The State of Telecom – 2007

Overview

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ILECS Are Losing Lines

Interstate Switched Access
Minutes for ILECs
(Billions of Minutes)

Avg. Rev./Minute
for Interstate Toll Calls

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue per Minute</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>$0.15</td>
</tr>
<tr>
<td>1993</td>
<td>0.15</td>
</tr>
<tr>
<td>1994</td>
<td>0.14</td>
</tr>
<tr>
<td>1995</td>
<td>0.12</td>
</tr>
<tr>
<td>1996</td>
<td>0.12</td>
</tr>
<tr>
<td>1997</td>
<td>0.11</td>
</tr>
<tr>
<td>1998</td>
<td>0.11</td>
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<tr>
<td>1999</td>
<td>0.11</td>
</tr>
<tr>
<td>2000</td>
<td>0.09</td>
</tr>
<tr>
<td>2001</td>
<td>0.08</td>
</tr>
<tr>
<td>2002</td>
<td>0.07</td>
</tr>
<tr>
<td>2003</td>
<td>0.06</td>
</tr>
<tr>
<td>2004</td>
<td>0.06</td>
</tr>
<tr>
<td>2005</td>
<td>0.06</td>
</tr>
</tbody>
</table>

Source: FCC, Trends in Telephone Service 2007, Chart 10.1
Source: FCC, Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service 2007, Table 1.15
International Telephone Service
(Billed Revenues Per Minute and Per Call)

Source: FCC, Trend in Telephone Service 2007, Chart 6.1

US Telecommunications Services Revenue 1997-2006

Source: FCC, Telecommunications Industry Revenues, Table 1, June 2007

* 2006 figure is preliminary
Toll Revenues
($ Billions)

Source: FCC, Trends in Telephone Service 2007, Chart 9.1

CLECs

End-User Switched Access Lines (Thousands)

Source: FCC, Trends in Telephone Service 2007, Table 8.3
Total US Mobile Telephone Wireless Subscribers


Average Minutes-of-Use per Month

End User Spending Trends

Source: FCC, Telecommunications Industry Revenues, June 2007
Wireless vs. Wireline Growth

**Personal Consumption Expenditures for Telephone Service ($ Billions)**

Source: FCC, Trends in Telephone Service 2007, Chart 3.1

US High Speed Services Revenue Trend, 2001-2010

**US High Speed Services Revenue ($Billions)**

Source: TIA, 2007
Advanced Services Lines

Advanced Services Lines by Technology
(as of June 30, 2006)


Source: FCC, High-Speed Services for Internet Access: Status as of June 30, 2006 (Jan. 2007), Chart 4
### Top 10 Internet Access Providers (2Q07)

<table>
<thead>
<tr>
<th>Rank</th>
<th>ISP</th>
<th>Subscribers (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AT&amp;T (SBC, BS, AT&amp;T) (DSL, plus U-verse and satellite)</td>
<td>17 (17.2%)</td>
</tr>
<tr>
<td>2</td>
<td>Comcast (cable broadband)</td>
<td>12.1 (12.2%)</td>
</tr>
<tr>
<td>3</td>
<td>America Online/Time Warner (all US AOL brand accounts)</td>
<td>11.9 (12.0%)</td>
</tr>
<tr>
<td>4</td>
<td>Verizon (FiOS and DSL)</td>
<td>7.4 (7.5%)</td>
</tr>
<tr>
<td>5</td>
<td>Road Runner (Time Warner) (cable broadband)</td>
<td>7.3 (7.4%)</td>
</tr>
<tr>
<td>6</td>
<td>EarthLink (DSL, cable,satellite,PLC, web hosting)</td>
<td>5.3 (5.4%)</td>
</tr>
<tr>
<td>7</td>
<td>Charter (cable broadband)</td>
<td>2.5 (2.5%)</td>
</tr>
<tr>
<td>8</td>
<td>Qwest (DSL only)</td>
<td>2.3 (2.3%)</td>
</tr>
<tr>
<td>9</td>
<td>United Online (counting paid access only)</td>
<td>2.2 (2.2%)</td>
</tr>
<tr>
<td>10</td>
<td>Cablevision (cable broadband)</td>
<td>2.1 (2.1%)</td>
</tr>
</tbody>
</table>

Note 1: Total Subs= 98,777,000
Note 2: Top 5 = 55.9%
Top 10 = 70.3%
Note 3: Privately held Cox Cable estimated to have 3.5 million broadband subs, ranking 7th

### Multichannel Video Households (millions)

- 1994: 30
- 1995: 40
- 1996: 50
- 1997: 60
- 1998: 70
- 1999: 80
- 2000: 90
- 2001: 100
- 2002: 110
- 2003: 120
- 2004: 130
- 2005: 140
- 2006: 150

Source: Kagan Research; NCTA, 2007
US Cable Total Revenue
1986-2007

Cable Total Revenue ($billion)

Source: NCTA, 2007

Rates for Communications Services (1995 - 2005)

“The price for every service the Commission regulates has decreased—except for cable. For instance, the average rate for wireless service has plummeted 80% and average interstate telephony rates have decreased almost 40%...In contrast, cable prices alone have increased, and they have risen more than 90%.”

Source: Testimony of FCC Chairman, Report on Cable Industry Prices, December 27, 2006
Telecom Employment Trends 1990-2006

Average Number of Employees in Telecommunications Industry (Thousands)


Telecommunications Industry Measured in Output per Hour

Source: FCC, Trends in Telephone Service, February 2007, Chart 5.2
US Carriers’ Purchases of Telecom Network Equipment
(Billions $)

Source: TIA Industry Playbook 2007

Universal Service – High Cost

Source: FCC, Trends in telephone Service 2007, Charts 19.3 and 19.4
Who Pays for Universal Service?

Source: FCC, Telecommunications Industry Revenues, Chart 2, June 2007

Telecommunications Patents

Telecommunication Equipment Exports 1996-2005
($US millions)

Telecommunication Equipment Imports 1996-2005
($US millions)

Source: OECD Communications Outlook 2007, Last access on October 17, 2007 via
http://213.253.134.43/oecd/pdfs/browseit/9307021E.PDF