

Appendix A:

Data Sources Used in the Development of the SBC/BellSouth Model

Trends in Telephone Service



*Industry Analysis and Technology Division
Wireline Competition Bureau*

May 2002

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Table 1
End-User Switched Access Lines Reported

Date	ILEC Lines	CLEC Lines	Total	CLEC Share
December 1999	181,307,695	8,194,243	189,501,938	4.3 %
June 2000	179,761,930	11,557,381	191,319,311	6.0
December 2000	177,683,672	14,871,409	192,555,081	7.7
June 2001	174,485,706	17,274,727	191,760,433	9.0
December 2001	172,628,691	19,653,441	192,282,132	10.2

Table 2
End-User Switched Access Lines by Customer Type

Date	Reporting ILECs			Reporting CLECs		
	Residential & Small Businesses	Other 1/	% Residential & Small Businesses	Residential & Small Businesses	Other 1/	% Residential & Small Businesses
December 1999	139,758,434	41,549,261	77.1 %	3,368,702	4,825,541	41.1 %
June 2000	140,635,199	39,126,731	78.2	4,579,501	6,977,880	39.6
December 2000	138,906,551	38,777,121	78.2	6,620,471	8,250,938	44.5
June 2001	134,317,629	40,168,077	77.0	7,793,071	9,481,656	45.1
December 2001	133,889,657	38,739,034	77.6	9,489,049	10,164,392	48.3

1/ Medium and large businesses, institutional, and government customers.

Table 8.3
Telephone Loops of Incumbent Local Exchange Carriers
By Holding Company 1/
(As of December 31, 2000)

Holding Companies	Loops	Percent of Loops
Verizon Communications, Inc.	61,483,186	32.62 %
SBC Communications, Inc.	60,044,161	31.85
BellSouth Telecommunications, Inc.	25,094,751	13.31
Qwest Communications International, Inc.	17,552,028	9.31
Sprint Corporation	7,972,288	4.23
ALLTEL Corporation	2,352,418	1.25
CenturyTel, Inc.	1,789,179	0.95
Citizens Communications Company	1,364,907	0.72
Global Crossing Ltd.	1,134,404	0.60
Broadwing, Inc.	984,281	0.52
TDS Telecommunications Corporation	611,355	0.32
Valor Telecommunications, LLC	540,076	0.29
Alaska Communications Systems	325,893	0.17
C-TEC Corporation	317,102	0.17
Iowa Network Services, Inc.	297,240	0.16
FairPoint Communications, Inc.	241,034	0.13
Madison River Telephone Company	192,601	0.10
TXU Communications Telephone Company	167,702	0.09
North State Telephone Company	139,233	0.07
Rock Hill Telephone Company	129,701	0.07
Roseville Telephone Company	124,676	0.07
The Concord Telephone Company	123,843	0.07
Horry Telephone Cooperative, Inc.	96,034	0.05
McLeodUSA Telecommunications Services, Inc	89,651	0.05
Conestoga Enterprises, Inc.	84,641	0.04
North Pittsburgh Telephone Company	82,041	0.04
Guam Telephone Authority	74,367	0.04
Hargray Communications Group, Inc.	73,877	0.04
Virgin Islands Telephone Corporation	68,283	0.04
Denver & Ephrata Telephone Company	62,024	0.03
Farmers Telephone Cooperative, Inc.	59,083	0.03
Hickory Tech Corporation	58,397	0.03
Pioneer	56,636	0.03
Ntelos, Inc.	51,079	0.03
SRT Service Corporation	49,531	0.03
Lynch Interactive Corporation	47,800	0.03
Chorus Communications Group Ltd.	44,843	0.02
Hickory Tech Corporation	43,148	0.02
East Ascension Telephone Company, Inc.	41,063	0.02
Atlantic Telephone Membership Corporation	40,898	0.02
Guadalupe Valley Telephone Cooperative	38,334	0.02
The Chillicothe Telephone Company	37,501	0.02
Ben Lomand Rural Telephone Cooperative, Inc.	37,229	0.02
Golden West Telecommunications	36,845	0.02
Twin Lake Telephone Cooperative	36,121	0.02
Skyline Telephone Membership Corporation	35,781	0.02
Telephone Electronics Corporation	35,679	0.02
Lexington Communications	34,756	0.02
Smithville Telephone Company, Inc.	34,612	0.02
Great Plains Communication, Inc.	33,904	0.02
Eastex Telephone Cooperative, Inc.	32,742	0.02
Yadkin Valley Telephone	32,309	0.02
CEA Capital	32,268	0.02
Wood County Telephone Company	30,955	0.02
All Other Companies	3,902,766	2.07
Total	188,497,257	100.00 %

1/ Includes incumbent local exchange carrier's loops for holding companies with more than 30,000 loops.

Source: NECA universal service filings.

**Table 7.2
Lifeline Assistance Subscribers
By State or Jurisdiction**

State or Jurisdiction	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Alabama	0	0	0	0	0	2,648	11,052	14,346	17,201	18,676	21,493	23,921
Alaska	0	0	0	0	887	1,445	1,684	1,761	2,530	4,321	9,291	15,846
American Samoa	0	0	0	0	0	0	0	0	156	427	657	822
Arizona	6,723	6,214	5,748	7,587	9,146	9,820	10,679	9,438	21,461	22,118	25,283	38,164
Arkansas	6,703	7,295	7,479	7,370	6,859	7,988	9,730	8,926	8,870	8,843	9,228	7,495
California	1,578,458	1,792,884	2,000,234	2,327,740	2,534,160	2,817,982	3,032,960	3,000,571	3,105,855	3,157,706	3,196,657	3,245,315
Colorado	9,897	17,871	20,110	18,814	18,136	16,992	22,195	22,452	21,950	23,995	26,645	26,818
Connecticut	0	0	0	15,294	50,510	62,982	62,610	61,683	59,547	61,437	64,745	60,846
Delaware	0	0	0	0	0	0	0	0	368	606	756	1,178
District of Columbia	2,894	2,866	5,422	12,344	11,572	10,252	9,888	7,580	9,404	10,593	11,236	11,957
Florida	0	0	0	0	61,442	108,431	134,258	129,723	131,749	129,980	134,263	140,288
Georgia	0	31,681	58,497	67,112	72,548	79,545	79,606	75,341	73,660	74,825	73,037	70,272
Guam	0	0	0	0	0	0	0	0	313	905	2,033	2,474
Hawaii	6,081	5,950	5,862	6,005	6,200	6,444	6,731	6,465	9,008	12,590	15,381	14,735
Idaho	8,186	8,411	8,149	8,212	7,090	7,347	7,526	7,408	6,907	14,780	19,696	24,373
Illinois	0	0	0	26	0	0	0	0	29,104	49,347	57,816	69,029
Indiana	0	0	0	0	0	0	0	0	12,439	19,058	21,363	30,728
Iowa	0	0	0	0	0	0	0	0	2,460	6,105	11,862	13,884
Kansas	0	0	0	0	0	0	0	0	4,260	5,591	8,564	12,857
Kentucky	0	0	0	0	0	0	0	0	5,044	25,040	39,560	45,072
Louisiana	0	0	0	0	0	0	0	0	5,838	10,435	15,476	19,051
Maine	44,392	53,020	63,411	70,029	68,482	62,949	61,177	63,553	63,407	67,401	76,367	82,672
Maryland	5,465	5,203	5,395	5,228	5,226	4,663	4,028	3,964	3,784	3,885	3,948	3,977
Massachusetts	87,285	131,635	143,216	160,221	165,723	167,182	162,384	156,294	161,657	167,699	165,519	161,436
Michigan	66,053	96,044	116,398	130,586	138,870	135,599	131,786	129,337	129,208	132,432	141,541	132,788
Minnesota	57,529	57,075	51,151	55,380	59,431	51,089	48,494	47,575	49,073	54,787	56,977	51,108
Mississippi	0	2,153	2,405	4,493	8,438	9,717	9,282	8,321	10,471	13,370	16,694	19,861
Missouri	14,639	16,980	17,295	17,356	15,807	13,897	11,272	10,368	7,885	10,709	18,982	30,893
Montana	5,507	5,405	5,698	6,617	6,744	6,813	8,031	7,613	7,963	9,570	11,125	14,253
Nebraska	0	0	0	0	0	0	0	0	9,650	11,434	14,462	14,657
Nevada	5,702	5,748	6,339	7,528	8,927	9,408	8,472	9,284	3,438	10,551	17,486	24,164
New Hampshire	0	0	0	0	0	0	0	0	2,581	5,205	6,453	6,943
New Jersey	0	0	0	0	0	0	0	0	5,478	6,434	29,095	41,590
New Mexico	12,770	15,190	18,660	28,742	32,244	28,380	30,075	30,314	30,816	32,843	36,863	38,974
New York	327,808	393,684	456,174	522,684	592,705	705,871	756,657	698,267	703,001	657,267	586,579	511,624
North Carolina	14,996	15,812	21,208	23,496	23,446	22,791	23,086	22,595	29,640	44,434	62,507	80,658
North Dakota	10,037	10,610	10,664	10,029	9,411	8,657	7,146	7,369	10,895	11,968	13,440	15,309
Northern Mariana Isls.	0	0	0	0	0	0	0	0	192	494	427	445
Ohio	14,885	15,712	33,450	44,801	47,126	54,706	58,392	60,366	69,358	109,202	167,213	227,465
Oklahoma	0	0	0	0	0	0	532	532	1,521	2,454	17,768	63,872
Oregon	21,551	23,064	25,229	28,305	30,475	35,820	34,804	31,213	27,953	28,934	30,374	31,196
Pennsylvania	0	0	0	0	0	0	4,797	7,114	23,202	40,168	49,146	63,459
Puerto Rico	0	0	0	0	0	0	0	0	10,168	16,895	17,720	17,898
Rhode Island	15,757	23,765	26,906	38,672	39,992	40,835	42,524	43,881	45,066	46,244	47,412	46,539
South Carolina	0	0	0	0	0	10,624	16,498	18,386	22,222	21,091	20,820	21,142
South Dakota	4,764	4,924	5,018	5,076	3,561	3,690	3,718	3,708	10,698	11,532	13,442	17,430
Tennessee	0	0	18,749	20,419	20,721	19,934	19,926	18,819	22,915	30,347	38,884	45,587
Texas	33,698	48,453	96,405	103,232	136,352	165,609	190,095	193,444	210,672	236,934	258,812	296,551
Utah	16,006	21,565	27,717	28,379	28,157	26,930	24,088	22,625	20,096	19,237	19,394	19,762
Vermont	18,044	20,661	21,895	22,973	24,322	25,624	24,791	25,356	26,475	28,464	29,740	30,428
Virgin Islands	0	0	0	316	594	253	296	471	567	402	511	0
Virginia	16,201	17,365	19,143	21,293	22,100	20,744	22,180	23,187	22,040	22,306	21,658	20,611
Washington	49,985	68,235	74,879	85,571	90,148	87,276	84,149	63,965	61,563	61,809	68,143	78,781
West Virginia	4,490	4,262	4,115	4,160	4,704	4,230	4,336	5,164	5,320	5,546	5,294	5,036
Wisconsin	7	54,137	55,829	54,576	59,744	58,071	50,714	50,894	42,514	59,331	62,798	64,617
Wyoming	0	416	1,366	1,271	1,119	818	776	864	1,113	1,337	1,363	1,728
Industry Total	2,466,513	2,984,290	3,440,216	3,971,937	4,423,119	4,914,056	5,233,425	5,110,537	5,380,726	5,640,094	5,893,999	6,158,579

1/ Subscriber data were not actually collected in 1997. USAC used an estimated number of subscribers for all states.

2/ Average number of subscribers reported for 2000 and 2001 for companies requesting reimbursement (includes true-ups through December 2001).

Ninety-nine percent of all eligible companies have reported to USAC for reimbursement at this time.

Source: Universal Service Administrative Company (USAC).

Table 16.4
Gross Revenues Reported by Type of Carrier
(Dollars Shown in Millions)

Service Provider Category 1/	TRS Worksheet Data					Universal Service & TRS Data		Form 499 Data		
	1992	1993	1994	1995	1996	1997	1998	1999	2000	Preliminary 2001
Incumbent Local Exchange Carriers 2/	\$91,584	\$95,228	\$98,431	\$102,820	\$107,905	\$105,154	\$108,234	\$112,216	\$116,158	\$118,791
Competitive Access Providers (CAPs) and Competitive Local Exchange Carriers (CLECs)	69	191	281	623	1,011	1,919	3,348	5,652	9,814	11,123
Local Resellers						206	410	511	879	1,242
Other Local Exchange Carriers						157	36	171	11	291
Private Carriers						112	147	87	39	211
Shared-Tenant Service Providers						87	93	87	202	36
Total: Competitors of ILECs	69	191	281	623	1,011	2,481	4,034	6,508	10,945	12,903
Total: Fixed Local Service Providers	91,835	95,595	99,011	103,792	109,273	107,634	112,268	118,725	127,103	131,694
Total: Payphone Providers	183	175	300	349	357	933	1,101	1,213	972	926
Wireless Telephony Including Cellular, Personal Communications Service (PCS) and SMR Telephony Carriers 2/	6,718	9,215	13,259	17,208	23,778	29,944	33,139	46,513	59,823	72,802
Paging & Messaging Service 2/						2,861	3,161	3,232	3,102	3,254
Specialized Mobile Radio (SMR) Dispatch								186	191	221
Wireless Data Service Providers								63	36	57
Other Mobile Service Providers	670	964	938	1,419	2,121	225	731	159	128	140
Total: Wireless Service Providers	7,387	10,179	14,197	18,627	25,900	33,030	37,032	50,152	63,280	76,474
Interexchange Carriers (IXCs)	57,341	61,118	66,381	70,938	79,057	79,080	83,443	87,570	87,311	79,564
Operator Service Providers (OSPs)	558	695	536	500	461	603	590	337	635	407
Prepaid Calling Card Providers				16	238	519	888	866	727	154
Satellite Service Carriers						1,011	475	280	336	404
Toll Resellers	1,293	1,869	2,840	4,220	6,564	8,010	9,885	9,211	10,641	11,081
Other Toll Carriers	2,186	711	709	773	577	348	710	150	1,758	2,084
Total: Toll Service Providers	61,378	64,393	70,466	76,447	86,896	89,570	95,992	98,414	101,407	93,695
Non-Telecommunications Revenues in Prior-Year Data 2/	(6,944)	(7,518)	(8,324)	(9,071)	(10,474)					
Other Adjustments 3/	(248)	2,693	(461)	280	187	0	0	0	0	0
Total Telecommunications Revenues	\$153,409	\$165,342	\$174,890	\$190,076	\$211,782	\$231,168	\$246,392	\$268,505	\$292,762	\$302,789

1/ Filers are asked to select for themselves a service provider category that best describes their operations. The choices have changed over the years. For example, most satellite service providers identified themselves as other toll carriers in their 1997 Form 431 TRS worksheets because there were no separate category for satellite service providers.

2/ Significant amounts of enhanced service, billing and collection, CPE and other non-telecommunications revenues were reported on TRS worksheets by incumbent local exchange carriers (ILECs) and wireless carriers through 1996. Universal Service Worksheet filers report these revenues in the non-telecommunications category. For prior years, the amounts of non-telecommunications revenues reported as mobile and other local revenues were estimated as 70% of the amounts that Tier 1 ILECs reported in ARMIS as miscellaneous and nonregulated revenues (currently account 5200 + account 5280) and 10% of amounts reported as mobile service revenues.

3/ Other adjustments include some amounts withheld to preserve confidentiality and revisions made after the initial publication of the data.

Source: Industry Analysis Division, Common Carrier Bureau, *Telecommunications Industry Revenues* (January 2002). 2001 figures are preliminary and are based on FCC Form 499-Q filings.

This Fact Sheet: Text | Word97

Related Documents: [Sample of Misrepresentations and Deceptions](#)

<p style="text-align: center;">FACT SHEET ADVERTISING & MARKETING OF DIAL-AROUND AND OTHER LONG DISTANCE SERVICES</p>
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- On November 4, 1999, the Federal Communications Commission (FCC) and Federal Trade Commission (FTC) convened a joint public forum to address the advertising and marketing of long distance services, including dial-around services -- often called "10-10" numbers.
- The joint forum provided an opportunity for government, industry, and consumer groups to discuss recent trends in how long-distance services are advertised and what principles should guide industry advertising.
- The FCC also announced at the joint forum the MarketSense web site (www.fcc.gov/marketsense) to help consumers make sense of the long distance marketplace. The web site includes the "Top Ten Telecom Tips" for consumers, a primer on how to shop for long distance service.
- Number of marketing/advertising-related complaints the FCC has received between:
 - January 1, 1999 - June 30, 1999: 989
 - January 1, 1998 - June 30, 1999: 2919
- 20% of U.S. households have used a dial-around service in the past year.
- The dial-around service market represents 7.5% of the long distance market.
- Revenue of the dial-around service market:
 - 1993 - \$96 million
 - 1999 - \$3 billion ✖

See Also: [Sample of Misrepresentations and Deceptions](#)

High-Speed Services for Internet Access: Status as of December 31, 2001

Industry Analysis and Technology Division
Wireline Competition Bureau
July 2002



This report is available for reference in the FCC's Information Center at 445 12th Street, S.W., Courtyard Level. Copies may be purchased by calling Qualex International, Portals II, 445 12th Street, S.W., Room CY-B402, Washington, DC 20554, telephone 202-863-2893, facsimile 202-863-2898, or via e-mail qualexint@aol.com. The report can also be downloaded from the **FCC-State Link** Internet site at www.fcc.gov/wcb/stats.

Table 1
High-Speed Lines 1/
(Over 200 kbps in at Least One Direction)

Types of Technology 2/	December 1999	June 2000	December 2000	June 2001	December 2001	Percent Change	
						Dec 2000 - June 2001	June 2001 - Dec 2001
ADSL	369,792	951,583	1,977,101	2,693,834	3,947,808	36 %	47 %
Other Wireline	609,909	758,594	1,021,291	1,088,066	1,078,597	7	-1
Coaxial Cable	1,411,977	2,284,491	3,582,874	5,184,141	7,059,598	45	36
Fiber	312,204	307,151	376,203	455,593	494,199	21	8
Satellite or Fixed Wireless	50,404	65,615	112,405	194,707	212,610	73	9
Total Lines	2,754,286	4,367,434	7,069,874	9,616,341	12,792,812	36 %	33 %

Table 2
Advanced Services Lines 1/
(Over 200 kbps in Both Directions)

Types of Technology 2/	December 1999	June 2000	December 2000	June 2001	December 2001	Percent Change	
						Dec 2000 - June 2001	June 2001 - Dec 2001
ADSL	185,950	326,816	675,366	998,883	1,369,143	48 %	37 %
Other Wireline	609,909	758,594	1,021,291	1,088,066	1,078,597	7	-1
Coaxial Cable	877,465	1,469,130	2,193,609	3,329,976	4,394,778	52	32
Fiber	307,315	301,143	376,197	455,549	486,483	21	7
Satellite or Fixed Wireless	7,816	3,649	26,906	73,476	75,341	173	3
Total Lines	1,988,455	2,859,332	4,293,369	5,945,950	7,404,343	38 %	25 %

1/ A high-speed line is a connection to an end-user customer that is faster than 200 kbps in at least one direction. Advanced services lines, which are a subset of high-speed lines, are connections to end-user customers that are faster than 200 kbps in both directions. The speed of the purchased service varies among end-user customers. For example, a high-speed service delivered to the end-user customer over other traditional wireline technology, such as DS1 or DS3 service, or over optical fiber to the end user's premises may be much faster than the ADSL or cable modem service purchased by a different, or by the same, end user. Numbers of lines reported here are not adjusted for the speed of the service delivered over the line or the number of end users able to utilize the lines.

2/ The mutually exclusive types of technology are, respectively: Asymmetric digital subscriber line (ADSL) technologies, which provide speeds in one direction greater than speeds in the other direction; wireline technologies "other" than ADSL, including traditional telephone company high-speed services and symmetric DSL services that provide equivalent functionality; coaxial cable, including the typical hybrid fiber-coax (HFC) architecture of upgraded cable TV systems; optical fiber to the subscriber's premises (e.g., Fiber-to-the-Home, or FTTH); and satellite and (terrestrial) fixed wireless systems, which use radio spectrum to communicate with a radio transmitter at the subscriber's premises.

Before the
 Federal Communications Commission
 Washington, D.C. 20554

In the Matter of)
)
 Implementation of Section 6002(b) of the Omnibus)
 Budget Reconciliation Act of 1993)
)
 Annual Report and Analysis of Competitive)
 Market Conditions With Respect to Commercial)
 Mobile Services)
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SEVENTH REPORT

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B. Mobile Data

1. Introduction

a. Domestic Developments

For purposes of this report, the Commission considers mobile data service to be the delivery of non-voice information to a mobile device. Two-way mobile data services include the ability not only to receive non-voice information on an end-user device but to send it from an end-user device to the PSTN as well using wireless technology. During the past year, the mobile data industry continued to grow and to evolve. Estimates of the number of mobile Internet users at the end of 2001 range from approximately 8 to 10 million, up from 2 to 2.5 million at the end of 2000.³⁶⁷ Since the publication of the *Sixth Report*, several mobile data operators have begun upgrading their networks with advanced wireless service technologies,³⁶⁸ cdma2000 1xRTT and GPRS, to allow for faster data access speeds and more advanced services.³⁶⁹ As of March 2002, four nationwide mobile telephone operators were offering mobile Internet

³⁶⁷ Kagan estimates that there were 7.8 million wireless Internet subscribers in the United States at the end of 2001. *U.S. Wireless Industry Data Sub and Revenue Projections*, Interactive Mobile Investor, Kagan World Media, Mar. 31, 2002, at 3. The Yankee Group states that wireless Internet adoption is “rapidly approaching 10 million users.” This includes wireless Internet users on all devices. See Yankee Group, *The Yankee Group: Highlights of New Surveys and Publications* (visited Mar. 6, 2002) <<http://www.yankeegroup.com/webfolder/ycg21a.nsf/0/16AE3A28DBFF8E5C85256B19005F8428?OpenDocument>>. The *Sixth Report* stated that there were approximately 2.5 million wireless web users at the end of 2000. See *Sixth Report*, at 13396, note 323. However, that figure was a sum of the number of wireless web users reported by individual mobile telephone carriers, and most carriers have since stopped reporting their total number of wireless web users. See Section II.B.2.a, Mobile Data Mobile Telephone Sector, *infra*. The Yankee Group estimated there were more than 2 million wireless data users at the end of 2000. See *Sixth Report*, at 13396, note 323. Kagan also estimates that mobile telephone carriers’ wireless Internet revenue totaled \$649 million at the end of 2001, or 0.8% of total 2001 revenue. *U.S. Wireless Industry Data Sub and Revenue Projections*, Interactive Mobile Investor, Kagan World Media, Mar. 31, 2002, at 3.

³⁶⁸ As mentioned above, the term “advanced wireless services” is used to describe the interim technologies that carriers are using or plan to use in migrating from 2G to 3G technologies. See note 32, *supra*. In the United States, the two major advanced wireless service technologies currently being deployed are: 1) General Packet Radio Service (“GPRS”), which is being rolled out by carriers using GSM/TDMA, and 2) cdma2000 1xRTT (also referred to as “cdma2000 1X” or “1xRTT”), which the current CDMA carriers are upgrading their networks to. Some in the industry describe 1xRTT, which will double voice capacity and allow maximum data transfer speeds of up to 144 kbps, as a 2.5G technology, while CDMA carriers and equipment manufacturers generally characterize it as the first stage of 3G deployment. GPRS is a packet-based data-only network upgrade that allows for faster data rates by aggregating up to eight 14.4 kbps channels and is characterized as a 2.5G service. See *Fifth Report*, at 17700. See also, note 399, *infra*. Most U.S. GSM/TDMA carriers plan to deploy Enhanced Data Rates for GSM Evolution (“EDGE”) and eventually Wideband CDMA (“WCDMA,” also known as Universal Mobile Telecommunications System, or “UMTS”). The major CDMA carriers have plans to build out cdma 1XEV or cdma EV-DO. See Section II.B.2.a, Mobile Data Mobile Telephone Sector, *infra*, for a more detailed discussion.

³⁶⁹ The deployment of GPRS and cdma2000 1xRTT by mobile telephone carriers is discussed in more detail in Section II.B.2.a, Mobile Data Mobile Telephone Sector, *infra*. Many analysts and industry players believe that the widespread deployment of 3G networks is still several years away, given certain technological and economic obstacles yet to be overcome. Danni Gladden Green, Americas Strategic Marketing Manager for Texas Instruments Inc.’s semiconductor group, stated in January 2002, “I think the bulk of the revenue in 2003 will still come from 2G and, to a smaller percentage, 2.5G services.” See Alex Romanelli, *2G is Still King; 3G important, but older technology won’t go away*, ELECTRONIC NEWS, Jan. 1, 2002. “Given the economy is slowing down and no one knows what the killer applications are going to be, I think we’re going to see a more incremental approach than what has been suggested,” said Joe Laszlo, broadband and wireless analyst for Jupiter Media Matrix. See Amy Shafer, *Sprint considers 3G rollout a relaunch of the company*, ASSOCIATED PRESS, Feb. 15, 2002. Samuel May, U.S.

access service for mobile telephone handsets, PDAs, and/or laptops at speeds generally ranging from 25-60 kbps,³⁷⁰ with maximum bursting rates of 144 kbps for at least one carrier, in at least some portion of U.S. counties covering approximately 181 million people.³⁷¹ Hence, nearly 63 percent of the U.S. population could have access to the Internet while mobile at speeds close or comparable to those on a 56 kbps wireline dial-up modem. Most of the nationwide U.S. carriers have plans to make advanced wireless services available in some form throughout most of their networks by the end of this year.³⁷² Furthermore, competition within the mobile data sector is developing successfully, as evidenced by the multitude of dynamic services, service packages, and pricing plans available to consumers from a variety of providers.

The three general categories of mobile data providers and their corresponding devices discussed in this report are: (1) mobile telephone operators offering services primarily on mobile telephone handsets, (2) providers of mobile data access to handheld PDA devices and laptop computers, and (3) paging carriers offering services on pagers and two-way messaging devices. The first mobile data section, "Industry Structure and Performance," discusses the key developments and events related to these three categories of carriers and devices that occurred during 2001 and early 2002. During the past year, the types of mobile data services available on mobile data devices have become increasingly similar. With the exception of traditional one-way pagers, most mobile data devices offer some form of text messaging, web browsing, and e-mail access.³⁷³ Therefore, this year's report provides details on the major mobile data services available to consumers in a separate section following the discussion of the three categories of mobile data providers and devices.³⁷⁴

Not only has the mobile data industry witnessed a further convergence of data services across devices during the past year, but a convergence of voice and data services as well. The defining feature that, in the past, divided mobile telephones from PDAs was whether the devices offered voice capabilities; mobile

Bancorp Piper Jaffray senior research analyst, said, "We're nowhere [with 3G rollout]. We're at a starting gate with no starting gun." See Kent German, *An unproven promise*, UPSIDE, Mar. 2002. Another difficulty for 3G has been the development of applications. According to Knox Bricken, a wireless telecommunications analyst with Yankee Group, "The applications aren't there yet." See Katie Hafner, *The Future of Cellphones Is Here. Sort Of*, NEW YORK TIMES, Feb. 14, 2002. See also Brad Smith, *Filming the Wireless Data Sequel*, WIRELESS WEEK, Jan. 7, 2002; Ric Prentiss, "S-Curve" Ahead Wireless Voice Plateaus in 2004 When Data Kicks-In, Raymond James, Sept. 5, 2001; Craig Mathias, *A good year for wireless?*, ELECTRONIC ENGINEERING TIMES, Jan. 28, 2002.

³⁷⁰ See Section II.B.2.a, Mobile Data Mobile Telephone Sector, *infra*.

³⁷¹ This analysis is based on publicly-available information, such as news articles and operators' press releases, web sites, and filings with the Commission. There are several caveats to note when considering this data. First, in order to be considered as "covering" a county, an operator need only be offering GPRS or 1xRTT service in a portion of that county. Second, the population figure in this analysis includes the total population of the counties counted as having any GPRS or 1xRTT rollout. Third, all population figures are based on 2000 Census estimates.

³⁷² See Section II.B.2.a, Mobile Data Mobile Telephone Sector, *infra*.

³⁷³ Other types of mobile data services such as location-based services and short-range data transmissions are discussed as well. See Sections II.B.3.e., Location-Based Services and II.B.3.f., Short-Range Data Transmissions, *infra*.

³⁷⁴ The various types of mobile data services available to consumers are generally distinct from each other and from voice service. For example, sending e-mail is distinguishable from browsing web pages. However, not all mobile data services fit in particular categories, and providers frequently bundle several mobile data services together in their pricing arrangements. This report therefore describes the various mobile data services currently available without concluding that they are necessarily separate and distinct markets. See Appendix D, Table 2, at D-5 for an overview of mobile Internet access services.

Palm's PalmOS or Microsoft's Pocket PC.⁴³³ In addition to producing approximately 50 percent of all PDAs sold, Palm also licenses its PalmOS operating system to other handheld device and mobile telephone handset manufacturers, including Handspring, Sony, Samsung, and Kyocera. Approximately 72 percent of all PDAs sold in the United States during 2001 run PalmOS.⁴³⁴ In the fall of 2001, Palm began creating a separate subsidiary, now called PalmSource, Inc, for its PalmOS product.⁴³⁵ One of the major sources of demand for PalmOS products has been the multitude of software and applications developed by third party companies that can be downloaded on to PalmOS devices at little or no additional expense.⁴³⁶ For example, one company, DataViz, has developed software called Documents To Go that allows PalmOS device users to open and edit documents created in Microsoft Word and Excel, and to view documents created in Microsoft PowerPoint.⁴³⁷ The second major PDA operating system, Pocket PC, is similar to Windows, and all Pocket PC devices include PDA versions of most of the Microsoft Office desktop software applications, including Outlook, Word, Excel, PowerPoint, and Internet Explorer. In October 2001, Microsoft released an updated version of its PDA operating system, Pocket PC 2002, and several Pocket PC device manufacturers, including Compaq, Casio, and HP, simultaneously released new PDA models that run the new operating system. The improvements in mobile access to e-mail and corporate servers allowed by Pocket PC 2002 are discussed further in Section II.B.3.d., E-mail and Corporate Server Access, *infra*. According to one analyst, worldwide shipments of Windows CE and Pocket PC PDAs increased 120 percent during 2001.⁴³⁸

c. Paging Sector

The paging mobile data subsector, as described herein, includes carriers that use paging and narrowband PCS spectrum to offer traditional one-way paging services as well as two-way advanced messaging services, which are discussed in more detail below.⁴³⁹ Arch Wireless Communications, Inc. ("Arch Wireless") and Metrocall, Inc. ("Metrocall") are the largest paging carriers and had a combined total of 13.7 million units in service at the end of 2001.⁴⁴⁰ The Commission estimates there were 18 million paging

⁴³³ The major exceptions are devices made by RIM. The BlackBerry 5810 uses a Java operating system developed by Sun Microsystems that can reportedly be read and understood by all other operating systems. *RIM Adds Phone to BlackBerry, Takes on Cell Giants*, REUTERS, Mar. 4, 2002.

⁴³⁴ About 22 percent of the PDAs sold during 2001 run Microsoft's Pocket PC or Windows CE, and the remaining 6 percent run other operating systems. *eTForecasts: Pocket PC PDAs to Surpass PalmOS PDAs in 2005*, BUSINESS WIRE, Dec. 12, 2001 (citing "Worldwide PDA Markets," a market research report by eTForecasts).

⁴³⁵ *Palm, Inc. Second Quarter, Fiscal 2002 Analyst Teleconference Remarks - Eric Benhamou, Chairman and Chief Executive Officer*, News Release, Palm, Dec. 19, 2001; *Palm, Inc. Third Quarter Fiscal 2002 Analyst Teleconference Remarks - Judy Bruner, Senior Vice President and Chief Financial Officer*, News Release, Palm, Mar. 21, 2002.

⁴³⁶ As of December 2001, there were approximately 175,000 registered PalmOS third party application and software developers. *Palm Reports Second Quarter Revenue Up 36 Percent Over First Quarter, Sequential Improvement in Operating Results*, News Release, Palm, Dec. 19, 2001.

⁴³⁷ *Palm i705 Handheld Debuts: Only Secure, Integrated Wireless, Email Solution With Web Access*, News Release, Palm, Jan. 28, 2002. Documents To Go is pre-loaded on all Palm i705 devices. *Id.*

⁴³⁸ *Microsoft Rings in Pocket PC Phone Edition*, M2 PRESSWIRE, Feb. 19, 2002 (citing IDC).

⁴³⁹ See Section II.B.3, Mobile Data Services, *infra*.

⁴⁴⁰ Arch Wireless Communications Inc., SEC Form 10-K, Mar. 21, 2002, at 11; Metrocall, Inc., SEC Form 10-K, Apr. 12, 2002, at 16.

units in service as of mid-2001.⁴⁴¹ Other major paging carriers include SkyTel Communications, Inc. (“SkyTel”)⁴⁴² and WebLink Wireless, Inc. (“WebLink”). In addition to these major carriers, there are hundreds of smaller paging operators who compete with these larger carriers.

During 2001, paging carriers endured financial difficulties as a result of the continuing decline in demand for traditional one-way paging services,⁴⁴³ which has long constituted the bulk of these carriers’ revenue,⁴⁴⁴ as well as intense competition from other mobile data providers in the market for more advanced mobile data services.⁴⁴⁵ As mentioned in the *Sixth Report*, TSR Wireless, Inc. filed for bankruptcy in December 2000, and WebLink filed for Chapter 11 bankruptcy in May 2001.⁴⁴⁶ In October 2001, WebLink filed a restructuring plan detailing how the company intended to emerge from bankruptcy.⁴⁴⁷ In December 2001, Arch Wireless and its subsidiaries filed for Chapter 11 bankruptcy protection, and in January 2002 filed a plan of reorganization with the bankruptcy court.⁴⁴⁸ Finally, Metrocall filed a Chapter 11 bankruptcy petition for reorganization in June 2002.⁴⁴⁹

Paging carriers have continued to compete with each other and with other mobile data providers by offering advanced, two-way mobile data services and by upgrading their networks to allow for such services. During 2001, SkyTel upgraded its ReFLEX network to version 2.7, and Arch announced that it

⁴⁴¹ NRUF database. See note 114, *supra*, for a description of this source.

⁴⁴² SkyTel Communications, Inc. is a wholly owned subsidiary of WorldCom that was acquired on October 1, 1999. See *Fifth Report*, at 17720-17721.

⁴⁴³ The number of paging subscribers of the major carriers fell substantially during the past year. Arch Wireless’s units in service declined 29 percent from 11.6 million at the end of 2000 to 8.2 million at the end of 2001. Arch Wireless Communications Inc., SEC Form 10-K, Mar. 21, 2002, at 11. Metrocall’s units in service declined 13 percent from 6.3 million at the end of 2000 to 5.5 million at the end of 2001. Metrocall, Inc., SEC Form 10-K, Apr. 12, 2002, at 16.

⁴⁴⁴ Both Arch and Metrocall generates about 90 percent of their revenue from traditional one-way paging services. Arch Wireless Communications Inc., SEC Form 10-K, Mar. 21, 2002, at 4; *Last Call for Metrocall?*, WASHINGTON BUSINESS JOURNAL, Nov. 23, 2001, at 23.

⁴⁴⁵ See *Last Call for Metrocall?*, WASHINGTON BUSINESS JOURNAL, Nov. 23, 2001, at 23 (citing Roberta Wiggins, an analyst for the Yankee Group); John Sullivan, *Motorola’s Exit: Death Knell Or New Dawn For Paging Market?*, WIRELESS DATA NEWS, Dec. 19, 2001 (citing analyst Herschel Shosteck of the Shosteck Group); Deborah Mendez-Wilson, *An International Mobile Network; WebLink Wireless Crosses Borders With Two-Way Messaging*, WIRELESS WEEK, Sept. 17, 2001, at 22; Arch Wireless Communications Inc., SEC Form 10-K, Mar. 21, 2002, at 7. See Sections II.B.2.a, Mobile Data Mobile Telephone Sector and II.B.2.b, Handheld Devices, *supra*; and Section II.B.3, Mobile Data Services, *infra*, for a further discussion of competing providers of advanced mobile data services.

⁴⁴⁶ See *Sixth Report*, at 13405.

⁴⁴⁷ *WebLink Wireless Prepares to File Plan to Emerge from Chapter 11*, PR NEWSWIRE, Oct. 31, 2001. In its reorganization filing, WebLink announced it planned to emerge from bankruptcy as a stand-alone company but was also soliciting proposals from outside investors. Mike Dano, *WebLink’s Bankruptcy Restructure Includes Talks with Strategic Partners*, RCR WIRELESS NEWS, Nov. 5, 2001, at 2.

⁴⁴⁸ *Arch Agrees to Debt Restructuring Plan With Majority of Its Secured Creditors*, News Release, Arch Wireless, Dec. 6, 2001; *Arch Wireless Files Plan of Reorganization*, News Release, Arch Wireless, Jan. 15, 2002.

⁴⁴⁹ *Metrocall Files Voluntary Chapter 11 Petition*, News Release, Metrocall, June 3, 2002. Metrocall expects to continue to provide service without interruption during its reorganization process. *Id.*

Table 1: CTIA's Semi-Annual Mobile Telephone Industry Survey

Date	Estimated Subscribers	Year End over Year End Subscriber Increase	Total Six-Month Service Revenues (000s)	Roamer Services Revenues	Cell Sites	Employees	Cumulative Capital Investment (000s)	Average Local Monthly Bill
Jan 85	91,600		\$178,085		346	1,404	\$354,760	
June 85	203,600		\$176,231		599	1,697	\$588,751	
Dec 85	340,213	248,613	\$306,197		913	2,727	\$911,167	
June 86	500,000		\$360,585		1,194	3,556	\$1,140,163	
Dec 86	681,825	341,612	\$462,467		1,531	4,334	\$1,436,753	
June 87	883,778		\$479,514		1,732	5,656	\$1,724,348	
Dec 87	1,230,855	549,030	\$672,005		2,305	7,147	\$2,234,635	\$96.83
June 88	1,608,697		\$886,075		2,789	9,154	\$2,589,589	\$95.00
Dec 88	2,069,441	838,586	\$1,073,473	\$89,331	3,209	11,400	\$3,274,105	\$98.02
June 89	2,691,793		\$1,406,463	\$121,368	3,577	13,719	\$3,675,473	\$85.52
Dec 89	3,508,944	1,439,503	\$1,934,132	\$173,199	4,169	15,927	\$4,480,141	\$83.94
June 90	4,368,686		\$2,126,362	\$192,350	4,768	18,973	\$5,211,765	\$83.94
Dec 90	5,283,055	1,774,111	\$2,422,458	\$263,660	5,616	21,382	\$6,281,596	\$80.90
June 91	6,380,053		\$2,653,505	\$302,329	6,685	25,545	\$7,429,739	\$74.56
Dec 91	7,557,148	2,274,093	\$3,055,017	\$401,325	7,847	26,327	\$8,671,544	\$72.74
June 92	8,892,535		\$3,633,285	\$436,725	8,901	30,595	\$9,276,139	\$68.51
Dec 92	11,032,753	3,475,605	\$4,189,441	\$537,146	10,307	34,348	\$11,262,070	\$68.68
June 93	13,067,318		\$4,819,259	\$587,347	11,551	36,501	\$12,775,967	\$67.31
Dec 93	16,009,461	4,976,708	\$6,072,906	\$774,266	12,805	39,775	\$13,946,406	\$61.48
June 94	19,283,306		\$6,519,030	\$778,116	14,740	45,606	\$16,107,920	\$58.65
Dec 94	24,134,421	8,124,960	\$7,710,890	\$1,052,666	17,920	53,902	\$18,938,677	\$56.21
June 95	28,154,415		\$8,740,352	\$1,120,337	19,833	60,624	\$21,709,286	\$52.45
Dec 95	33,785,661	9,651,240	\$10,331,614	\$1,422,233	22,663	68,165	\$24,080,466	\$51.00
June 96	38,195,466		\$11,194,247	\$1,314,943	24,802	73,365	\$26,707,046	\$48.84
Dec 96	44,042,992	10,257,331	\$12,440,724	\$1,465,992	30,045	84,161	\$32,573,522	\$47.70
June 97	48,705,553		\$13,134,551	\$1,392,440	38,650	97,039	\$37,454,294	\$43.86
Dec 97	55,312,293	11,269,301	\$14,351,082	\$1,581,765	51,600	109,387	\$46,057,911	\$42.78
June 98	60,831,431		\$15,286,660	\$1,584,891	57,674	113,111	\$50,178,812	\$39.88
Dec 98	69,209,321	13,897,028	\$17,846,515	\$1,915,578	65,887	134,754	\$60,542,774	\$39.43
June 99	76,284,753		\$19,368,304	\$1,922,416	74,157	141,929	\$66,782,827	\$40.24
Dec 99	86,047,003	16,837,682	\$20,650,185	\$2,163,001	81,698	155,817	\$71,264,865	\$41.24
June 00	97,035,925		\$24,645,365	\$1,971,625	95,733	159,645	\$76,652,358	\$45.15
Dec 00	109,478,031	23,431,028	\$27,820,655	\$1,911,356	104,288	184,449	\$89,624,387	\$45.27
Jun 01	118,397,734		\$30,905,721	\$1,727,058	114,059	186,317	\$99,728,965	\$45.56
Dec 01	128,374,512	18,896,481	\$34,110,163	\$2,209,387	127,540	203,580	\$105,030,101	\$47.37

Source: Cellular Telecommunications and Internet Association, *Semi-Annual Wireless Industry Survey* <<http://www.wow-com.com/industry/stats/surveys/>>.



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Industry Statistics	
Basic Cable Households (February, 2002) ¹	73,147,600
US Television Households (February, 2002) ¹	105,444,330
Cable Penetration of TV Households (February, 2002) ¹	69.4%
Homes Passed by Cable (December, 2001) ⁶	98,600,000
Homes Passed as a Percent of TV Households (December, 2001) ⁶	96.7%
Basic Cable/Homes Passed (December 2001) ²	69.9%
Cable Headends (February, 2002) ¹	10,613
Premium Cable Units ⁶	51,610,000
Cable Systems ³	9,947
Cable Employees (1999) ⁴	130,953
Annual Cable Revenue (2001) ⁶	\$48,150,000,000
Total Advertising Revenue (2001) ⁶	\$14,455,000,000
Cable's Private Investment	
Cable Industry Construction/Upgrade Expenditures in 2001 ⁶	\$14,290,000,000
Schools Served by <i>Cable in the Classroom</i> (December, 2001) ⁷	81,654
Students Served by <i>Cable in the Classroom</i> , (December, 2001) ⁷	43,676,577
Broadband Deployment	
Digital Cable Subscribers (December 31, 2001) ⁵	15,200,000
Cable Modem Subscribers (December 31, 2001) ⁵	7,200,000
Homes Passed by Cable Modem Service (December 31, 2001) ⁵	70,000,000
Cable-Delivered Residential Telephone Subscribers (December 31, 2001) ⁵	1,500,000
Value and Prices	
National Video Programming Services/Networks	---

National Cable Programming Services/Networks (December, 2001) ⁴	287
Major Awards Won by Cable Programs in 2001 ⁴	40
Average Monthly Price for Basic Cable (December, 2001) ⁶	\$31.58
Competition	
Subscribers to Non-Cable Multichannel Video Program Distributors (MVPD) (December, 2001) ⁵	21.66 million

¹Nielsen Media Research

²Cable TV Financial Databook, 2000, p. 10

³Warren Communications News, Inc. *The Television & Cable Factbook*, Volume 1, 2001.

⁴Federal Communications Commission

⁵National Cable & Telecommunications Association

⁶Kagan World Media, a Media Central/Primedia Company

⁷Cable in the Classroom

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**Broadband
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By [Roy Mark](#)

While the proponents of the Tauzin-Dingell legislation make their arguments today that the only way to spur broadband growth in America is to allow the Regional Bell Operating Companies (RBOC) to close their DSL networks in a manner similar to cable companies, Telecommunications Reports International (TRI) is issuing a report saying providers of broadband Internet access, including cable modem and



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DSL connections, closed 2001 with significant gains.

The big winners? The regional Bells and cable operators.

Overall, the online access market showed an anemic growth of barely one percent,

growing from about 68.6 million users at the start of 2001 to 69.3 million by the close of the year, according to TR's Online Census fourth quarter results. This compares to a more than 52-percent growth rate for 2000.

However, despite the turmoil of the @Home collapse, the report found the number of users signing on for cable modem service increased more than 58 percent, from nearly 4.2 million to more than 6.6 million during 2001. DSL also saw significant gains in customers during 2001, from nearly 2.4 million to more than 3.9 million -- an increase of 68 percent -- according to the survey.

"Despite the bleak growth for the industry overall in 2001, there were remarkable strides made in the broadband market, with DSL and cable modem access methods combined recording a 62-percent growth rate for the year, and now accounting for slightly more than 15 percent of the overall online market," said Amy Fickling, managing editor of the Washington, D.C.-based TR's Online Census. "Given the current economy and the fact that both of these sectors saw some difficulties in 2001, most notably the closing of one of the largest cable modem providers and the continued struggles DSL operators are having in rolling out their services, it's apparent a broad group of customers have an interest in high-speed service."

The growth in cable and DSL broadband service came at the expense of traditional dial-up services with ISP's seeing their first-ever year-over-year decline in number of users.

During 2001, the free, ad-supported ISP market lost more than 10 million subscribers, declining from more than 14.8 million to just 4.1 million customers by the end of the fourth quarter. Most ISPs offering a free service either closed or changed to a fee-based structure during 2001 as it became increasingly evident that this ad-supported model could not bring in the revenues required to make it a viable option.

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As a result, United Online — which includes SBC and NetZero — now remains the only significant ISP offering a free service option.

Paid dial-up ISPs did continue to report growth during 2001, with an increase of 18 percent for the year. While this remains the most popular access method, with nearly 54.5 million subscribers and 80 percent of the overall online access market, its growth has slowed significantly, with just a two-percent increase reported during the fourth quarter of 2001.

Dulles, Va.-based [America Online](#), with 33.2 million customers registered by the end of the year, continues to be the dominant dial-up ISP. However, MSN Internet Access, the second-largest paid dial-up ISP, reported the strongest growth in customers for the fourth quarter, up 18 percent to 7.7 million. Rounding out the top five-paid dial-up ISPs are EarthLink, CompuServe and Prodigy Internet.

Prodigy reported its customer base declined more than nine percent during the quarter, while EarthLink and CompuServe reported no growth in the number of users during the quarter.

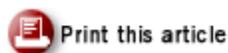
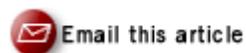
For the fourth quarter of 2001, TR's Online Census measured an overall growth rate of just over two percent. While a sluggish rate compared to the same period last year, it is better than the nearly four-percent decline in new customers reported during the third quarter of 2001.

During the fourth quarter, the growth of the DSL market was almost 13 percent -- showing signs of some slowing compared to previous quarters, but still remaining one of the growth areas for online access.

The two dominant DSL providers are SBC and Verizon, capturing more than 2.5 million of the overall 3.9 million DSL customers reported for the fourth quarter.

According to the report, one emerging trend is the focus, particularly among the DSL operators, to bundle access with content. For example, many of the Bell companies are stepping up alliances with AOL and Microsoft Network, which will give them prepackaged content. Qwest and MSN also are developing a special portal for Qwest DSL customers. Similarly, SBC and Yahoo! have announced plans to launch a co-branded broadband ISP by mid-2002.

"While the broadband sectors continue to show strong growth, the overall online market is not growing significantly," said Fickling. "As a result, even broadband providers recognize they're going to have to look at ways, such as offering premium services, to attract new customers and to boost revenue per subscriber."



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)	
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)	

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**Prepared for and Submitted by
BellSouth, SBC, Qwest, and Verizon**

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APPENDIX L. ESTIMATING CLEC SPECIAL ACCESS MARKET SHARE

According to the FCC's most recent *Telecommunications Industry Revenues* report, the Bell companies earned \$13.3 billion in the provision of "local private line and special access" and "long distance private line services" in 2000.¹ Special access revenues are the sum of these two revenue categories.²

The problem with using the FCC's revenue data to estimate CLEC special access revenues is that several CLECs – including the two largest, AT&T and WorldCom – report their special revenues as both CLECs and "toll carriers."³ For example, when AT&T and WorldCom use their local facilities to supply special access to their long distance network, they typically report that revenue as toll carriers.⁴ Not all of the local and long distance private line revenue that these carriers report as toll carriers is necessarily special access revenue, however, and there is no precise way to back out the portion that is.

Rather than engage in guesswork, we have relied on an alternative source for CLEC special access revenue. According to New Paradigm Resource Group's *CLEC Report 2002* (15th ed. 2002), CLECs earned \$8.4 billion from the provision of special access/private line services in 2000.⁵ Using the New Paradigm figure for CLEC special access revenues and the FCC figure for BOC special access revenues yields a CLEC market share of approximately 39 percent in 2000.

Even using FCC data, however, yields a very high market share. According to the most recent *Telecommunications Industry Revenues* report, CLECs earned \$4.1 billion in the provision of local private line and special access and long distance private line services in 2000.⁶ In addition, toll carriers reported \$100 million in local private line revenues.⁷ AT&T also has

¹ *FCC Telecommunications Industry Revenues, 2002 ed.* at 13 (Table 5, Lines 305 & 312), 17 (Table 6, Lines 406 & 415).

² The FCC defines "long distance private line services" to "include revenues from dedicated circuits, private switching arrangements, and/or predefined transmission paths, extending beyond the basic service area. *This category should include revenues from the resale of special access services.*" FCC, *Telecommunications Reporting Worksheet, FCC Form 499-A, Instructions for Completing the Worksheet for Filing Contributions to Telecommunications Relay Service, Universal Service, Number Administration, and Local Number Portability Support Mechanisms*, at 18 (Feb. 2001) (emphasis added). AT&T has acknowledged that special access revenues represent the sum of these two categories. See Declaration of C. Michael Pfau on Behalf of AT&T Corp. ¶¶ 13-14, attached to Reply Comments of AT&T Corp., *Implementation of Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98 (FCC filed Apr. 30, 2001) ("Pfau Decl.").

³ See *id.* ¶ 16 ("Arguably, MCI/WorldCom and AT&T fall within the category of 'Toll Carrier' and, as a result, any self-supplied special access may not be included in the CLEC figure.").

⁴ See *id.* ¶ 17 ("self-supplied access would not be encompassed in the figures and, hence, the need for an adjustment").

⁵ *NPRG CLEC Report 2002, 15th ed.*, Ch. 3 at Table 10.

⁶ *FCC Telecommunications Industry Revenues, 2002 ed.* at 14 (Table 5, Lines 305 & 312), 18 (Table 6, Lines 406 & 415).

⁷ *FCC Telecommunications Industry Revenues, 2002 ed.* at 16 (Table 5, Line 305), 19 (Table 6, Line 406).

acknowledged that the access that AT&T and WorldCom supply to themselves was worth approximately \$900 million as of 1999.⁸ Assuming that the value of these two carriers' self-supplied special access increased in 2000 by the same amount as it did between 1998 and 1999, the value of this self-supply was approximately \$1.1 billion in 2001.⁹ That brings total CLEC special access revenues to \$5.3 billion under FCC data. This represents a market share of 28 percent.

This figure is undoubtedly too low, however. First, it fails to account for self-supply by long distance carriers other than AT&T and WorldCom, even though many such carriers have local access facilities of their own, and can reasonably be expected to use these facilities to self-provide access to some extent. Second, it excludes completely any special access revenue that AT&T and other interexchange carriers report as long distance private line revenue and that is earned by reselling the services of other CLECs and ILECs. This amount is substantial, as the interexchange carriers are the largest special access customers of both many CLECs and the ILECs, and purchase such services in order to resell them to end users.¹⁰

Finally, CLECs' share of the special access market was likely even higher in 2001 than it was in 2000. For example, according to the FCC's most recent *Local Telephone Competition* report, CLECs' share of large business lines increased from 17.5 percent to 19.1 percent from December 2000 to June 2001.¹¹ New Paradigm reports that CLEC special access revenue grew by more than 20 percent between 2000 and 2001.¹²

⁸ Pfau Decl. ¶ 16.

⁹ Pfau Decl. ¶ 16 (value of AT&T and WorldCom self-supply increased from \$627 million in 1998 to \$856 million in 1999).

¹⁰ AT&T has acknowledged that adding this total to CLEC local access and private line revenue would bring total special access revenues in line with the totals reported by New Paradigm. See Pfau Decl. ¶ 19 n.4. AT&T has nonetheless argued that it is appropriate to exclude such revenues, but neither of its explanations provides an adequate justification for its approach. First, AT&T has claimed that CLEC/IXC long distance private line revenues should not be counted because the ILECs do not typically compete in the provision of long distance private line service. But the extent to which ILECs provide long distance private service obviously is irrelevant; the only relevant question is the extent to which competing carriers provide private line and special access services that compete with the private line and special access service that ILECs provide. Second, AT&T has claimed that including in the market share calculation the toll carrier special access revenues reported as long distance private line would lead to double counting because ILEC wholesale revenues are included as a cost for Toll Carrier services and reflected in their end user revenues. But including the revenue that competing carriers earn from leasing a CLECs' or ILECs' facilities or reselling their service is not necessarily double counting, because the competing carrier invariably marks up its own retail service to end users over and above the wholesale price. In addition, CLECs often will supplement the services they resell with one or more value-added services to distinguish themselves. In any event, even assuming that there would be some double counting, this is hardly an argument for excluding this entirely as CLEC revenue. Such revenue clearly is CLEC revenue, even if it is earned from customers that are not served entirely over the CLEC's own facilities.

¹¹ *FCC Local Competition Report, Feb. 2002 ed.* at Table 2.

¹² *NPRG CLEC Report 2002, 15th ed.*, Ch. 3 at Table 11.