

Appendix A

Table 1	Three-Year Average Median Household Income by State: 2002 – 2004
Table 2	Verizon's FTTP Roll-Out Favors Affluent Communities
Table 3	ILEC Total Revenues and Toll Revenues per Switched Access Line, 2003

Table 1
Three-Year Average Median Household Income by State: 2002-2004
 (Income in 2004 dollars)

<u>State</u>	<u>Median Household Income</u>	<u>State</u>	<u>Median Household Income</u>
New Hampshire	\$57,352	Wyoming	\$43,641
New Jersey	\$56,772	District of Columbia	\$43,003
Maryland	\$56,763	Georgia	\$43,217
Connecticut	\$55,970	Iowa	\$43,042
Minnesota	\$55,914	Indiana	\$43,003
Alaska	\$54,627	Oregon	\$42,617
Virginia	\$53,275	Arizona	\$42,590
Hawaii	\$53,123	Idaho	\$42,519
Massachusetts	\$52,354	Texas	\$41,275
Colorado	\$51,022	South Dakota	\$40,518
Utah	\$50,614	Florida	\$40,171
Delaware	\$50,152	North Dakota	\$39,594
California	\$49,894	Maine	\$39,395
Washington	\$48,688	South Carolina	\$39,326
Wisconsin	\$47,220	North Carolina	\$39,000
Nevada	\$46,984	Tennessee	\$38,550
Rhode Island	\$46,199	Oklahoma	\$38,281
Illinois	\$45,787	Alabama	\$38,111
Vermont	\$45,692	New Mexico	\$37,587
Nebraska	\$44,623	Kentucky	\$37,396
Michigan	\$44,476	Louisiana	\$35,523
Pennsylvania	\$44,286	Montana	\$35,201
New York	\$44,228	Arkansas	\$33,948
Ohio	\$44,160	Mississippi	\$33,659
Missouri	\$43,988	West Virginia	\$32,589
Kansas	\$43,725		

Source: U.S. Census Bureau, Housing and Household Economic Statistics Division.

Table 2
Verizon's FTTP Roll-Out Favors Affluent Communities

Community	Population	Median Household Income	Percent of New Jersey Statewide Median Household Income
New Jersey	8,698,879	\$55,146	100%
Rockleigh	396	\$152,262	276%
Mendham	5,625	\$136,174	247%
Franklin	11,260	\$132,373	240%
Alpine	2,340	\$130,740	237%
Ho-Ho-Kus	4,095	\$129,900	236%
Woodcliff	5,886	\$123,022	223%
Allendale	6,799	\$105,704	192%
Ridgewood	24,916	\$104,286	189%
Wyckoff	17,206	\$103,614	188%
Demarest	4,938	\$103,286	187%
Old	5,869	\$102,127	185%
Harrington	4,895	\$100,302	182%
Norwood	6,223	\$92,447	168%
Pennington	2,713	\$90,366	164%
Ramsey	14,601	\$88,187	160%
Haddonfield	11,596	\$86,872	158%
Oakland	13,707	\$86,629	157%
Closter	8,623	\$83,918	152%
Washington	9,623	\$83,694	152%
Medford	23,568	\$83,059	151%
Mahwah	24,682	\$79,500	144%
Northvale	4,571	\$72,500	131%
Tinton	16,206	\$68,697	125%
Lawrence	31,391	\$67,959	123%
Evesham	46,858	\$67,010	122%
Dumont	17,571	\$65,490	119%
Bergenfield	26,210	\$62,172	113%
Rockaway	6,437	\$61,002	111%
Westwood	11,051	\$59,868	109%
Tavistock	30	\$58,750	107%
Haddon	7,453	\$58,424	106%
Ewing	37,057	\$57,274	104%
Audubon	9,070	\$49,250	89%
Wallington	11,558	\$45,656	83%
Lawnside	2,748	\$45,192	82%
Barrington	7,036	\$45,148	82%
Lodi	24,336	\$43,421	79%
Garfield	29,833	\$42,748	78%
Audubon	1,085	\$34,643	63%
Passaic	68,662	\$33,594	61%

Percentage of New Jersey population represented by these 40 communities: 7%

Notes: Population estimates are as of July 1, 2004. Median household income data are as of year 2000.

Sources: *In the Matter of the Joint Petition of Verizon Communications, Inc. and MCI, Inc. For Approval of Merger*, NJ BPU Docket No. TM05030189, Verizon responses to NJ RPA -1-7(b) and NJ RPA - 1-64(a); US Bureau of the Census; *TR Daily*, October 20, 2005.

Table 3
ILEC Total Revenues and Toll Revenues
per Switched Access Line, 2003

State	Total ILEC revenues (millions)	ILEC Revenues per ILEC Line	ILEC Non-Toll Revenues per ILEC Line	ILEC Toll Revenues per ILEC Line
Arkansas	\$619	\$745.07	\$654.54	\$90.53
Maine	\$336	\$474.30	\$389.37	\$84.93
Michigan	\$1,843	\$416.85	\$334.92	\$81.93
Connecticut	\$877	\$399.49	\$324.99	\$74.51
Wisconsin	\$1,145	\$552.52	\$478.75	\$73.77
Illinois	\$2,663	\$423.28	\$365.86	\$57.41
Massachusetts	\$1,399	\$356.49	\$300.64	\$55.85
New Jersey	\$1,774	\$277.03	\$221.44	\$55.59
New Hampshire	\$256	\$366.57	\$316.34	\$50.23
Vermont	\$169	\$482.79	\$444.58	\$38.21
Oklahoma	\$835	\$563.82	\$526.93	\$36.89
California	\$6,667	\$331.54	\$295.97	\$35.57
Indiana	\$1,265	\$406.43	\$372.37	\$34.06
Pennsylvania	\$2,360	\$327.30	\$295.18	\$32.11
Mississippi	\$894	\$780.60	\$748.74	\$31.86
Rhode Island	\$183	\$352.64	\$321.61	\$31.04
South Carolina	\$1,190	\$780.82	\$750.84	\$29.97
South Dakota	\$145	\$759.72	\$731.09	\$28.63
Ohio	\$2,613	\$463.78	\$438.38	\$25.40
West Virginia	\$471	\$579.27	\$555.16	\$24.11
Alabama	\$1,200	\$728.91	\$705.25	\$23.66
Texas	\$5,595	\$561.36	\$538.74	\$22.63
Missouri	\$1,380	\$563.51	\$541.14	\$22.37
Kansas	\$606	\$605.60	\$585.66	\$19.94
Kentucky	\$929	\$754.29	\$735.09	\$19.20
Delaware	\$190	\$335.62	\$317.23	\$18.39
New York	\$4,994	\$437.47	\$419.20	\$18.27
Washington	\$1,304	\$394.68	\$377.64	\$17.04
North Dakota	\$157	\$1,024.61	\$1,008.22	\$16.39
Louisiana	\$1,273	\$632.23	\$616.53	\$15.70
Tennessee	\$1,509	\$596.77	\$581.45	\$15.32
Florida	\$4,384	\$441.65	\$426.39	\$15.27
Utah	\$421	\$457.81	\$443.60	\$14.20
Georgia	\$2,585	\$699.62	\$685.57	\$14.06
Nebraska	\$450	\$752.20	\$738.75	\$13.45
Wyoming	\$140	\$645.23	\$631.88	\$13.35
Maryland	\$1,410	\$376.69	\$363.57	\$13.11
Montana	\$221	\$633.53	\$621.06	\$12.47
Virginia	\$1,665	\$374.09	\$362.40	\$11.70
North Carolina	\$2,122	\$503.60	\$492.73	\$10.87
Iowa	\$607	\$517.26	\$506.44	\$10.82
New Mexico	\$424	\$467.16	\$457.68	\$9.48

State	Total ILEC revenues (millions)	ILEC Revenues per ILEC Line	ILEC Non-Toll Revenues per ILEC Line	ILEC Toll Revenues per ILEC Line
Oregon	\$758	\$448.54	\$439.27	\$9.27
Hawaii	\$287	\$410.62	\$402.16	\$8.46
Idaho	\$286	\$431.77	\$423.60	\$8.17
Colorado	\$1,247	\$521.89	\$514.10	\$7.79
Minnesota	\$1,067	\$611.51	\$605.20	\$6.30
Arizona	\$1,070	\$450.46	\$445.37	\$5.09
Nevada	\$484	\$374.70	\$372.10	\$2.59
District of Columbia	\$378	\$402.61	\$402.50	\$0.11

Sources: *2005 Monitoring Report*, Table 1.15 - Intrastate Telecommunications Revenues: 2003, released December 2005; *Statistics of Communications Common Carriers 2003/2004 Edition*, Table 2.4 - Access Lines in Service by Customer for Reporting Incumbent Local Exchange Carriers as of December 31, 2003, released November 2005.

Notes: Revenues exclude subscriber line charges. Revenues and lines for Alaska are not available because Alaska has no telephone companies subject to the FCC's Automated Reporting Management Information System (ARMIS) 43-01 and 43-08 reporting requirements. Although the 2004/2005 edition of *Statistics of Common Carriers* contains 2004 access line data, the most recent *Monitoring Report*, the 2005 edition, contains revenue data from 2003. In order to make calculations using same-year data, the 2003/2004 *Statistics of Common Carriers* was used.

Appendix B

Broadband Penetration

Background

In the *Qwest II* decision, the Court stated:

“Universal service” is defined in the Act as “an evolving level of telecommunications services,” taking into account those services that are essential to basic needs, *subscribed to by a majority of consumers*, deployed in networks, and consistent with defined policy goals. 47 U.S.C. § 254(c)(1). Implicit in this definition and the Act is access to these telecommunications services by consumers throughout the nation.¹

Whether broadband service is “essential to basic needs” is one critical question for the Commission. Another important question is whether a majority of consumers subscribe to broadband. The Ratepayer Advocate posits that as broadband demand increases, and broadband becomes increasingly integrated into everyday home, work, and educational life, it becomes “essential to basic needs.” In order to monitor the role of broadband in today’s society (and therefore, the Commission’s role in supporting its use), data are essential. Just as the Commission monitors subscription to basic telephone service, so too should it monitor broadband demand. Similarly, in order to ascertain whether “access to advanced telecommunications and information services [is] provided in all regions of the Nation,” to achieve the goal set forth in section 254(b) of the Act, the Commission should monitor broadband deployment comprehensively.

If the nation considers broadband essential, then the Commission should expand the Lifeline and Linkup programs to subsidize the service. If the nation does not consider broadband essential (or until such time as it does), then POTS customers should not subsidize broadband users.

This appendix summarizes data on broadband demand as reported by various agencies and organizations.

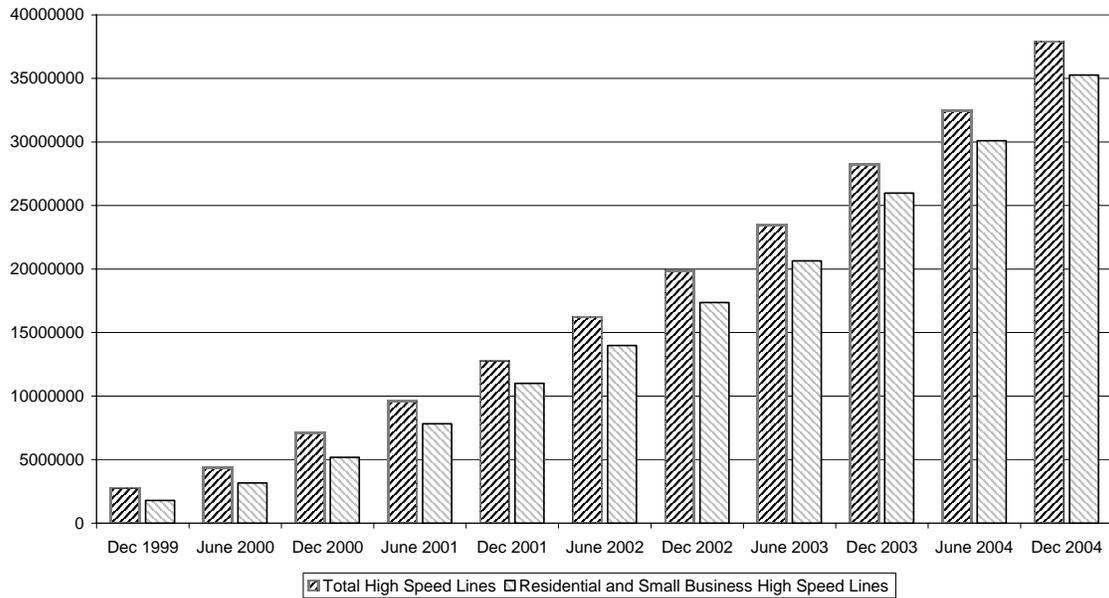
^{1/} *Qwest II*, at 1237, emphasis added.

Federal Communications Commission (FCC) and U.S. Census Bureau

The FCC publishes the report, *High-Speed Services for Internet Access*, twice a year. The most recent report includes data current as of December 31, 2004. The FCC tracks two levels of broadband service, “high speed” – over 200 kbps in at least one direction, and “advanced services” – over 200 kbps in both directions.

As of December 31, 2004, the FCC estimates total high speed subscribership of 37,890,646, of which 35,266,281 are residential and small business customers. The table below shows the growth in the subscriber base for high speed access lines.

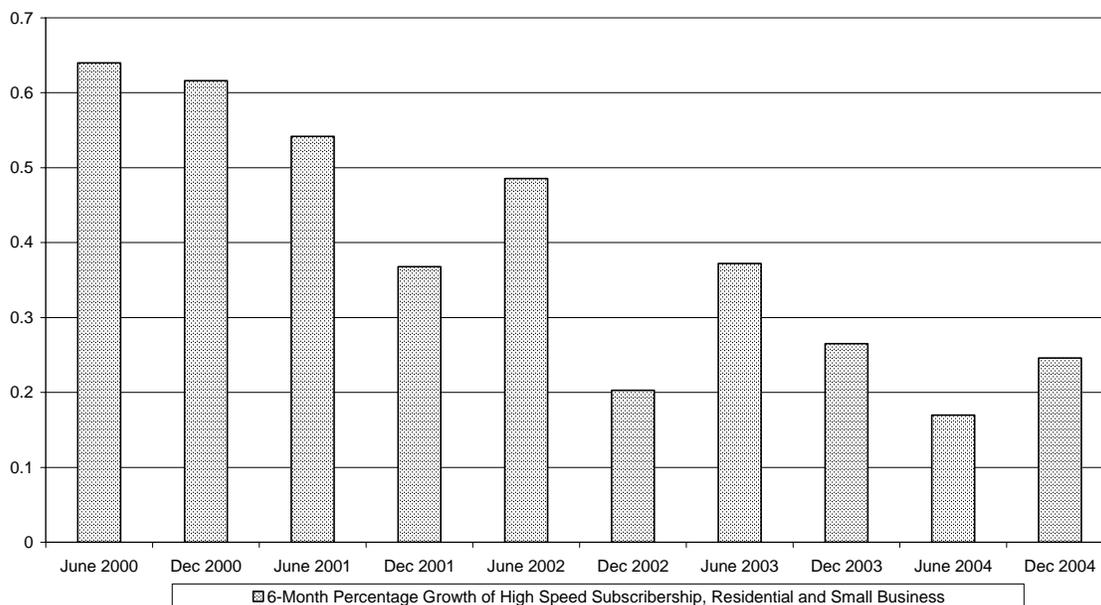
High Speed Access Lines
(Over 200 kbps in at least one direction)



Source: Federal Communication Commission, Industry Analysis and Technology Division, Wireline Competition Bureau, *High-Speed Services for Internet Access: Status as of December 31, 2004*, Released July 2005, Tables 1 and 3.

Analysis of the demand for high speed access lines shows that although subscribership is increasing, the growth in demand, as measured by percentage growth, is slowing. The table below shows the six-month percentage growth in high speed access lines for residential and small business customers.

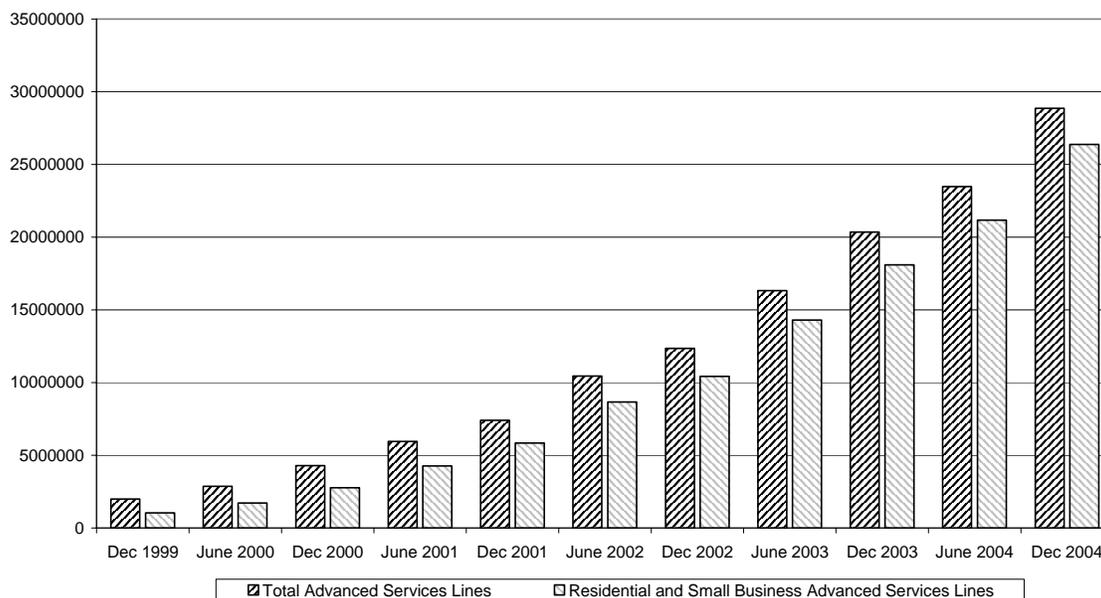
**6-Month Percentage Growth of High Speed Subscribership,
Residential and Small Business Customers**



Source: Federal Communication Commission, Industry Analysis and Technology Division, Wireline Competition Bureau, *High-Speed Services for Internet Access: Status as of December 31, 2004*, Released July 2005, Table 3.

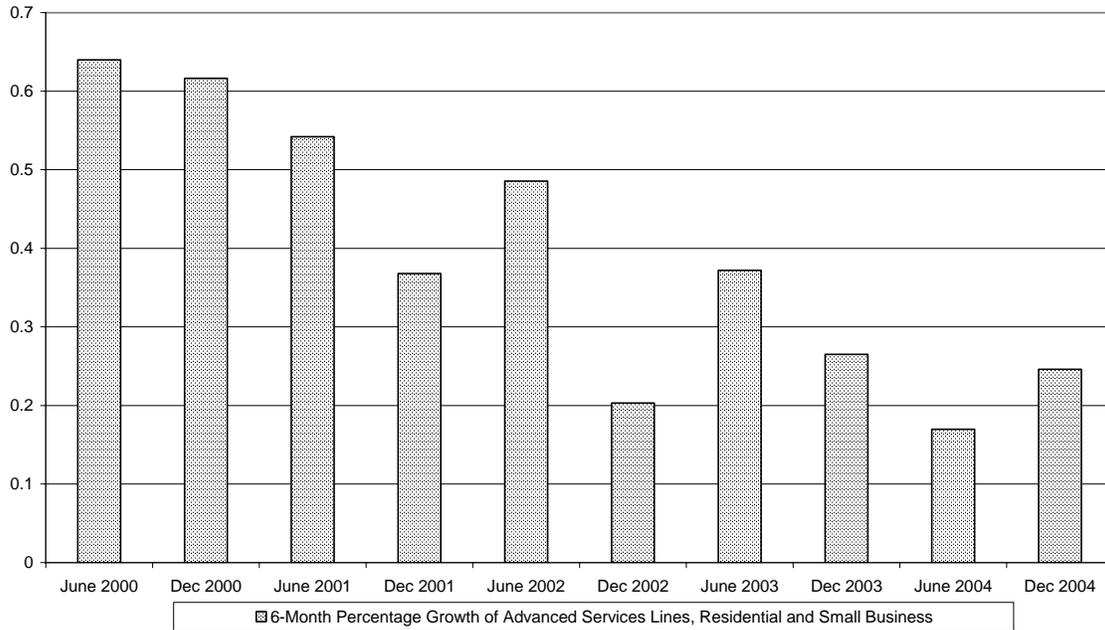
The FCC estimates total advanced services lines at 28,857,608, of which 26,374,940 are residential and small business customers. The tables below show the number of subscribers over time, and the slowing rate of growth of demand (as measured by percentage growth) by residential and small business customers.

Advanced Services Lines
 (Over 200 kbps in both directions)



Source: Federal Communication Commission, Industry Analysis and Technology Division, Wireline Competition Bureau, *High-Speed Services for Internet Access: Status as of December 31, 2004*, Released July 2005, Tables 2 and 4.

**6-Month Percentage Growth of Advanced Services Lines,
Residential and Small Business**



Source: Federal Communication Commission, Industry Analysis and Technology Division, Wireline Competition Bureau, *High-Speed Services for Internet Access: Status as of December 31, 2004*, Released July 2005, Table 4.

To estimate penetration rates, the subscribership numbers given above can be divided by the 2004 U.S. population, 285,691,501 according to the 2004 American Community Survey.² In addition, according to the U.S. Census Bureau, the average size of a household was 2.6 persons in 2004.³ This can be used to estimate the number of households, 109,881,347. These calculations yield penetration rates of 9-13% per person, or 24-34% per household, depending on the standard used. The table below summarizes this information.

²/

http://factfinder.census.gov/servlet/ACSSAFFacts?_event=&geo_id=01000US&_geoContext=01000US&_street=&_county=&_cityTown=&_state=&_zip=&_lang=en&_sse=on&_ActiveGeoDiv=&_useEV=&_pctxt=fph&pgsl=010

³/ *Id.*

Broadband Penetration Rates in the U.S.

Penetration Rate (per person)

	Residential And Small Business Lines	Total Lines
High Speed Access Lines	12%	13%
Advanced Services Lines	9%	10%

Penetration Rate (per household)

	Residential And Small Business Lines	Total Lines
High Speed Access Lines	32%	34%
Advanced Services Lines	24%	26%

Sources: Federal Communication Commission, Wireline Competition Bureau, Industry Analysis and Technology Division, *High-Speed Services for Internet Access: Status as of December 31, 2004*, July 2005; U.S. Census Bureau 2004 *American Community Survey*.

Note: The U.S. population estimate for 2004 is 285,691,501. Using the metric of 2.6 persons per household, the estimate for the number of households in 2004 is 109,881,347.

Verizon, Qwest, BellSouth, and AT&T Reports

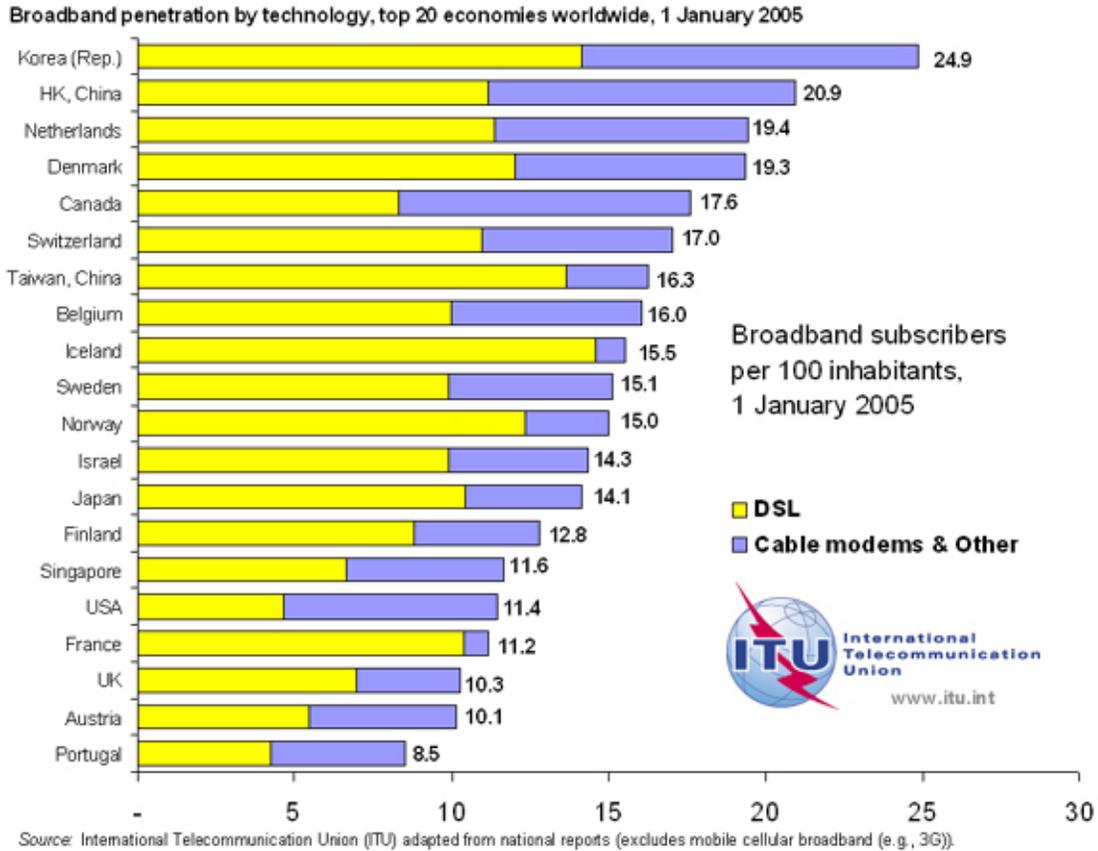
Regional Bell holding company annual and quarterly reports provide digital subscriber line (DSL) subscribership data. From 2000 to 2005, Verizon, Qwest, BellSouth, and AT&T increased their combined DSL customer base by over 800%, from 1.8 million customers at the end of 2000 to 16.4 million customers at the end of 2005. The table below summarizes the latest data by company.

DSL as of December 31, 2005 (in thousands)	Customers,
AT&T	6,900
Verizon	5,144
BellSouth	2,882
Qwest	1,480

Sources: BellSouth, Qwest, SBC (now AT&T), and Verizon quarterly and annual reports from 2000 through 2005.

International Telecommunication Union (ITU)

ITU tabulates statistics related to broadband penetration on a global scale. In April 2005, ITU published its statistics as of January 1, 2005. The 2005 rankings show the United States dropping from 13th in 2004 to 16th in 2005. ITU estimates that the United States has 11.4 broadband subscribers per 100 inhabitants. Korea has the top penetration rate, at 24.9 subscribers per 100 inhabitants.

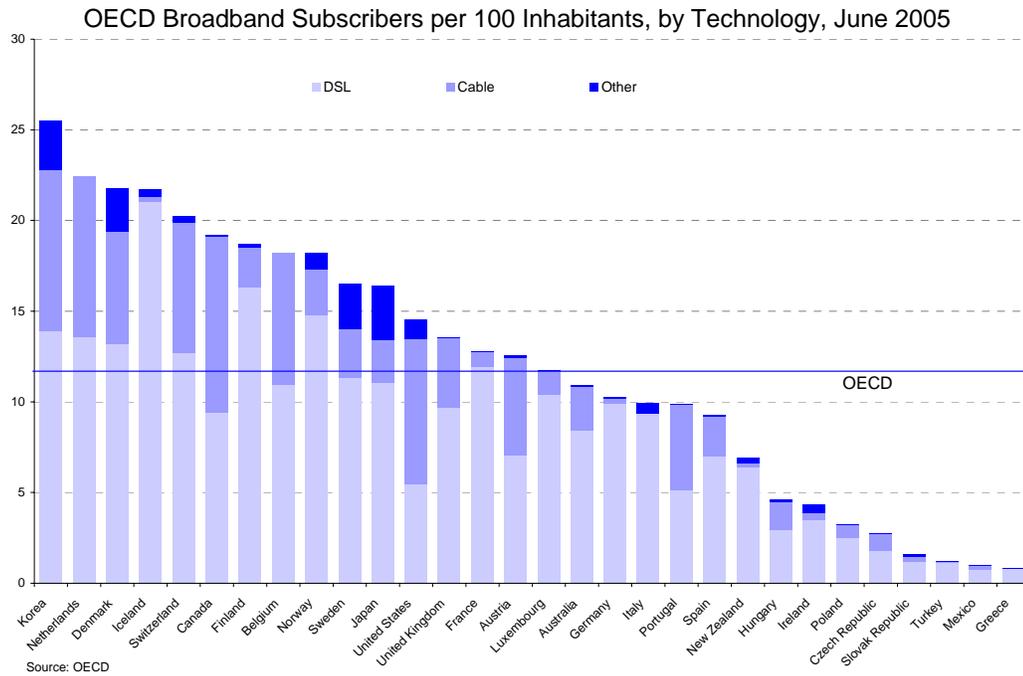


Organisation for Economic Co-operation and Development (OECD)

The Organisation for Economic Co-operation and Development (OECD) publishes statistics for broadband penetration in OECD countries. Current data are from June 2005. OECD found that OECD broadband subscribership grew by 15% in the first half of 2005. The overall penetration rate for OECD countries was 11.8 subscribers per 100 inhabitants.

The OECD ranks the United States 12th among OECD countries, with 14.5 subscribers per 100 inhabitants. The OECD estimates that there were 42,645,815 broadband subscribers in the United States as of June 2005.

According to the OECD, DSL is the leading broadband platform in 28 of the 30 OECD countries. Cable broadband is the leading broadband platform in Canada and the United States.



Source: www.oecd.org.

American Consumer Institute

On March 14, 2006, the American Consumer Institute (ACI) published its report, *Who Uses Information Technology Services? A Demographic Analysis of American Consumers*. The study represents the results of ACI's January 2006 *Consumer Pulse* survey of 1,000 heads of household. The goal of the survey is to determine how usage of different technologies varies based on demographics. The technology products covered are premium TV channel, pay per view TV channels, cellular telephones, text messaging, internet access, high-speed vs. dial-up internet access, email, instant messaging, and VoIP. ACI concludes that demographic factors show a narrowing of the "digital divide."

Among the findings relating to broadband are:

- 68% of the households surveyed have Internet access.
- Of the households with Internet access, 61% report having high-speed Internet access.
- Of those households with Internet access, high-speed access increases with increasing income, from 54% for households with income under \$25,000, to 77% for households with income greater than \$75,000.
- Of those with Internet access, the group "Hispanics, Asian, and Other" are more likely (67%) to have high-speed Internet access than either Caucasians (61%) or African-Americans (60%).
- High-speed Internet access generally (except for the 30 to 39 year old age range) declines with the age of the head of household, from 72% for the 29 and under group, to 42% for the over 65 group.
- About 67% of Urban and Suburban households with Internet access subscribe to high-speed Internet services in comparison with only 47% of Rural households who subscribe to high-speed Internet services.

Pew Internet & American Life Project

The Pew Internet Project paper *Broadband Adoption At Home In The United States: Growing But Slowing*, published in September 2005, states that the rate of broadband adoption is slowing in the U.S. The Project's May 2005 survey results indicate that 53% of home Internet users subscribe to broadband services, compared to 50% in December 2004. The Project's Director of Research, John B. Horrigan, calls this a "small and not statistically significant increase." The report finds that the pent-up demand for broadband services has diminished; the pools of potential broadband customers are not large, and not increasing.

Other statistics in the report include:

- As of May 2005, 32% of the adult population does not use the Internet.
- According to the Project, 66 million Americans had high-speed Internet access at home in May 2005. This number is equal to about 33% of all adult Americans.

The Pew Internet & American Life project issued an earlier report, in 2004 entitled "Older Americans and the Internet," Pew Internet & American Life. According to this report, 22% of Americans age 65 or older reported having access to the Internet. The report also states that by contrast, 58% of Americans age 50-64, 75% of 30-49 year-olds, and 77% of 18-29 year-olds go online as of February 2004."⁴

⁴ / "Older Americans and the Internet," Pew Internet & American Life, Principal author: Susannah Fox, March 25, 2004, at 1. The report also indicates that in February 2004, "17% of wired seniors live in high-income households, compared to 4% of all seniors. It is important to note, however, that fully 39% of seniors refused to answer the income question in February 2004." *Id.*, at 2. Also, "[s]eventy-two percent of wired seniors who go online at home have a dial-up connection, compared to 54% of the general Internet population who go online from home." *Id.*, at 3.

US Department of Commerce's National Telecommunications and Information Administration (NTIA)

NTIA included the following data in a 2004 report, based on the Current Population Survey conducted in October 2003.⁵ Certainly, broadband usage has become more widespread in the more than two years that have passed since the survey was conducted. However, the following tables are illustrative of the types of data the Ratepayer Advocate proposes the Commission collect and analyze.

⁵ / "A Nation Online: Entering the Broadband Age," US Department of Commerce, Economics and Statistics Administration, National Telecommunications and Information Administration, September 2004, Appendix Table 1. <http://www.ntia.doc.gov/reports/anol/NationOnlineBroadband04.doc>. See, also, "Are We Really a Nation Online? Ethnic and Racial Disparities in Access to Technology and Their Consequences," Report for the Leadership Conference on Civil Rights Education Fund, Robert W. Fairlie, September 20, 2005. The author concluded that the "Digital Divide is large and does not appear to be disappearing soon." The study found that Blacks and Latinos were less likely to have access to the Internet in the home (40.5% and 38.1, respectively compared to an access rate of 67.3% for Whites). *Id.*, at i. Differences in income and education levels were the two largest explanatory variables for this disparity. *Id.*, at ii.

Percentage of U.S. Individuals Age Three and Older Living in a Broadband Household, by Family Income (as of October 2003)	
<i>Family Income</i>	<i>Percentage Living in Broadband Household</i>
Less than \$15,000	7.5%
\$15,000 - \$24,000	9.3%
\$25,000 - \$34,999	13.4%
\$35,000 - \$49,999	19.0%
\$50,000 - \$74,999	27.9%
\$75,000 and above	45.4%
\$75,000 - \$99,999	36.8%
\$100,000 - \$149,999	49.3%
\$150,000 and above	57.7%
Source: US Dept. of Commerce, Economics and Statistics Administration, National Telecommunications and Information Administration, <i>A Nation Online: Entering the Broadband Age</i> , September 2004, Appendix Table 1.	

The NTIA also analyzes the percentage of “non-Internet-using” households by income:

Percentage of U.S. Individuals Reported as Non-Internet Users, by Family Income (as of October 2003)	
<i>Family Income</i>	<i>Percentage of Non-Internet Users</i>
Less than \$15,000	68.8%
\$15,000 - \$24,000	62.0%
\$25,000 - \$34,999	51.1%
\$35,000 - \$49,999	37.9%
\$50,000 - \$74,999	28.2%
\$75,000 and above	17.1%
\$75,000 - \$99,999	20.2%
\$100,000 - \$149,999	14.9%
\$150,000 and above	13.9%
Source: US Dept. of Commerce, Economics and Statistics Administration, National Telecommunications and Information Administration, <i>A Nation Online: Entering the Broadband Age</i> , September 2004, Appendix Table 2.	

Finally, the NTIA report includes an analysis of the mode of access to the Internet by household. As the following data from the NTIA report clearly demonstrates, among Internet households, the use of dial-up access is relatively more prevalent among relatively lower income households and the use of broadband (or “high speed”) access increases as household income increases.

Internet Connection Types for U.S. Households (as of October 2003)⁶							
<i>Family Income</i>	<i>Total Internet Households (000s)</i>	<i>Dial-Up Telephone</i>		<i>Cable Modem</i>		<i>Digital Subscriber Line (DSL)</i>	
		<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
	61,481	38,593	62.8%	12,638	20.6%	9,335	15.2%
Less than \$15,000	3,681	2,555	69.4%	584	15.9%	477	13.0%
\$15,000 - \$24,000	3,839	2,786	72.6%	600	15.6%	418	10.9%
\$25,000 - \$34,999	5,855	4,137	70.7%	921	15.7%	694	11.9%
\$35,000 - \$49,999	8,867	6,213	70.1%	1,391	15.5%	1,138	12.8%
\$50,000 - \$74,999	12,429	7,918	63.7%	2,531	20.4%	1,814	14.6%
\$75,000 - \$99,999	7,774	4,440	57.1%	1,919	24.7%	1,321	17.0%
\$100,000 - \$149,999	5,811	2,726	46.9%	1,771	30.5%	1,207	20.8%
\$150,000 and above	3,753	1,482	39.5%	1,242	33.1%	961	25.6%
Source: US Dept. of Commerce, Economics and Statistics Administration, National Telecommunications and Information Administration, <i>A Nation Online: Entering the Broadband Age</i> , September 2004, Appendix Table 4.							

According to the Bureau of Census’ American Community Survey, 55% percent of U.S. households have incomes below \$50,000.⁷ The survey reported by the NTIA demonstrates clearly that as income declines, the probability of Internet access declines, and, in those instances where households do have Internet access, as income declines, the probability of broadband rather than dial-up access also declines.

^{6/} The NTIA report also includes data for the following categories: mobile/phone/PDA/pager, satellite, fixed wireless and other. For each of these categories, the percentages shown are less than one percent.

^{7/} U.S. Bureau of Census, 2004 American Community Survey, Selected Economic Statistics: 2004. U.S. median household income (that is, the income level above which half the households have more income and half the households have less income) in 2004 was reported as \$44,684. The median household income in New Jersey is \$61,389 for 2004 (in 2004 dollars). Just over 41 percent of New Jersey households have incomes below \$50,000. U.S. Bureau of Census, 2004 American Community Survey, Selected Economic Characteristics: 2004.

Appendix C

Brief Survey of Consumer Demand for Bundles

Background

The Commission asks whether it should define reasonable comparability in terms of local rates only or whether it should consider a broader range of rates, such as for packages of services, to address differences in rate structures, such as ranges in calling scopes.¹ The Commission also asks the similar question of whether, in light of the increasing popularity of bundled services, “reasonably comparable” should refer to the total phone bill rather than solely local rates.² One way to gauge the appropriateness of relying on prices for bundles as a measure of comparability is to assess consumer demand for packages. This appendix demonstrates that consumer demand for packages is steadily increasing. Before relying on bundled services, however, as a yardstick for comparing rates, the Commission should address questions such as the comparability of the packages among the ILECs as well as the ongoing need to compare rates for consumers who do not subscribe to packaged offerings.

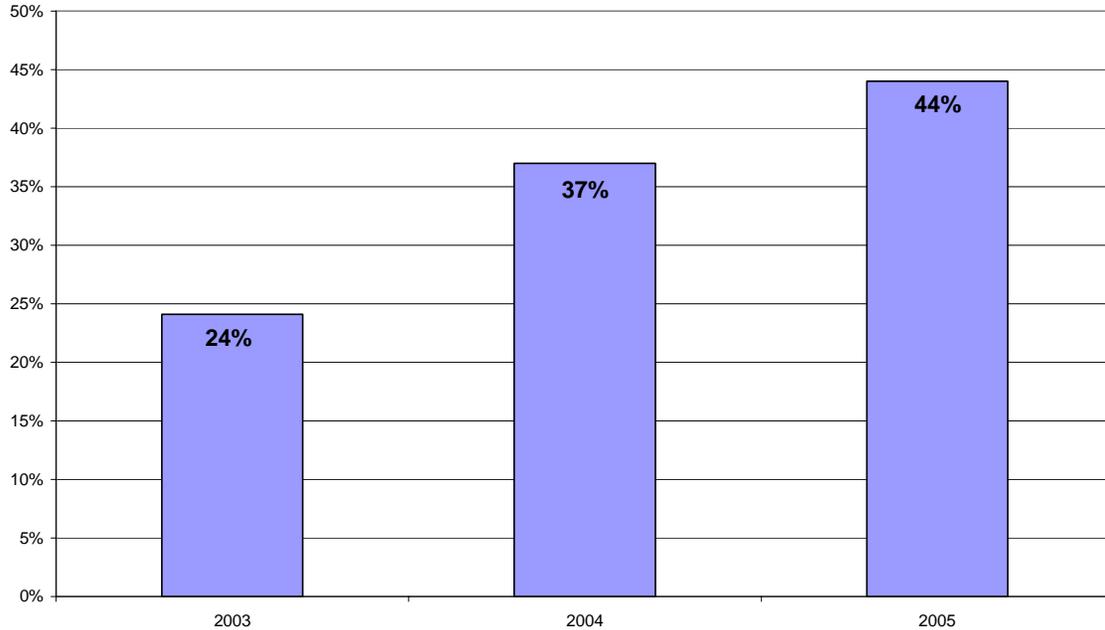
¹ / *NPRM*, at para. 21.

² / *Id.*, at para. 22.

BellSouth

BellSouth introduced the BellSouth Answers package in 2002. Subscribership to this bundle has grown each year since then, as has the percentage of bundle customers including long distance in their package.

BellSouth Answers Penetration of Primary Residential Access Lines



Note: BellSouth reports that the percentage of BellSouth Answers customers with BellSouth long distance service was 75%, 84%, and 86% in 2003, 2004, and 2005, respectively.

Sources: 2003 Form 10-K, page 31; 2004 Form 10-K, pages 26-7; 2005 Form 10-K, page 29.

BellSouth Customers (in thousands)				
	2002	2003	2004	2005
Total Access Lines	23,005	22,263	21,356	20,037
Primary Residential Retail Lines	13,242	12,466	11,771	11,319
Total Business Lines	6,379	6,176	6,053	5,974
Retail Long Distance Customers	1,002	3,960	6,130	7,179

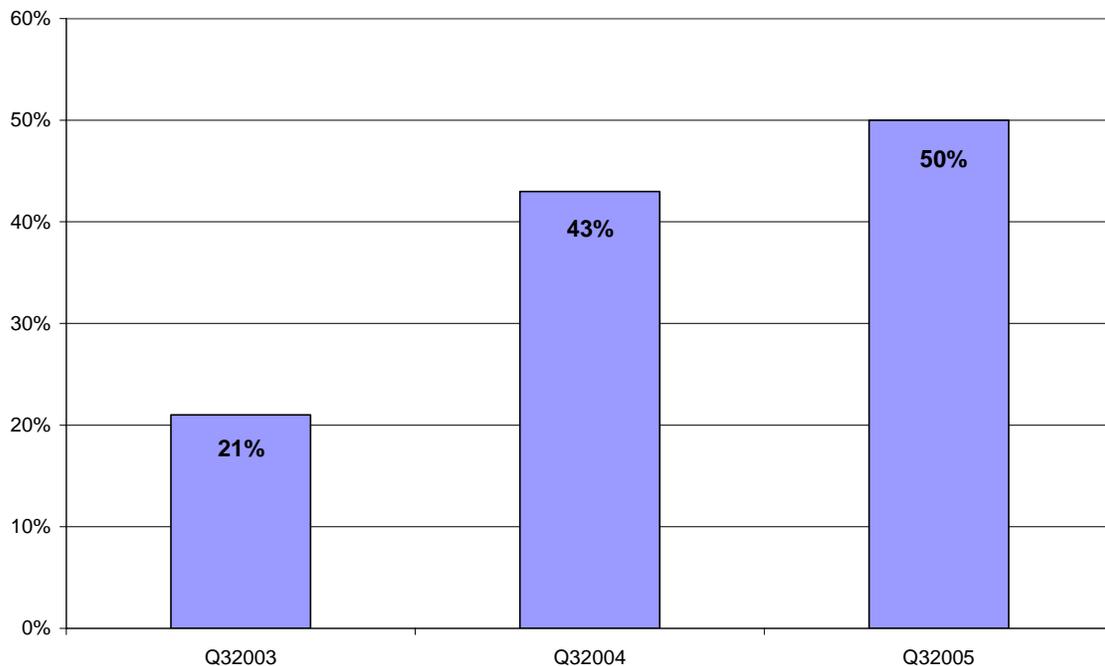
Source: 2004 Form 10-K, pages 18 and 26; 2005 Form 10-K, page 28.

Qwest

Qwest bundles, which include an access line and either long distance service, wireless, or TV, have grown steadily more popular. Long distance customers grew from 2.2 million in 2003 to 4.6 million in 2004. Total access lines, however, declined from 17 million in 2002 to 15.5 million in 2004. Qwest's Q42005 earnings press release states:

Aggressive marketing efforts are paying off for Qwest. The launch of new bundles in May, followed by targeted incentives and promotional initiatives, has significantly increased the number of products in the company's bundles. Voice packages plus three products are up over 65 percent, and packages plus four products are up more than four times since launch. Customer demand for value-added services has increased consumer average monthly revenue per wireline customer by nearly 6 percent to \$48 from \$45 a year ago.

Qwest Bundle Penetration



Sources: Qwest November 1, 2005 press release, "Qwest Reports Third Quarter Results: Revenue Trends Steady; Margin Expansion Continues." Qwest November 4, 2004 press release, "Qwest Reports Third Quarter 2004 Results Improved Revenue Trends, Margin Expansion, and Strength in Key Growth Areas." Qwest February 14, 2006 press release, "Qwest Reports Solid Fourth Quarter Results; EPS Break-Even Before Special Items; Margin Expansion; Improved Year-Over-Year Revenue." Available at <http://www.qwest.com/about/media/pressroom>. 2004 Form 10-K pages 31 and 33.

Qwest Customers (in thousands)

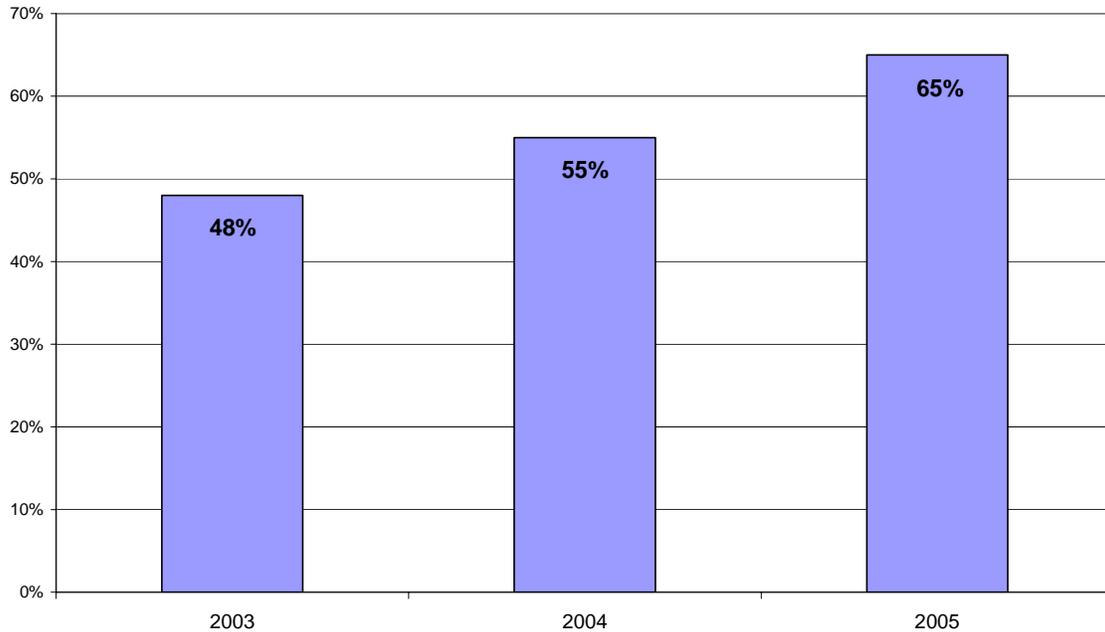
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Access Lines	17,006	16,209	15,522	14,739
Retail Access Lines	15,848	14,518	13,643	13,029
Long Distance Customers	NA	2,200	4,600	4,876

Source: 2004 Form 10-K pages 31 and 33; 2005 Form 10-K page 35.

Verizon

Verizon total access lines declined from 54.8 million at the end of 2003 to 48.8 million at the end of 2005. Long Distance lines increased from 15 million in 2003 to 18.4 million in 2005.

Verizon Residential Bundle Penetration



Percentage of Verizon residential customers who purchase local service with long distance, broadband, or both.

Sources: *Historical Financial Information, As of September 30, 2005* (at <http://investor.verizon.com/financial/overview.aspx>); *Investor Quarterly*, Q4 2003, January 29, 2004; *Investor Quarterly*, Q4 2005, January 26, 2006.

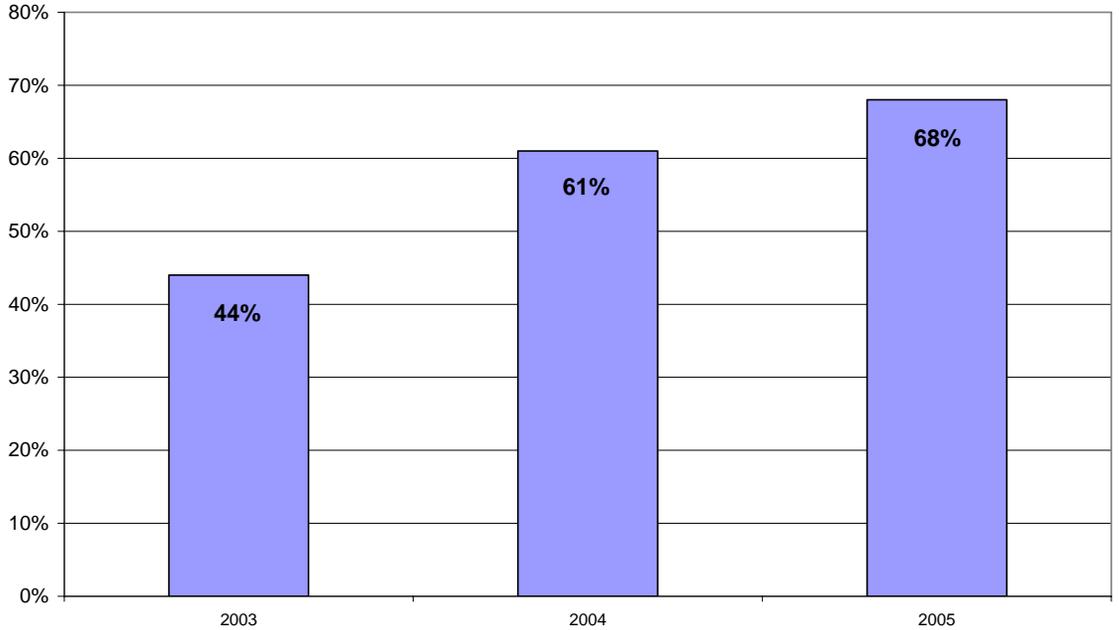
Verizon Customers (in thousands)			
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Access Lines	54,826	52,289	48,803
Residential Retail Lines	35,639	33,725	30,902
Retail Long Distance Customers	15,042	17,367	18,359

Sources: *Historical Financial Information, As of September 30, 2005* (at <http://investor.verizon.com/financial/overview.aspx>; *Investor Quarterly*, Q4 2005, January 26, 2006.

AT&T

AT&T long distance service business increased from 14.4 million customers in 2003 to 23.5 million in 2005. Total Access lines declined from 54.7 million in 2003 to 49.4 million in 2005.

AT&T Bundle Penetration



Percentage of retail customers who also have at least one of the following: long distance, DSL, Wireless, or DISH Network

Sources: SBC 2004 Annual Report, page 5; *Investor Briefing*, 4Q 2005, January 26, 2006, page 5, *Access Line Information as of 12/31/2005*, available at <http://www.sbc.com/gen/investor-relations?pid=1129>.

AT&T Customers (in thousands)			
	2003	2004	2005
Total Access Lines	54,683	52,356	49,413
Primary Residential lines	23,948	23,206	22,793
Retail Long Distance Customers	14,416	20,868	23,507

Sources: SBC 2004 Annual Report, page 11; *Access Line Information as of 12/31/2005*, available at <http://www.sbc.com/gen/investor-relations?pid=1129>.