



**We are Broadband.**

# **Wireline Broadband Pricing 2001-2007**

June 2008

# Wireline Broadband Prices Falling, Speeds Rising, and 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

n/a = service not available

\* = insufficient data, fewer than two reporting carriers and less than one-third of access lines represented

# Methodology

## Methodology and Assumptions:

- Sources: Company data for the top 5 U.S. incumbent local exchange carriers by access lines.
- Speed Tiers: Offerings are categorized into speed tiers based on the maximum advertised downstream speed: up to 768 kbps, 768 kbps up to 1.5 mbps, up to 3.0 mbps, up to 7.0 mbps, up to 15 mbps, up to 30 mbps. Note, industry standard offerings in the early 2000s included 768 kbps – 1.5 mbps. Some companies in recent years have begun offering “starter” packages at 768 kbps. Therefore, 768 kbps offerings before 2005 are included in the “768 kbps – 1.5 mbps” category; starting in 2005, 768 kbps “starter” offerings are included in the “up to 768 kbps” category.
- Choice of Offering: Offerings may differ within and across companies at any given time and over time, depending on a variety of potential terms and conditions, e.g., bundles, annual contracts. For each company, we chose the price for the most typical offering sold.
  - Generally, for all carriers, this requires voice service. The most commonly sold packages are assumed to include local voice with a set of features and long distance. However, the typical terms and conditions, e.g., whether a bundle or an annual contract is required, may vary by carrier and may vary over time for each carrier. In recent years, it has become common to provide discounts when customers order online rather than using other distribution channels.
  - We did not include offerings with certain terms and conditions, e.g., “naked” or “standalone” broadband service, special offerings resulting from merger conditions, or symmetric offerings.
- Threshold for Inclusion of Data: We report data for any given speed tier/year only if we have data for two or more carriers representing greater than 33% of the top 5 carriers’ access lines.
- Timing: We show the price of a speed tier upon introduction, regardless of what the preexisting base was paying and regardless of how long it takes to roll out a product offering over the entire broadband-capable footprint; however, in order to be included in the industry average for a given year, a speed tier must be offered in three months of the year; otherwise it is not included until the following year.
- Prices and Averaging:
  - The monthly price excludes up front installation or equipment charges, if applicable. It also excludes up front benefits or incentives, such as cash back offers or free equipment, such as routers, modems, or televisions. However, we do account for price promotions. We also exclude any taxes or fees charged.
  - Industry average price: Prices are weighted based on the size of the carrier’s relative footprints, as approximated by access lines reported in FCC ARMIS Table 43-08, and rounded to the nearest dollar.
  - Multiple different speed offerings within a speed tier: If a company offers multiple offerings of different speeds within a speed tier, we applied a simple average of the rates; however, if there were two offerings within a speed tier, and the higher speed offering was cheaper than the lower speed offering, we included only the higher speed offering.
  - Price changes throughout a year: if a company changes pricing within a speed tier during a year, the price for the year is weighted by the portion of the year each price was offered.
  - Phased price promotions: if a company offers a promotion in which the price changes over the life of the service, or offers one or more months free, the price is weighted by the portion of months at each price point during the first year of service. The one-year assumption enables consistent comparisons with offerings that requiring a commitment – for those offerings in our analysis that required a commitment, we chose the offering with a one-year commitment. .
  - Regional pricing: prices varying by region are weighted roughly by regional access lines.
  - For wireline broadband services that are part of a discounted bundle where the individual components’ discounts were not available, we used the list price for the typical offering, e.g., an annual contract. This impacts higher speed offerings in more recent years, slightly overstating prices and understating price declines.