the Commission May 18, 2017 by Notice of Proposed Rulemaking (FCC 17-61). Chairman Pai and Commissioner O’Rielly approving. Commissioner Clyburn dissenting. Chairman Pai, Commissioners Clyburn and O’Rielly issuing separate statements.

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