

9.0 Bell Access Lines

On face value, comparing 1984 to 2008, it would seem that the Bell companies gained a significant amount of lines through 1999, then had a large decline. In 1984, there were 99 million lines, climbing to 171 million then down to 106 million – a drop of over 70 million lines. These are both business as well as residential lines.

Exhibit 19
Bell Access Lines, 1984-2008

	1984	1989	1994	1999	2004	2008
AT&T	50,297	58,078	67,357	85,067	73,712	57,191
Verizon	38,122	47,170	53,011	68,807	52,289	37,072
Qwest	10,871	12,218	14,300	17,009	15,434	11,869
total	99,290	117,466	134,668	170,883	141,435	106,132

The Bell companies contend that these losses stem from competition, AT&T’s Annual Report, 2007.

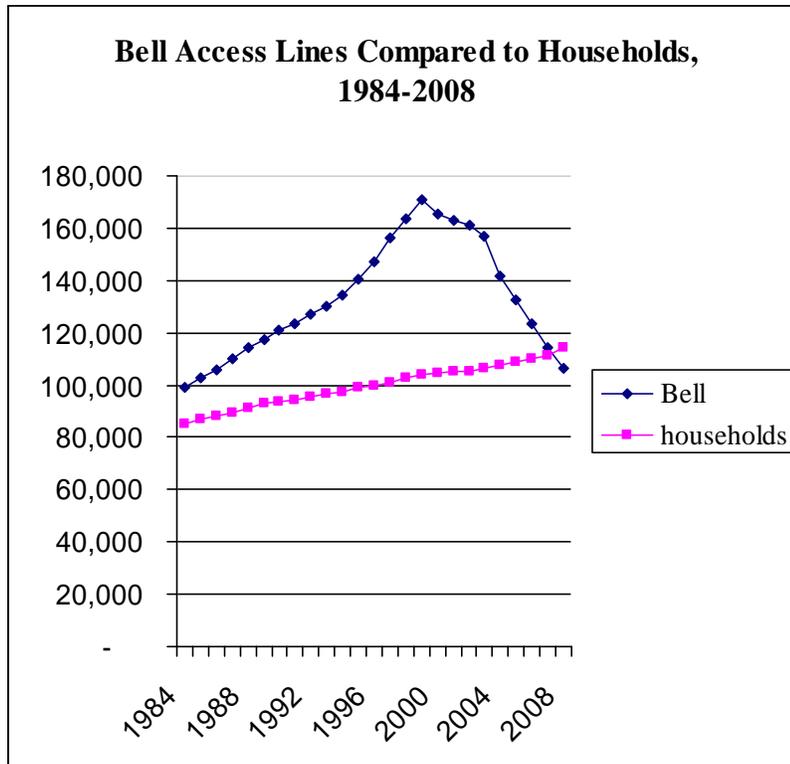
“Our operating income was slightly offset by the continued decline of our retail access lines due to increased competition, as customers continued to disconnect both primary and additional lines and switched to competitors’ wireless, Voice over Internet Protocol (VoIP) and cable offerings for voice and data. While we lose the wireline voice revenues, we have the opportunity to increase wireless service revenue should customers choose AT&T Mobility as their alternative provider.”

There are many different reasons for the line drops and even how the lines have been counted, and we should examine them separately.

9.1 Hypergrowth and the Decline of Access Lines

The chart below outlines the access lines by year vs the growth in households. As is evident, there was a major peak of growth from 1992 through 1999, which was caused by the Internet, customers’ purchased a second line for both the Internet and fax and competitors helped to sell millions of a lines, not to mention purchasing millions of lines so they could offer dial up Internet service.

Chart 9



As is evident from the exhibit below, the growth of services from 1992-1999 had 91% to over 650% higher growth than the Census information about household growth.

Exhibit 20
Bell Hypergrowth Internet and Fax Era, 1992-1999

	1992	1993	1994	1995	1996	1997	1998	1999
Access	2.75%	2.61%	3.27%	4.17%	4.85%	6.41%	4.39%	4.59%
Census	1.44%	0.79%	0.71%	1.94%	0.64%	1.40%	1.49%	1.31%
	91.4%	230.4%	363.6%	115.3%	653.4%	358.8%	193.6%	249.7%

Based on the chart, had hypergrowth not occurred, the number of lines would be in line with household growth, to a point.

9.2 Playing with the Line Counts

The FCC's data on line counts makes clear that the Bell companies have essentially manipulated the actual accounting on lines in multiple ways. This first exhibit and chart

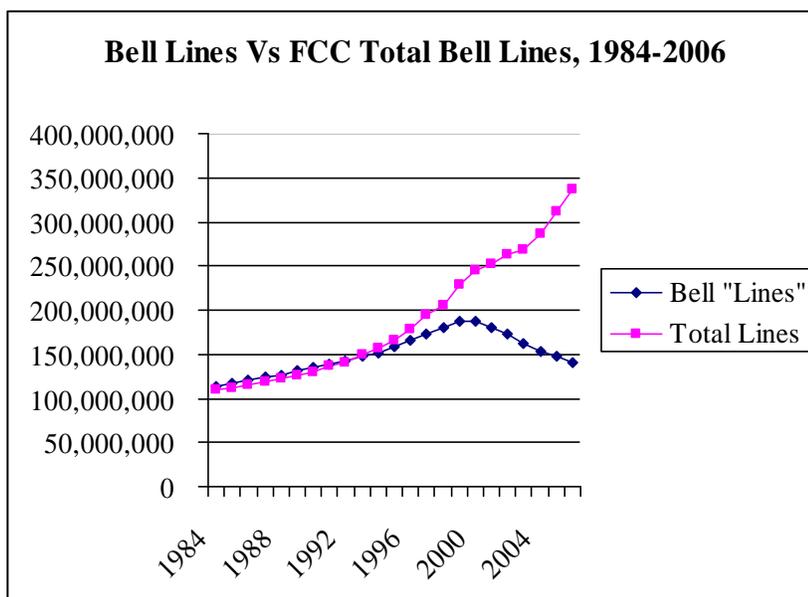
reveals that the Bell companies have only given the line counts for what is called “switched access” lines. These do not represent the entire class of lines Verizon or AT&T sells as it doesn’t include “non-switched lines”, “broadband lines”, like ISDN, DSL or even FiOS, and so it allows the companies to claim line losses without the major fact – that the Bell lines have had steady increases throughout this period.

As is clear from the exhibit below, the Bell’s total lines went from 103.1 million to 337 million while the Bells’ stated lines in their press releases and annual reports show it went from 99.3 million to 188 million then down to 139 million by 2006 (the FCC does not publish later data.) If we use the peak of 188 million lines in 2000, according to AT&T and Verizon there’s been a 25% decrease in lines. However, the FCC’s data shows an increase of 38%. Overall, while the Bells rise and fall numbers gives the total increase at 23%, the FCC total line numbers reveals a 187% increase.

Exhibit 21
Bell Access Lines Vs FCC Bell “Total Lines”, 1984-2006

	1984	1990	1995	2000	2001	2005	2006	Since 2000	Overall
Access Lines	99.3	134.7	158.2	187.6	179.8	140.2	139.0	-25.4%	23%
Total Lines	103.1	130.4	166.0	244.8	252.7	311.5	337.1	37.7%	187%

Chart 10



There are a number of other factors about line growth that are important to discuss.

9.3 The CLEC and ISP Factor in Line Counts

AT&T currently includes wholesale lines in the calculations of access lines. This means that AT&T has added an additional 7.4 million lines to the access line calculations, which went down some 57% to 3.1 million lines. On top of this, the CLECs and Internet Providers also bought millions of lines to deploy their services, and because the industry was essentially put out of business by the policies of AT&T and Verizon with the help of the FCC, these lines would have been accounted for in the rise, then fall of the line counts for ALL phone companies.

The decline is also tracked in the revenue statistics. The loss of CLEC and ISP business meant billions of dollars lost in access services.

9.4 Substitution of Second Lines for DSL

It is now clear that DSL, which travels over the phone companies' copper wiring that is used for both data and voice services, did not require a second line, which many customers had for fax and the Internet.

From the numbers presented in the next exhibit, it is clear that a drop of 5.5 million lines could be attributed to DSL substitution. At the same time, the companies increased their DSL service by 16.4 million lines. (NOTE: The number of switched access, etc. have some differences in line counts because of different sources – FCC, annual and quarterly reports, or even restatements of the Bell reports because of mergers and other factors.)

Exhibit 22
Customers Are Replacing Additional Lines with DSL Connections

	2000	2001	2002	2003	2004	2005	
Switched Access Lines	163,771	156,208	147,107	137,316	130,397	124,307	-39,463
Res. Additional Lines	NA	NA	14,671	12,432	10,530	9,191	-5,480
DSL Connections	1,793	3,602	5,530	7,915	11,722	16,427	14,634

(Appendix C, Replacement of Additional Lines with DSL Connections, CC Docket No. 80-286, Federal-State Joint Board), Affidavit Of, Susan M. Baldwin, on behalf of the New Jersey Division of Rate Counsel, and the, National Association of State Utility Consumer Advocates, August 22, 2006)

As NASUCA writes:

“According to the FCC data, between June 2003 and June 2005 AT&T lost 4.2 retail access lines, According to AT&T documents, DSL connections increased by approximately 3.4 in the same period. BellSouth... lost 2.2

million retail access lines... and increased its DSL connections by 1.4 million lines.'

9.5 Deceptive Accounting of Broadband Connections and Access Lines.

None of the Bell companies count their current broadband deployments, including Verizon's FiOS or AT&T's U-Verse as an 'access' line. When one considers that FiOS installations either abandon or remove the copper wiring, and replace it with a fiber optic cable, it is clear a substitution of the utility product, not a new product or even a second product, is happening and should be counted as an 'access' line.

This accounting slight-of-hand has two implications. First, Verizon is counting the loss of the copper wiring as a loss of an access line and secondly, it fails to count the FiOS installation as a new access line – thus double-counting of the same line, both of which lowers the access lines counts. And this includes both Verizon's Internet service as well as Verizon's cable TV offering.

The mathematics are as follows: in 3rd q 2008, Verizon had 1.6 million FiOS TV customers and 2.2 million FiOS Internet customers.

Verizon has 37 million lines, but in reality, the company has at least 7.6 million more, as the 3.8 million is not only deducted from the line counts, but Verizon also doesn't add the 3.8 million to the account as additions. Thus, Verizon had 44.7 million at the end of 2008. (37 +7.6 million). Adding this fact, Verizon most likely DID NOT lose lines, but actually gained lines, especially when we add the other factors we will bring up.

Verizon's access lines vs the additions of FiOS that were not added to the line count.

**Exhibit 23
Verizon's Access Lines vs the Additions of FiOS**

	9/30/07	9/30/08	FiOS	actual lines
Access lines	40,719	37,072	40,872	44,672
		-8.96%	0.38%	9.71%

Verizon also had 8.5 million 'broadband connections' and there is know way of knowing how many actual services replaced the traditional access lines, and were not counted.

Unfortunately, AT&T is playing the same numbers game. In the exhibit below, taken directly from AT&T's 3rdQ2008, it is clear that broadband connections and access lines are distinct line items in the accounting, 'broadband' includes U-Verse, the companies' fiber-

replacement for current access lines. While the number of access lines decreases, it is clear that the actual lines continues to increase, but is not stated as such.

Exhibit 24
AT&T's Accounting of Access Lines and Broadband Connections.
Selected Financial and Operating Data

	September 30,	
	2008	2007
Consumer revenue connections (000) ^{1,2}	47,548	49,598
Network access lines in service (000) ²	57,191	62,871
Broadband connections (000) ^{2,3}	14,841	13,760
Video connections (000) ⁴	2,963	2,112

¹ Consumer revenue connections include retail access lines, U-verse voice over IP connections, broadband and video.

² Represents services by AT&T's local exchange companies (ILECs) and affiliates.

³ Broadband connections include DSL, U-verse high-speed Internet access and satellite broadband.

⁴ Video connections include customers that have satellite service under our agency arrangements and U-verse video connections of 781 in 2008 and 126 in 2007.

9.6 Sell Off of Properties

By 2008, Verizon has sold off over 4.5 million lines since 2000. This includes the sale of GTE Hawaii, not to mention the entire states of Maine, New Hampshire and Vermont, as well as properties throughout the US.