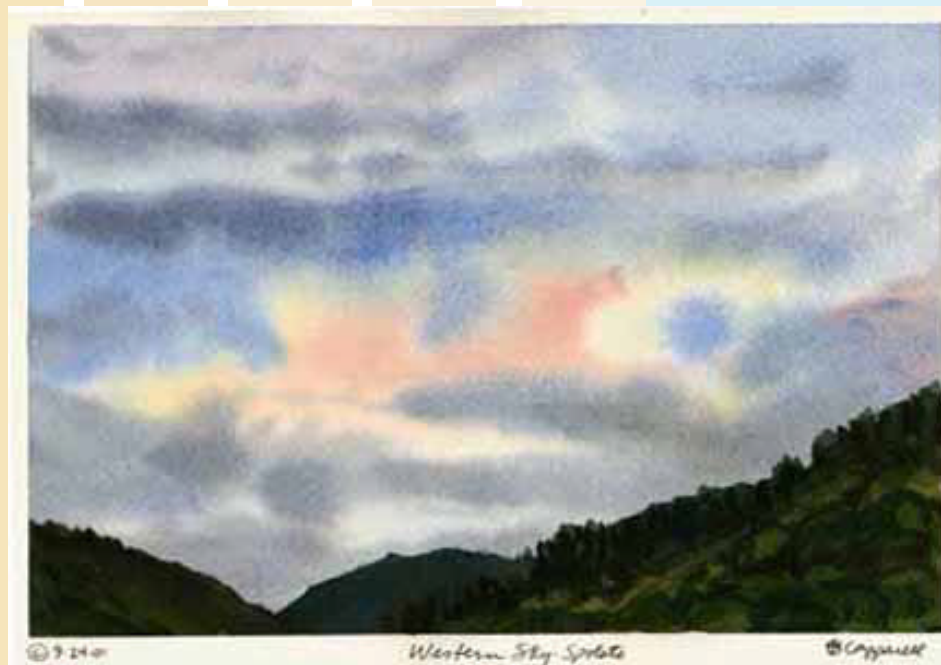




Next Generation Access Report: 2001-2006

Summary and Top Five

At Home - At Work - Anywhere



United States
Top 5 States - Top 5 Metro Areas

Including Forecasts for:

Broadband Access Connections
Voice and Data Access Connections
Mobile and Fixed Wireline Minutes of Use
Residential, Business and Mobile Segments

Next Generation Access Report: 2001-2006 – Summary and Top 5

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The Telecompetition forecast methodology used in this report represents a powerful and consistent approach to developing a bounded forecast. Country-level forecasts are based on known or published demographic, firmographic, technological, economic and other factors built into the ATIVA Research Tool[®] model.

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Table of Contents

1. EXECUTIVE SUMMARY – THE NEXT GENERATION NETWORK.....1

2. INTRODUCTION – THE VISION OF THE NEXT GENERATION NETWORK2

 Figure 2.1. The vision of the next generation network.2

 Figure 2.2. End-user vision of next generation access.3

 Table 2.3. Fixed network evolution.4

3. NEXT GENERATION ACCESS – FORECAST OVERVIEW5

 3.1 ACCESS CONNECTIONS DEFINED5

 Figure 3.1. The access portion of the next generation network.6

 Table 3.2. Forecast segmentation and definitions.....7

 3.2 VOICE GROWTH - FIXED ACCESS CONNECTIONS8

 Figure 3.3. Impact of mobile substitution, VoIP and cable telephony on fixed voice access connections.....9

 Figure 3.4. Fixed voice access connections and usage: 2001-2006.....9

 Figure 3.5. Growth in fixed local usage: 2001-2006.....10

 3.3 DATA GROWTH – FIXED ACCESS CONNECTIONS.....10

 Figure 3.6. Growth of dedicated (data) vs. switched (voice) lines: 1995-2000.11

 Figure 3.7. Business access connections per business establishment: 2001-2006.11

 Figure 3.8. US Households penetration of Internet access: 2001-2006.12

 3.4 MOBILE SERVICES.....12

 Figure 3.9. US mobile subscribers and penetration rates: 2000-2006.....13

 Figure 3.10. Revenue per minute comparison - mobile and fixed: 1995-2006.14

 Figure 3.11. Switched minutes – mobile and fixed: 1995-2006.....14

 Figure 3.12. Mobile minutes per EOY mobile subscriber: 1995-2006.....15

 Figure 3.13. Mobile and fixed usage comparison: 2001-2006.15

 Figure 3.14. Billed minutes – mobile and fixed: 1995-2006.16

 Figure 3.15. Mobile subscriber adoption of mobile data: 2002-2006.....16

 Figure 3.16. Mobile subscriber adoption of mobile data: 2001 and 2006.17

4. US NEXT GENERATION ACCESS FORECASTS18

 Table 4.1. US mobile and fixed access: 1995-2000.....18

 Table 4.2. US mobile and fixed minutes of use: 1995-2000.....19

 Table 4.3. Selected US mobile and fixed industry revenues: 1995-2000.19

 Table 4.4. US next generation access: 2001-2006.20

 4.1 FIXED ACCESS – AT HOME.....21

 Table 4.5. US fixed access connections at home: 2001-2006.21

 Figure 4.6. Fixed access at home: 2001-2006.22

 Figure 4.7. US household penetration of Internet access by broadband and narrowband: 1999-2006.....22

 Figure 4.8. ADSL and cable modem terminations: 2001-2006.23

 4.2 FIXED ACCESS – AT WORK24

 Table 4.9. US fixed access connections at work: 2001-2006.....24

 Figure 4.10. Business fixed access: 2001-2006.....25

 Figure 4.11. Fixed access at work: 2001-2006.....25

 4.3 MOBILE ACCESS – AT WORK OR HOME OR ANYWHERE26

 Table 4.12. US next generation mobile services revenues: 2001-2006.....26

| | |
|---|-----------|
| Table 4.13. Summary of US mobile access connections: 2001-2006..... | 27 |
| Figure 4.14. US total mobile revenues: 2001-2006..... | 28 |
| Figure 4.15. US mobile voice subscribers: 2001-2006..... | 28 |
| 4.4 SUMMARY AND COMPARISON OF TOTAL ACCESS CONNECTIONS..... | 28 |
| Figure 4.16. US total access connections by mobile and fixed: 2001-2006..... | 29 |
| Figure 4.17. US total voice access connections by mobile and fixed: 2001-2006..... | 29 |
| Figure 4.18. US total access connections by voice and data: 2001-2006..... | 30 |
| 5. TOP FIVE STATE LEVEL FORECASTS: 2002, 2004, AND 2006..... | 31 |
| Figure 5.0. Top five states by total next generation access connections: 2006..... | 31 |
| 5.1 CALIFORNIA..... | 32 |
| Figure 5.1. Fixed access connections at home..... | 32 |
| Table 5.2. Mobile access connections and billed mobile and fixed MOUs..... | 32 |
| Figure 5.3. Fixed access connections at work..... | 32 |
| 5.2 FLORIDA..... | 33 |
| Figure 5.4. Fixed access connections at home..... | 33 |
| Table 5.5. Mobile access connections and billed mobile and fixed MOUs..... | 33 |
| Figure 5.6. Fixed access connections at work..... | 33 |
| 5.3 ILLINOIS..... | 34 |
| Figure 5.7. Fixed access connections at home..... | 34 |
| Table 5.8. Mobile access connections and billed mobile and fixed MOUs..... | 34 |
| Figure 5.9. Fixed access connections at work..... | 34 |
| 5.4 NEW YORK..... | 35 |
| Figure 5.10. Fixed access connections at home..... | 35 |
| Table 5.11. Mobile access connections and billed mobile and fixed MOUs..... | 35 |
| Figure 5.12. Fixed access connections at work..... | 35 |
| 5.5 TEXAS..... | 36 |
| Figure 5.13. Fixed access connections at home..... | 36 |
| Table 5.14. Mobile access connections and billed mobile and fixed MOUs..... | 36 |
| Figure 5.15. Fixed access connections at work..... | 36 |
| 6. TOP FIVE METRO AREAS FORECASTS: 2002, 2004, AND 2006..... | 37 |
| Figure 6.0 Top five metro areas by next generation access connections – mobile and fixed: 2006..... | 37 |
| 6.1 CHICAGO-GARY-KENOSHA, IL-IN-WI..... | 38 |
| Figure 6.1. Fixed access connections at home..... | 38 |
| Table 6.2. Mobile access connections and billed mobile and fixed MOUs..... | 38 |
| Figure 6.3. Fixed access connections at work..... | 38 |
| 6.2 LOS ANGELES-RIVERSIDE-ORANGE COUNTY, CA..... | 39 |
| Figure 6.4. Fixed access connections at home..... | 39 |
| Table 6.5. Mobile access connections and billed mobile and fixed MOUs..... | 39 |
| Figure 6.6. Fixed access connections at work..... | 39 |
| 6.3 NY-N. NJ-LONG ISLAND, NY-NJ-CT-PA..... | 40 |
| Figure 6.7. Fixed access connections at home..... | 40 |
| Table 6.8. Mobile access connections and billed mobile and fixed MOUs..... | 40 |
| Figure 6.9. Fixed access connections at work..... | 40 |
| 6.4 SAN FRANCISCO-OAKLAND-SAN JOSE, CA..... | 41 |
| Figure 6.10. Fixed access connections at home..... | 41 |
| Table 6.11. Mobile access connections and billed mobile and fixed MOUs..... | 41 |
| Figure 6.12. Fixed access connections at work..... | 41 |
| 6.5 WASHINGTON-BALTIMORE, DC-MD-VA-WV..... | 42 |



| | |
|--|-----------|
| Figure 6.13. Fixed access connections at home..... | 42 |
| Table 6.14. Mobile access connections and billed mobile and fixed MOUs. | 42 |
| Figure 6.15. Fixed access connections at work..... | 42 |
| 7. METHODOLOGY..... | 43 |
| 7.1 TELECOMPETITION, INC. AND ATIVA RESEARCH TOOLS® | 43 |
| 8. ABOUT TELECOMPETITION, INC. | 45 |

1. Executive Summary – The Next Generation Network

Over the past 20 years, the US communications industry has transformed itself from a single-provider network dominated by voice technology and services to a multi-industry, cross-technology network dominated by digital technology delivering multimedia services and content. Networks once designed to be uniform and standardized are now required to be open and interoperable with a number of different technologies and protocols. The “first generation” voice network provided universal service to the US, and lasted about 100 years. The conversion of the telephony network to digital switches and fiber backbones and the growing importance of packet technology exemplifies completion of the “second generation” and the transition into the “next generation network.”

In this next generation network, formerly distinct access technologies, with comparable price points, become interchangeable. Mobile phones can displace fixed (wireline) long distance, and digitized voice is transmitted over the Internet via dedicated “data” lines. In this new converged environment, service providers must contend with not only competition within their own technology space, but also with the considerable threat from substitute services in what was previously considered different industries.

This report is intended to provide a cross-industry look at end-user demand for network access. It introduces a new term “access connection” to describe an environment where a mobile “phone” is comparable to a dial-up line in the eyes of the end-user. This “Next Generation Access Report” includes access connection forecasts for fixed and mobile services, by metro area and state, for home, business locations, and anywhere in between. Thus, this report provides a comprehensive view of the total access demand, across industry sectors, for any geographic area in the US.

The analysis in this report includes the following forecasts:

- Total access connections (mobile and fixed) will increase at a compound annual growth rate (CAGR) of 19% driven by increased data and mobile usage.
 - New applications for multimedia drive higher bandwidth requirements. Businesses will continue to increase total bandwidth requirements as well as move traffic to IP networks.
 - By 2006, 60% of total access connections will be for data.
 - Mobile voice access connections will surpass fixed voice by 2005.
- End-users find mobile minutes a cost-effective substitute for long distance, and as a result, mobile minutes of use are growing while fixed usage growth is slowing.
- Internet penetration will grow, but at a slower rate than in the last few years. Internet user penetration in the US is expected to grow from 50% in 2001 to 75% by 2006. This in turn will continue to drive considerable growth in higher-speed access in both fixed and mobile networks.
 - Residential broadband growth, having started rather slowly, is now picking up and is expected to reach almost 50% of households in the next five years.
 - Consumers are dropping second lines and opting for mobile phones or broadband.