

<b>D. PUBLIC INFORMATION REGARDING THE CONTINUING EXPONENTIAL GROWTH OF INTERNET USAGE</b>
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1. ***Number of Users is Continuing to Significantly Increase***

- "About 62 million people in the U.S. use the Net, according to IntelliQuest Information Group Inc. of Austin Texas. That figure represents about 30% of U.S. residents age 16 and older." - Thomas E. Weber, "Who, What, Where: Putting The Internet in Perspective", Wall Street Journal, April 16 1998
- "Of those 62 million on-line users, nearly 25% were Internet newcomers in 1997." - Thomas E. Weber, "Who, What, Where: Putting The Internet in Perspective", Wall Street Journal, April 16, 1998
- Canada and USA Internet users as of February 1998 - 70 million - NUA Internet Surveys, [http://www.nua.net/surveys/how\\_many\\_online/index.html](http://www.nua.net/surveys/how_many_online/index.html)
- "The company [AOL] said its membership has grown by about 5 million since it introduced flat rates in December 1996 and that it adds about 25,000 modems a month to handle the increased load." - The Dallas Morning News, online version, April 17, 1998
- "More than 8.6 million members, including more than 750,000 internationally; 13 million member users, counting spouses, and children in family households; over 5 million hours per day of online usage." - AOL 1997 Annual Report - AOL At-a-Glance, [http://www.aol.com/corp/inv/reports/1997/4\\_glance](http://www.aol.com/corp/inv/reports/1997/4_glance)

2. ***Average Hold Times Are Long and Increasing***

- "More people also said when they did get online, they tended to spend more time. They also claimed to spend less time watching television. Twenty percent of respondents said they spend more than 10 hours a week online, while 40 percent said they are spending more time online than they did a month ago." - Lisa Picarille, "Number of Internet Users On The Rise", TechWeb News, September 22, 1997, <http://www.techweb.com/se/directlink.cgi?CRN19970922S0065>
- "More than 800 million users hit the World Wide Web daily, up from 260 million last year, AOL said, and it now has peak usage of more than 675,000 simultaneous users, up from 334,000 in 1997."-The Dallas Morning News, online version, April 17, 1998.

- "The average Internet dial-up user in California stays online 45 minutes a day, PacTel said, compared with 22 minutes of phone use for the average residential customer." - Rex Nutting, "Telco Wants Net Access Charge", TechWeb News, March 25, 1997, <http://www.techweb.com/wire/news/mar/0325telco.html>
- "More than 8.6 million members, including more than 750,000 internationally; 13 million member users, counting spouses, and children in family households; over 5 million hours per day of online usage." - AOL 1997 Annual Report - AOL At-a-Glance, [http://www.aol.com/corp/inv/reports/1997/4\\_glance](http://www.aol.com/corp/inv/reports/1997/4_glance) [5 Million hours of Usage divided by 13 million member users would mean an average hold time of .3846153 hour or about 23 minutes]
- "Call Duration (Minutes) Peak 56.8; Current Average 27.5; Historical Average 6.1; Delta 352%" - <http://www.vitalsigns.com/products/va/reports/isps.html>

### **3. Rate Pricing/Type of Service Affects Usage Growth**

- "Instituted flat-rate pricing in December, 1996; increased usage by over 400% and membership by close to 40%." - AOL 1997 Annual Report-AOL At-a-Glance, [http://www.aol.com/corp/inv/reports/1997/4\\_glance](http://www.aol.com/corp/inv/reports/1997/4_glance)
- \$30/month basic service fee, including 25 hours of local usage, Internet Mail and USENET news for one user. \$2.00/hour connection cost to local hub (after first 25 hours) - <http://www.us.uu.net/pricing.cgi/alterdial>
- "Worldnet ([www.att.net](http://www.att.net)) -- with more 1.1 million subscribers, the biggest access provider apart from proprietary services such as AOL ([www.aol.com](http://www.aol.com)) -- last week said it will cap at 150 hours the previously unlimited usage of customers paying \$19.95 monthly, effective May 1. Additional hours will cost 99 cents each. The company said it needed to curb the 3 percent of its subscribers exceeding 150 hours and hogging network capacity. Other customers average 25 hours monthly. " - Louis Trager, Inter@active Week, April 7 1998
- "Meanwhile, Microsoft Corp. ([www.microsoft.com](http://www.microsoft.com)) unit WebTV raised the \$19.95 monthly charge for its WebTV Plus service to \$24.95, effective June 1." - Louis Trager, Inter@active Week, April 7 1998

- "Analysts said other access providers can be expected to cut rates for unlimited use, to lure AOL members disaffected by its increase to \$21.95 monthly from \$19.95 for unlimited use." - Louis Trager, Inter@active Week, April 7 1998
- "Weil says other ISPs could follow AOL's lead and raise prices or impose limit on connect time--as has IBM, which restricts its \$19.95 subscribers to 100 hours per month. Raising subscriber fees or limiting connect time, he says, would likely help ISPs enhance profits, adding that right now, 'Mindspring Enterprises is the only public ISP that is truly profitable.'" - Keith Kirkpatrick, "AOL Ups Access Prices Other ISPs Are Likely To Follow Flat-rate Rise", Computer Shopper, May 1998, <http://www.zdnet.com/cshopper/content/9805/297542.html>
- "Usage-based charges are going to replace, or at least supplement, flat-rate charges in the near future, according to speakers from AT&T and the International Telecommunication Union (ITU) -- the United Nations agency charged with developing world telecommunications usage." - Douglas Hayward, "Flat-Rate Charges Expected to Disappear", TechWeb News, September 8 1997, <http://www.techweb.com/wire/news/1997/09/0908flat.html>



**INTERNET USAGE IS NOT LOCAL BUT INTERSTATE ACCESS AND THUS IS NOT SUBJECT TO RECIPROCAL COMPENSATION**

1. The FCC's exemption is wrongly used as evidence that Internet calls are under the State Commission's jurisdiction and thus local. However:
  - a) The FCC did not cede authority over Internet calls to the States as a result of the exemption.
  - b) ISPs are end users only as a result of the exemption. Internet calls do not terminate at the ISP because ISPs are (for exemption purposes) classified as end users.
  
2. A jurisdictional usage determination is wrongly confused with the type of facilities and services the FCC has mandated for use by ISPs to obtain network access. However:
  - a) Use of local exchange facilities to obtain network access does not mean that all usage over those facilities is local.
  - b) Purchase of the service classified in state tariffs as a local business line does not mean that all usage over that service is local.

If purchase of local service (residential or business) or use of local exchange facilities were determinative of jurisdiction, then all switched calls and usage would be local, under the State's jurisdiction. Instead, the end-to-end use of the local facilities (and service) determines the jurisdiction.
  
3. The use of differing types of networks (circuit switched vs. packet switched) is wrongly used as a bases to argue that ISP Internet calls terminate at the end of one network and originate at the beginning of the second network. However:
  - a) Types of network technology used do not (under FCC rules) determine the origination or termination points or jurisdiction of calls.
  - b) Instead, a continuous end-to-end connection (physical or virtual) is maintained over both networks for the entire duration of an ISP Internet call.
  
4. Definitional and regulatory distinctions (Telecommunications Service, Information, Telecommunications) are used to wrongly assert that Internet calls terminate at the ISP. However:

- a) The unregulated status of an ISP does not determine that Internet calls terminate at the ISP.
- b) The fact that information service is provided on certain calls (and that there may be two components to a call - telecommunications service and information service) does not determine that Internet calls terminate at the ISP.

Irrespective of these distinctions about Internet calls, the jurisdiction of the call is determined on an end-to-end basis and thus the call does not artificially end at the ISP because it is deregulated or because it is not a telecommunications service but may be an information service.

- 5. Claims about uncompensated LSP costs to provide facilities to carry Internet calls are wrongly used to assert that Internet calls are local and thus subject to reciprocal compensation. However:
  - a) Both the incumbent LEC and LSP are adding thousands of trunk facilities and reinforcing switches due to the explosive growth and holding times of Internet usage.
  - b) Under FCC orders, the only compensation for these costs, in lieu of access charges, is the local business line rate.
  - c) Reciprocal compensation is not applicable because the incumbent LEC and LSP are not trading local usage.
  - d) Reciprocal compensation is only applicable where both parties are providing retail (not wholesale access) service to their respective customers.
- 6. Claims about barriers to competitive entry are incorrect and wrongly used to assert that Internet calls should be subject to reciprocal compensation. However:
  - a) Reciprocal compensation only incents uneconomic competition for ISPs. It disincentivizes and in fact is an uneconomic barrier to local exchange competition for normal residential and business customers.
  - b) No LSP would seek to serve residential and business customers who subscribe to ISP Internet service because the ISP might be connected or induced to be connected to a different LSP. If that occurred, the first LSP would pay uneconomic compensation to the second LSP while receiving no compensation for its costs to carry ISP usage.