Key USTelecom Association FCC Proceedings

I. Open Internet

II. National Broadband Plan

- Comprehensive Intercarrier Compensation Reform
  - Phantom Traffic
  - Access Stimulation

- Universal Service Reform
  - Contributions
  - Distributions

- Access to Must-Have Video Programming

- Regulatory Parity Across Competing Services
  - Modernize Legacy Regulation
  - Pole Attachment Framework

III. Special Access

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We are Broadband.

Overview

November 24, 2009

Industry Goals

Policies that support investment at current levels or higher

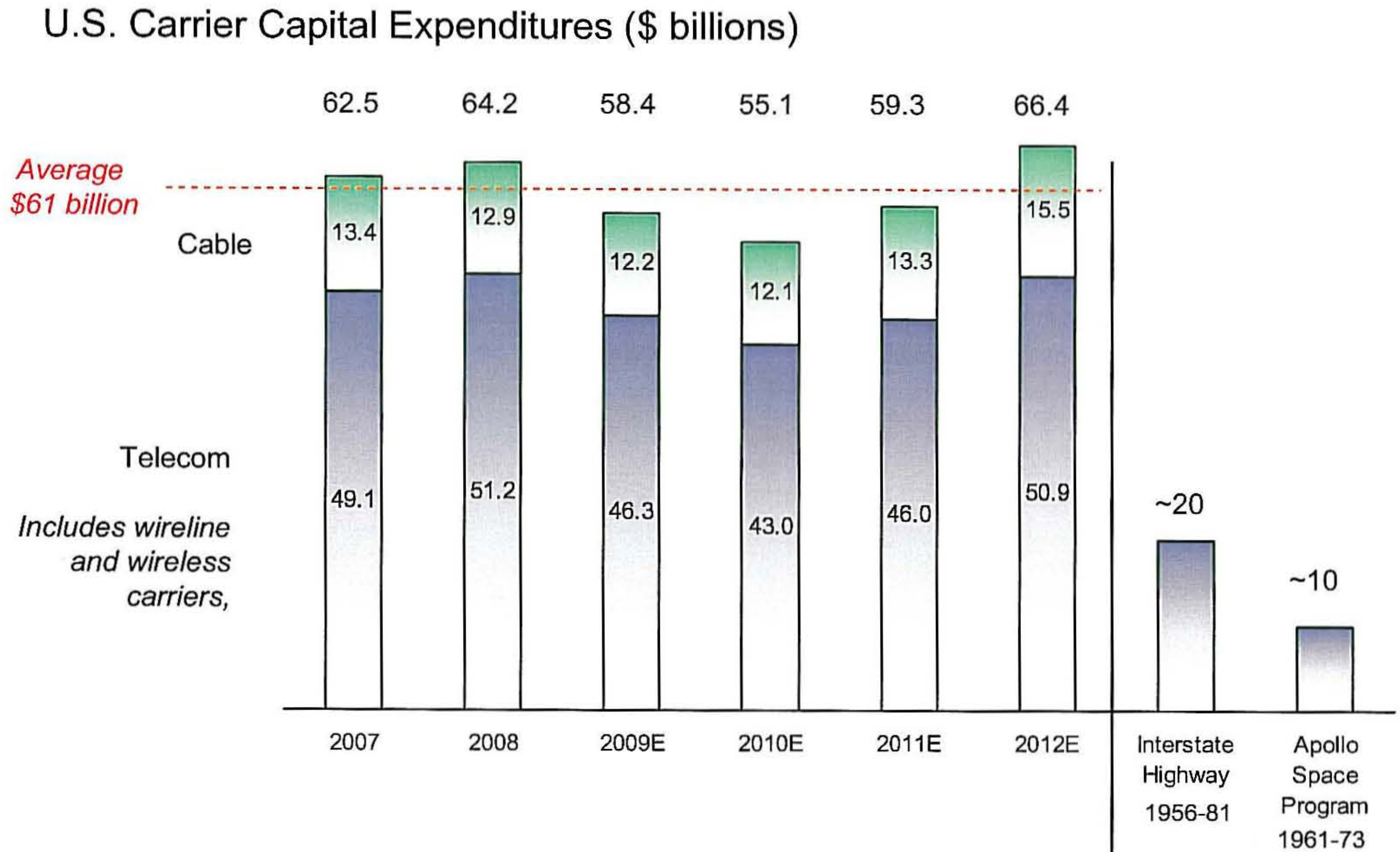
- across networks
- across ICT sector

Competitive parity among competing services

- voice
- video
- data

Consumer welfare, job creation and economic recovery should be key yardsticks for assessing policy

Broadband Providers Spend over $60 Billion a Year on Networks



Source: Yankee Group Research, Inc. © Copyright 1997-2009. All rights reserved. Data are in nominal dollars. Wireless figures do not include payments to the government for spectrum licenses.

Source: USTelecom Analysis. Figures are in 2006 dollars, based on the most current highway construction price deflator.

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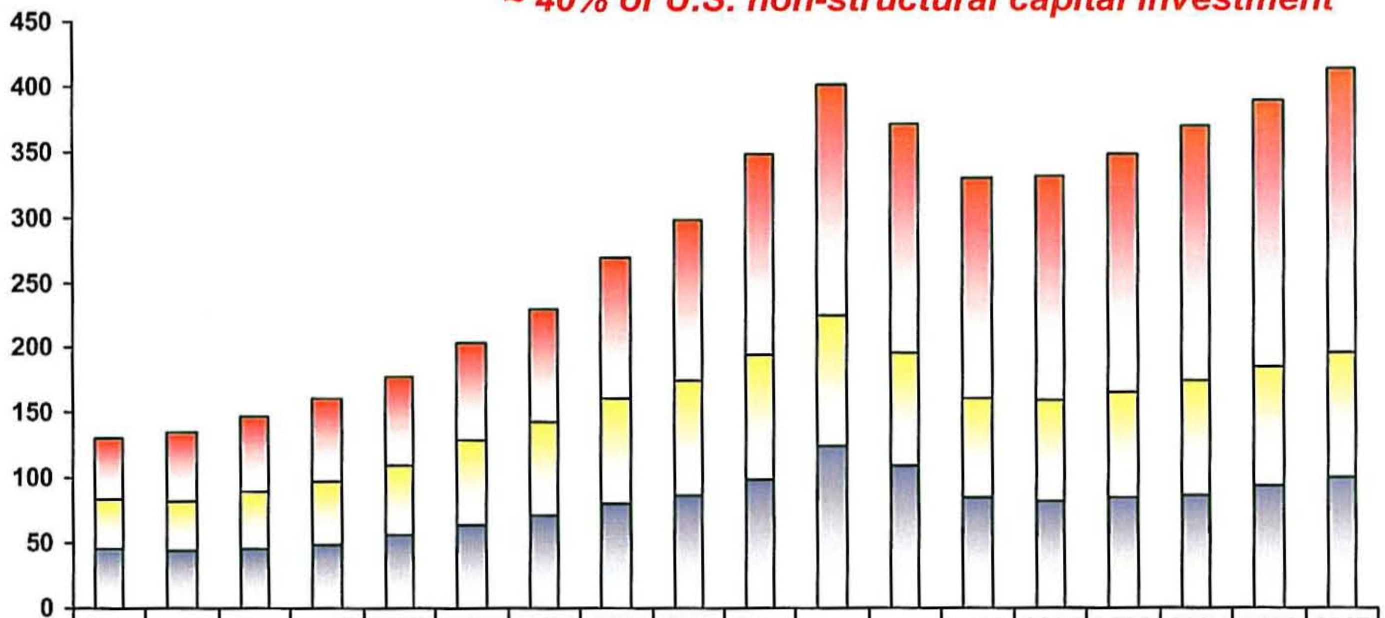
The Private Sector Invests $400 Billion Annually in ICT Infrastructure

Private Fixed Investment in Software and Equipment, 1990-2007 ($ billions)

TMT accounted for
~ 20% of U.S. capital investment in 2007 and
~ 40% of U.S. non-structural capital investment

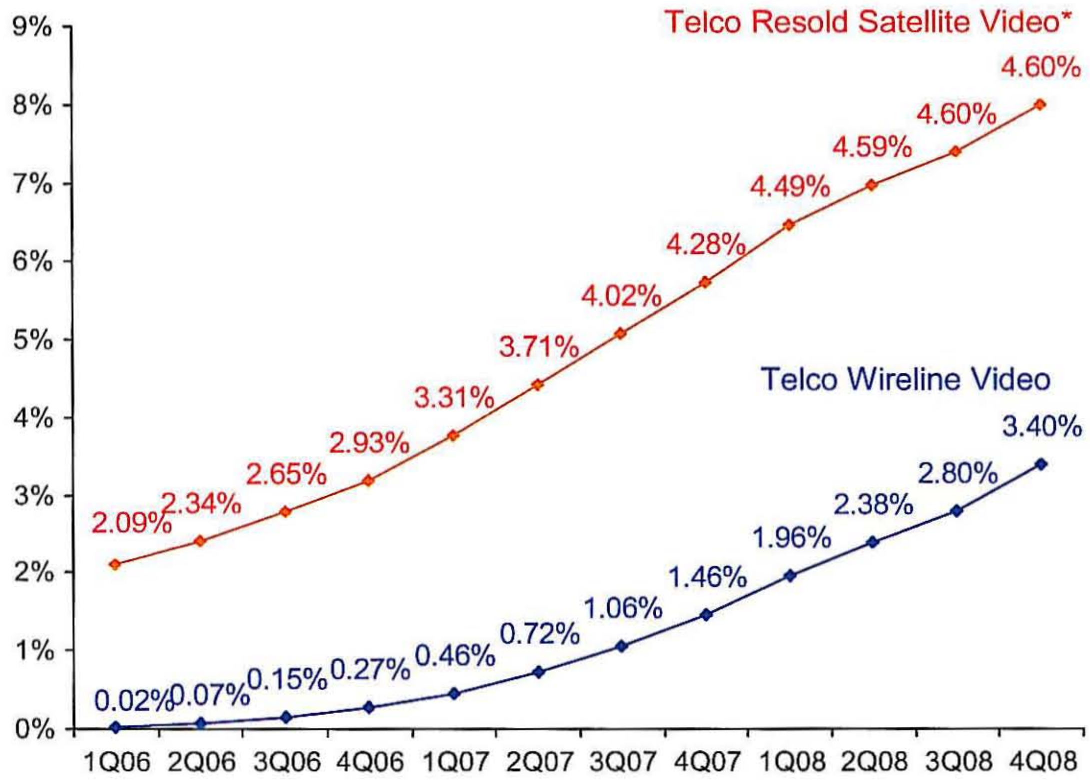


	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Software	48	54	58	64	68	75	86	108	124	153	176	175	168	171	183	194	203	217
Computers & Peripherals	39	38	44	48	52	66	73	81	87	96	101	85	77	78	80	89	91	97
Communications Equipment	45	44	46	49	57	64	71	80	87	99	124	110	85	82	85	86	94	100

Source: U.S. Department of Commerce Bureau of Economic Analysis. Data are in nominal dollars because computers and peripherals are unavailable in real dollars due to rapid price changes.

Video Market Competition Intensifying as Telco Entry Barriers Lowered

% of U.S. Subscription Video Households Using ILEC Video Provider

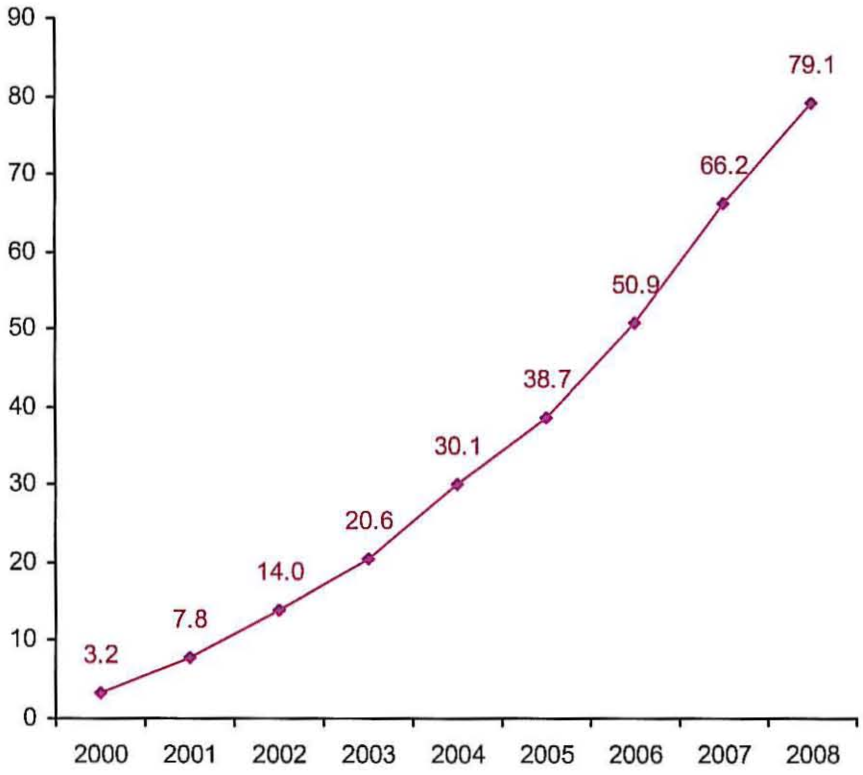


The FCC found that cable rates are 17% lower in markets with a wireline competitor

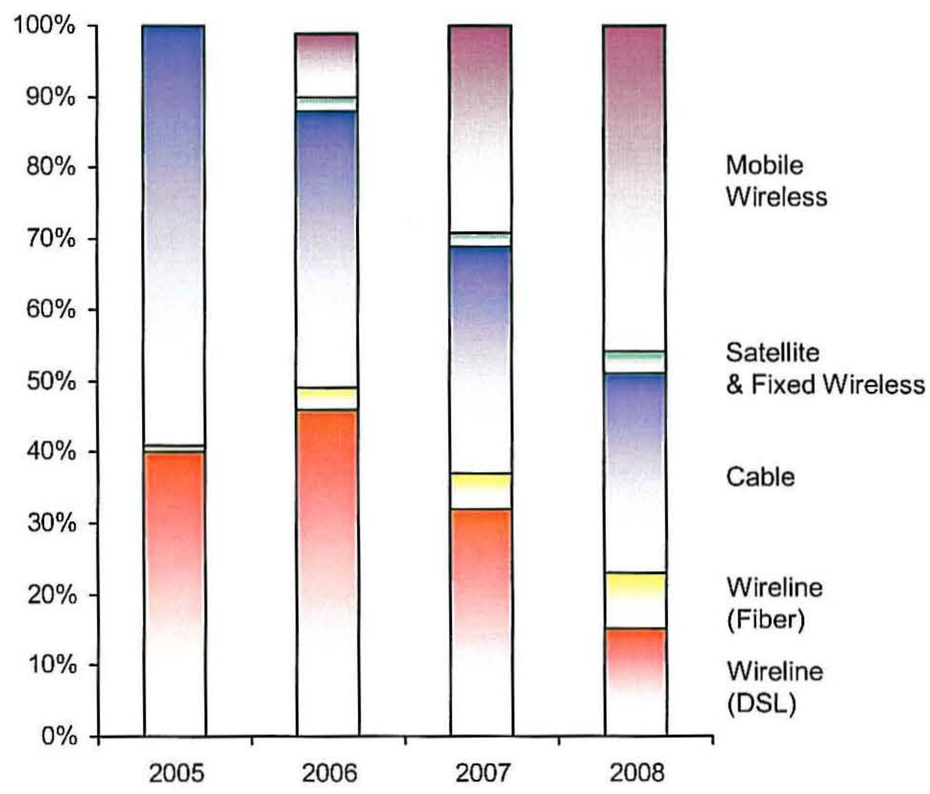
Source: Telco video subscribers derived from company financial reports. Total video market and telco landline video derived from Yankee Group Research, Inc. Consumer Service Provider Monitor, June 2009, and USTelecom analysis. * Telco satellite video includes only top 8 incumbent local exchange carriers, and therefore the telco share is likely to be slightly understated.

Consumer Broadband Growth Driven by New Technologies

U.S. Residential* Broadband Subscribers
(Millions of "High Speed" Subscribers, June-June)



% of Residential Subscribers Added Per Period
(June-June)



Source: FCC. Most recent data are for June 2008. * We use FCC's most comprehensive definition of broadband, i.e., "high-speed services" > 200 kbps downstream.

Wireline Broadband Prices Falling, Speeds Rising, Options Proliferating

Weighted Average Monthly Prices for Top 5 ILEC Wireline Broadband Services

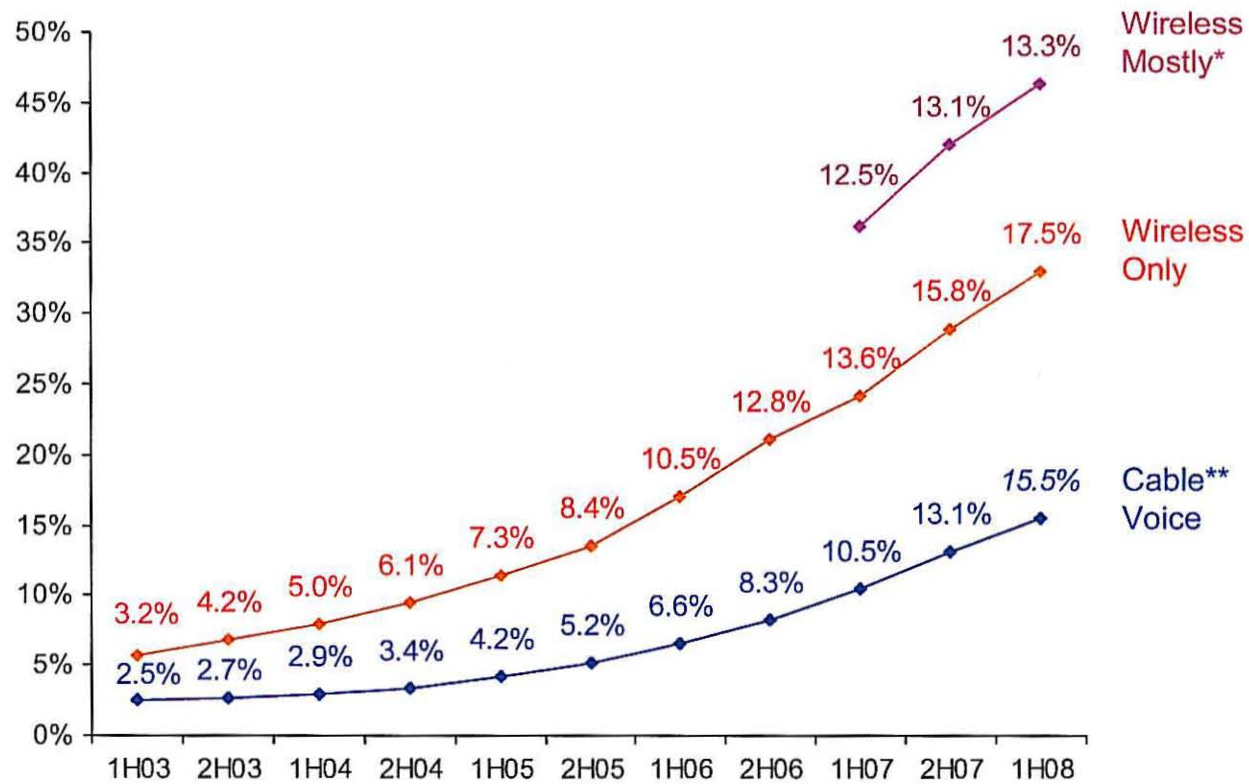
Year	Maximum Advertised Price by Downstream Speed Tier					
	Up to 768 kbps	768 kbps -1.5 mbps	Up to 3.0 mbps	Up to 7.0 mbps	Up to 15 mbps	Up to 30 mbps
2001	*	$50	n/a	n/a	n/a	n/a
2002	$28	$32	*	n/a	n/a	n/a
2003	$28	$30	*	n/a	n/a	n/a
2004	$30	$33	$46	*	*	n/a
2005	$20	$27	$33	$39	*	*
2006	$20	$23	$28	$36	*	*
2007	$18	$25	$28	$39	$51	*

- ***The price of a basic wireline broadband connection has fallen by at least half since 2001***
- ***Consumers today can get at least 10 to 20 times the speed today for the same ~$50 spent in 2001***
- ***Consumers have many more choices today—both higher and lower speed offerings and more flexible options—compared to earlier this decade***

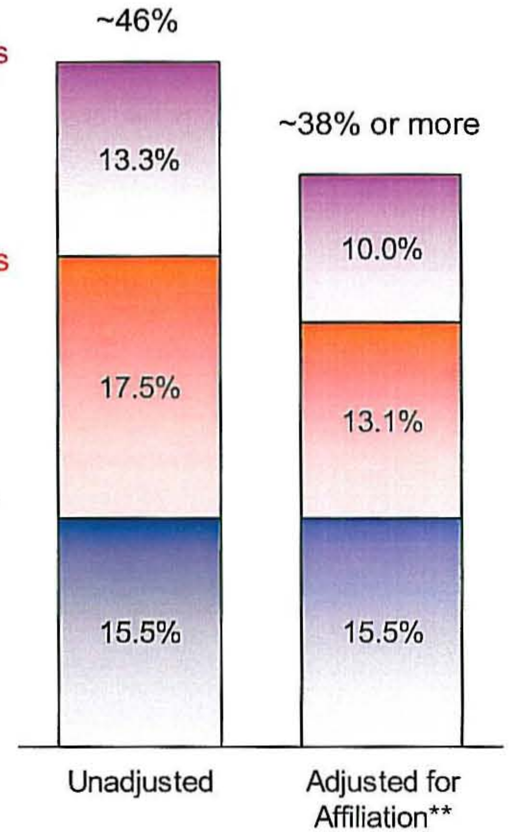
Sources: Company data, press releases, and USTelecom analysis. For details on methodology, see our website at www.ustelecom.org
n/a = service not available
* = insufficient data, fewer than two reporting carriers and less than one-third of access lines represented

Voice Has Intense and Growing Facilities-Based Competition

% of U.S. Households Using Voice Alternative to ILEC



Estimated Voice Line Share



Updated January 2008.

Source: NCTA; Centers for Disease Control; U.S. Census Bureau, USTelecom Analysis. * Wireless mostly means a majority of calls are received via wireless, even though the customer retains a wireline service. ** Wireless adjusted down by 37.5% to account for the probability that a "cord cutter" resides in the footprint of a large, wireless-affiliated ILEC (~75%) and the substituted wireless carrier is affiliated (~50%) with the ILEC: 75% * 50% = 37.5%. Assumes probabilities are (1) commensurate with national footprint of top 2 ILECs (~75%) and (2), to account for in-region brand identification, double the market share of large ILEC-affiliated wireless carriers (i.e., 2 * 25%). ** NCTA reported subscribers as 15.1 million for 4Q07 and 16.5 million for 1Q08. We estimate growth to approximately 18 million based on linear trend and assume 115 million households to get 15.5%.

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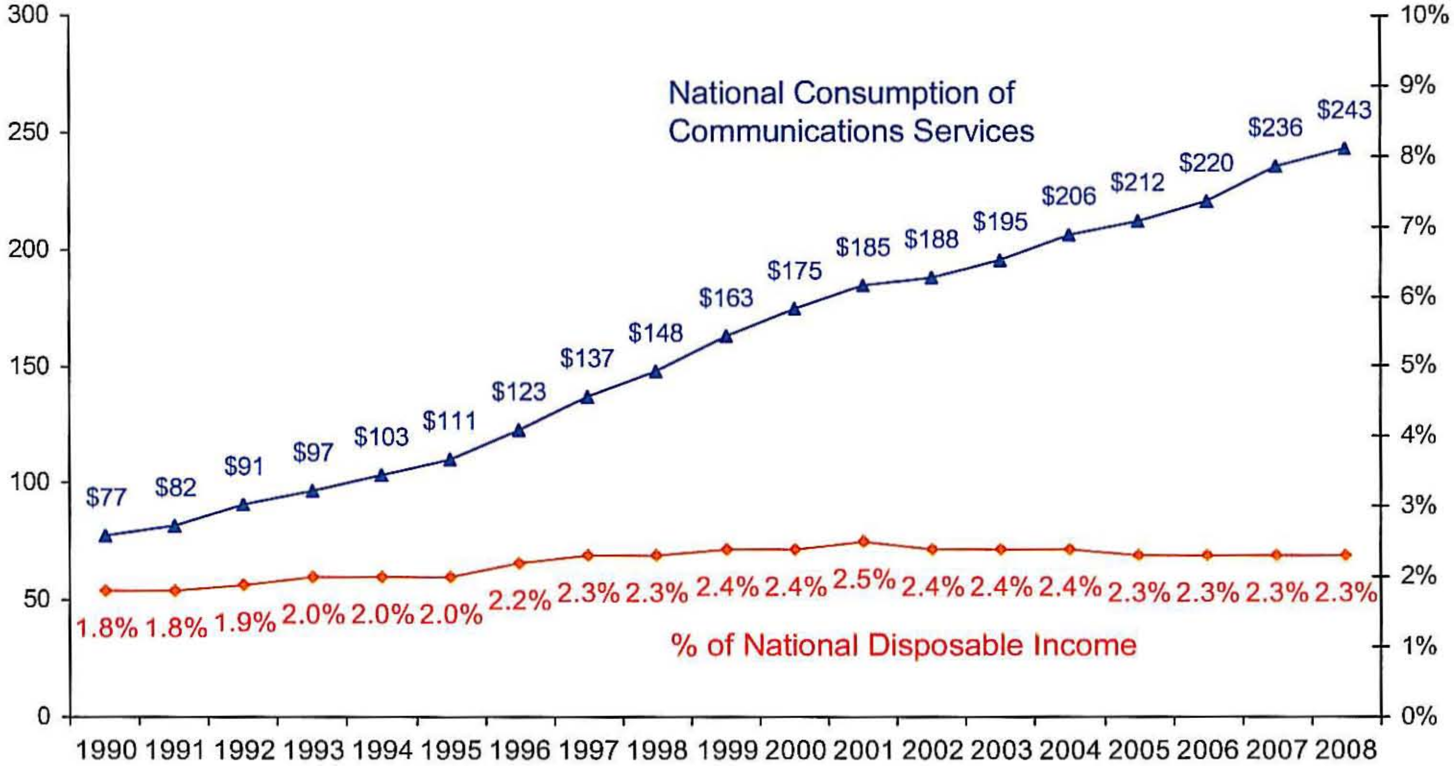
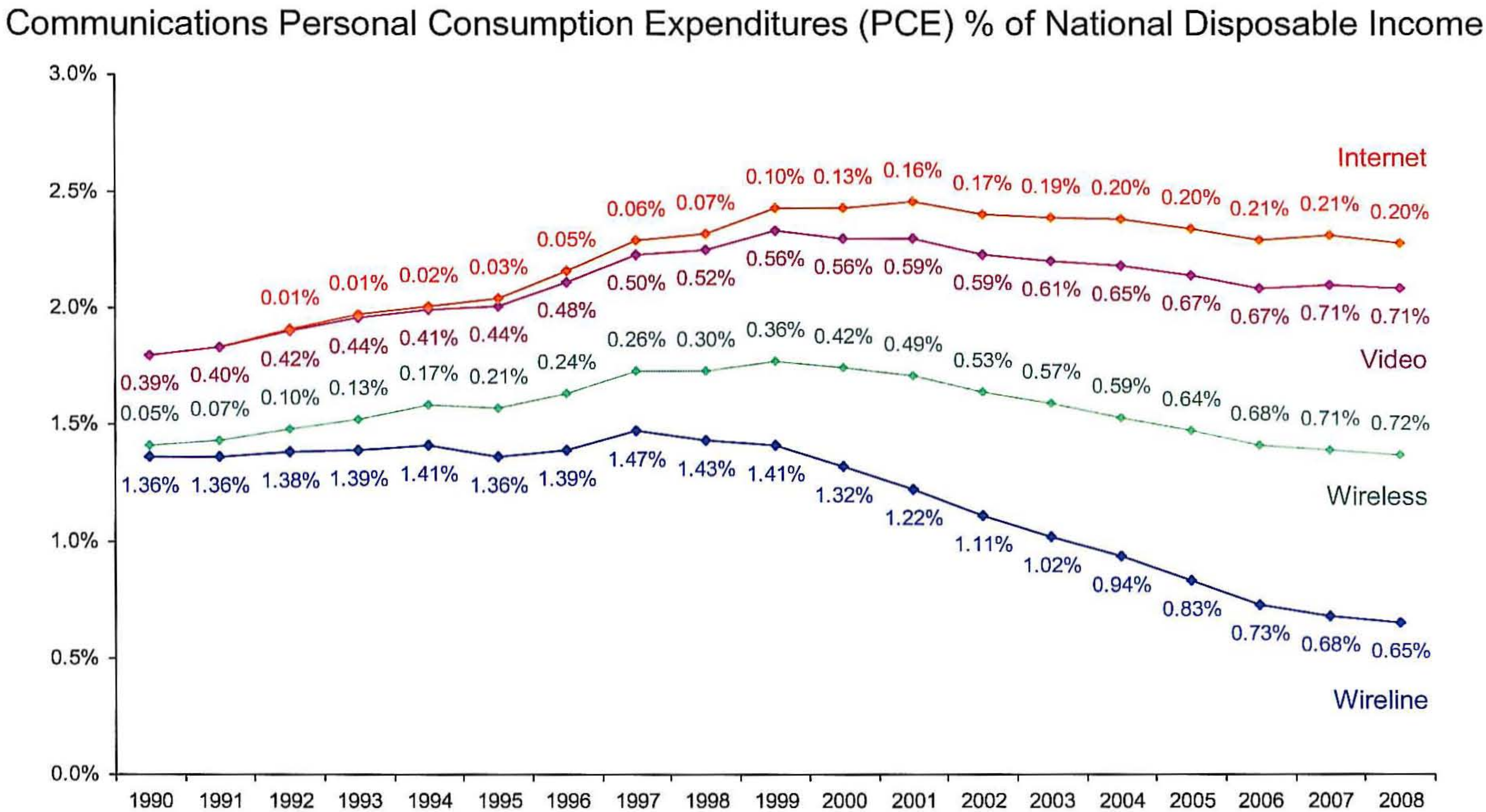
Communications Consumption Is Growing but Flat as Share of Income

U.S. Personal Communications Expenditures on Communications Services ($ billions) and % of National Disposable Income



Source: U.S. Department of Commerce, Bureau of Economic Analysis and USTelecom Analysis.

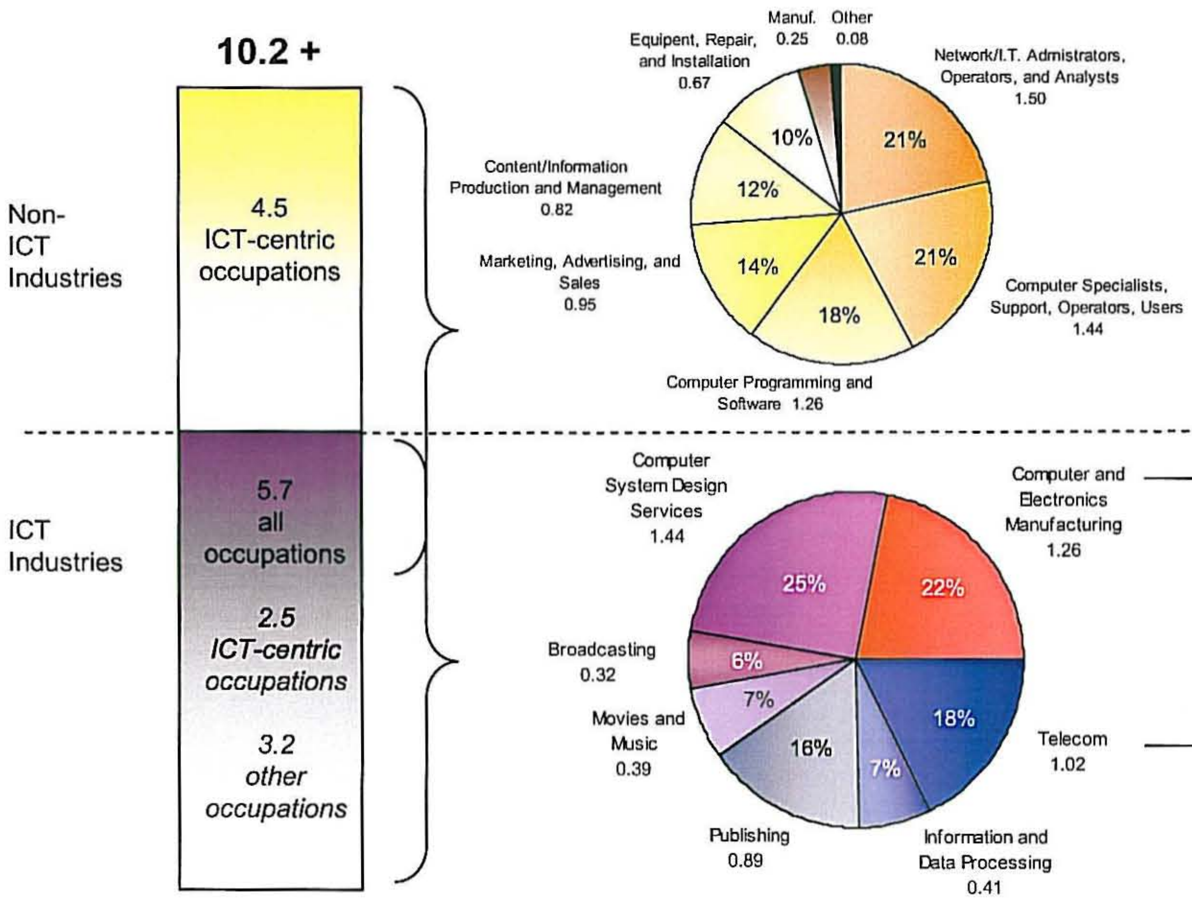
Consumption Is Shifting to Broadband, Entertainment, and Wireless



Source: U.S. Department of Commerce, Bureau of Economic Analysis and USTelecom Analysis.

ICT Generates At Least 10 Million Highly Paid Jobs

Total U.S. Non-Farm Employment* 2008 (millions)



~10 million jobs within ICT and across the economy is 7.5% of non-farm employment

ICT jobs among fastest growing, highest paying jobs

Manufacturing Segment	Jobs (Millions)
Semis/Components	0.441
Instruments	0.442
Computers/Peripherals	0.183
Communications Equipment	0.129
Other	0.062
Total	1.256

Telecom Segment	Jobs (Millions)
Wireline & Cable MSO	0.672
Wireless	0.196
Satellite/Other	0.154
Total	1.022

Source: U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment Statistics and USTelecom Analysis. * Does not capture agricultural or self-employed (9.5 million in May 2008) workers or the "multiplier effect" of jobs created outside of the ICT sectors to support ICT firms and employees (e.g., lawyers, property managers, general management consultants, and others). Occupational data include ICT industry employees.

Key Providers Across the Consumer Internet

Microprocessor		OS		Browser		Broadband Access (Company)		Broadband Access (industry)	
Intel	80%	Windows	93%	Explorer	67%	AT&T	20%	Cable	53%
AMD	12%	Mac	5%	Firefox	23%	Comcast	20%	Telco	43%
Fringe	8%	Fringe	2%	Fringe	10%	Others	60%	Fringe	4%

Apps, Content. Services

Google	71%	Search
Yahoo + MS	25%	
Fringe	4%	
Google	57%	Online Advertising
Yahoo! + MS	15%	
Fringe	28%	
Yahoo!	57%	Email
MSN	23%	
Fringe	20%	
Facebook	42%	Social Networking
MySpace	21%	
Fringe	37%	