

UPDATED CAPITAL SPENDING DATA SHOW CONTINUED SIGNIFICANT BROADBAND INVESTMENT IN NATION'S INFORMATION INFRASTRUCTURE

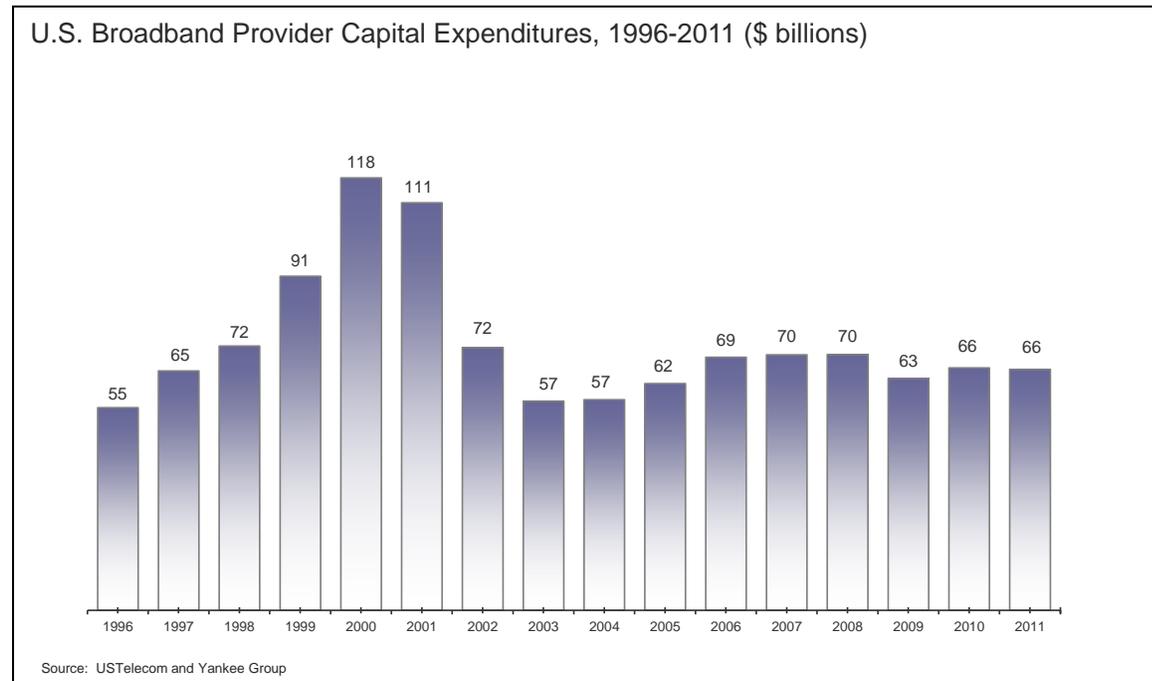
By Patrick Brogan, Vice President of Industry Analysis

Today USTelecom released updated [broadband provider capital investment data for 2011](#). The nearly \$66 billion invested in 2011 demonstrates that the industry continues to make a significant effort to [deploy more and better broadband](#) across the country. Nearly all Americans have a choice of multiple broadband providers, and ninety-six percent of Americans now have access to fixed broadband and four-fifths of households can choose from two or more fixed providers.

The 2011 data release updates the [data series we published last year](#) describing the substantial amount of capital broadband providers invested from 1996 through 2010—approximately \$1.1 trillion. Ongoing broadband investment is essential to accommodate the exponential growth in data traffic generated by innovative network technologies and services, such as online video, mobile broadband, and cloud computing. Broadband capital spending supports the economic recovery in the near term and is an essential component of the U.S. information technology infrastructure that enhances our productivity, international competitiveness, and consumer welfare over time.

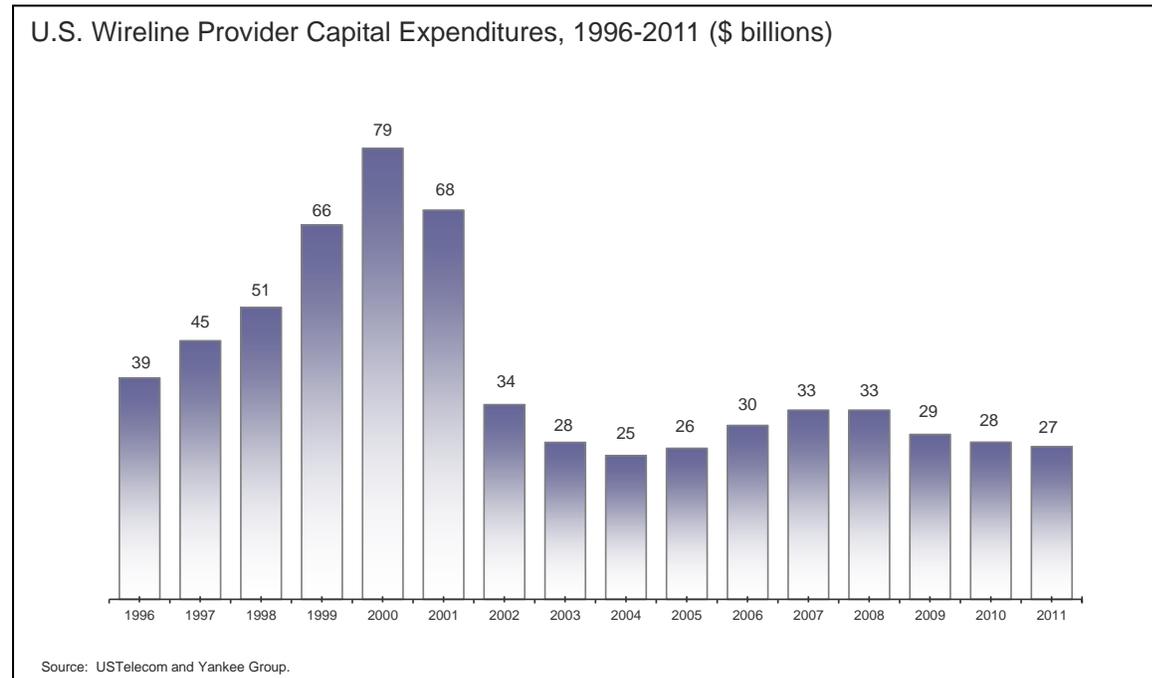
Our research indicates that 2011 capital expenditures for the industry as a whole—including wireline, wireless, and cable operators—were approximately \$66 billion, roughly the same as 2010. Furthermore, the data show that broadband providers have made nearly \$1.2 trillion in capital investments from 1996 through 2011. (*See Chart 1, U.S. Broadband Provider Capital Expenditures, 1996-2011*).

Chart 1



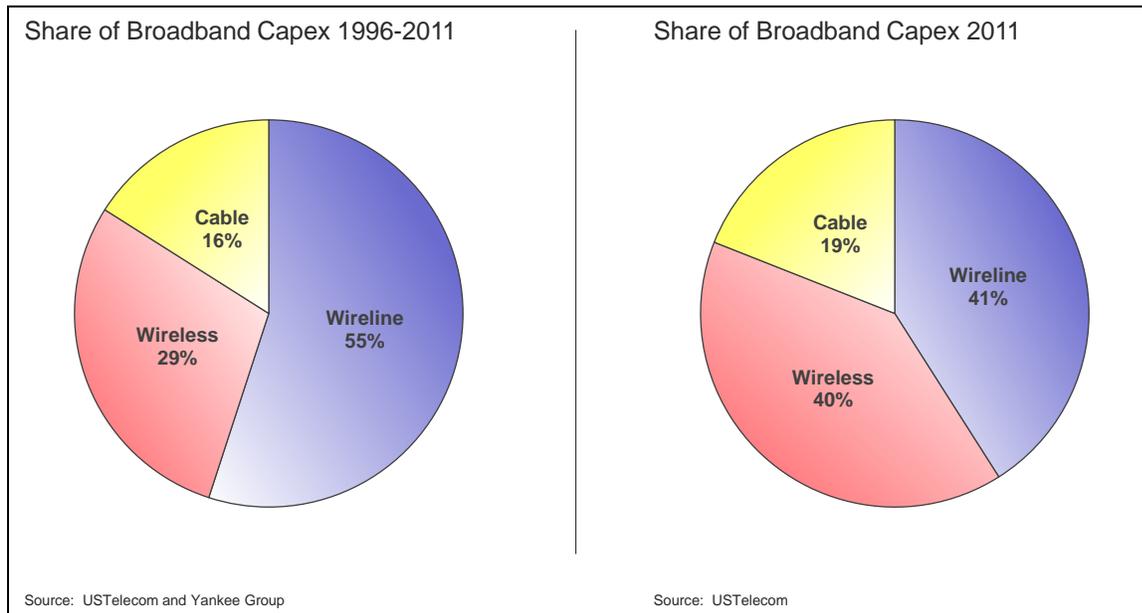
The wireline industry continues to contribute a significant portion of broadband industry capital spending. In 2011, the wireline industry invested nearly \$27 billion and, from 1996 through 2011, it invested approximately \$640 billion. (See Chart 2. *U.S. Wireline Broadband Provider Capital Expenditures, 1996-2011*).

Chart 2



The wireline portion of broadband provider capital expenditures from 1996 through 2011 was 55 percent. The wireline segment continued to contribute the largest portion of industry capital in 2011: 41 percent, compared to 40 percent for wireless and 19 percent for cable. (See Chart 3, *Share of Broadband Capex 1996-2011 and Share of Broadband Capex 2011*).

Chart 3



The wireline industry is an essential component of our nation’s network infrastructure. High-speed fixed access and fiber core networks are essential to carry the large volume of data traffic, which has [grown](#) from the equivalent of 8.3 million DVDs per month in 2000 to more than 1.4 billion DVDs per month in 2010, and which is expected to [triple](#) again over the next five years. Consumer video over fixed networks remains the largest driver of bandwidth demand at more than [two-thirds of U.S. data traffic](#) in 2010 and approaching three-quarters in the next five years. Business applications for enterprises and small businesses, such as cloud computing and video conferencing, require high-speed, low-delay fixed connections using fiber or other high-capacity fixed network technologies. Nearly all of U.S. wireless data traffic, the [fastest growing](#) data traffic segment, utilizes fixed network connections. Fixed backhaul connections link cell towers to the network and, increasingly, mobile data traffic is offloaded onto Wi-Fi enabled fixed network connections via dual-mode Wi-Fi-cellular devices in order to alleviate mobile network capacity limitations.

Conclusion

Broadband providers invest tens of billions of dollars annually to accommodate data traffic that has been growing continually over the last two decades and shows no signs of letting up in the foreseeable future. Continued investment in broadband networks, including wireline networks, will be essential to accommodate the expected data traffic growth arising from increased adoption of more powerful and innovative networked technologies. Maximizing economically

efficient broadband investment will pay off in the form of consumer welfare, business efficiency, and American competitiveness.

Notes on Methodology

We analyzed capital expenditure data for wireline telecommunications, wireless telecommunications, and cable broadband providers in order to approximate industry aggregates. Other providers, such as satellite providers, telecommunications resellers, and electric utilities are excluded. Figures are rounded. Previous years may include minor revisions.

The majority of telecommunications data were taken from company financial statements, taking into account business segment reporting, mergers, and spin-offs. Our analysis is subject to the reporting practices of individual companies. Capital expenditures may include investment in property, plant, and equipment; capitalized software; capitalized interest during construction; corporate, directory, and other capital expenditures; and intra-company eliminations. We made reasonable efforts to eliminate double-counting, non-U.S. investment, and non-capital spending. We made estimates for non-reporting companies.

We also consulted additional market research and government sources for comparison, including the United States Census Annual Capital Expenditures Survey, the Yankee Group Global Capex Forecast 2010, the Skyline Marketing Capex Report 2010, data from the Cellular Telecommunications & Internet Association (CTIA), New Paradigm Resources Group, and the Association for Local Telecommunications Services (ALTS). Cable data are from the National Cable & Telecommunications Association (NCTA), at www.ncta.com, citing SNL Kagan.