

Broadband Bonus - Conservative Case

Broadband Price \$36

Year
1999

Line	Assumptions:		
	Usage Rates:		
1	Households	105,000,000	
2	Overall Internet Adoption	33.8%	
3	Broadband Adoption	0.9%	
4	Dial-up Adoption	32.9%	
	Costs:		
5	Broadband Cost	\$	36
6	Dial-up Cost	\$	20
7	Second Phone Line Cost	\$	20
	Converts:		
8	% Converts		100%
9	# Second Lines	23,600,000	
10	Δ in Second Lines		
11	% Converts Dropping Second Phone line		0%
12	Average Convert Saving from Dropped Line		-
13	Additional Benefit of Broadband	\$	26
	Calculations:		
14	Total Household Adopters <i>(Line 1 * Line 2)</i>	35,490,000	
15	Total Broadband Adopters <i>(Line 1 * Line 3)</i>	945,000	
16	Total Dial-up Adopters <i>(Line 1 * Line 4)</i>	34,545,000	
17	New Broadband Users (Annual Δ)	945,000	
18	New Dial-up to Broadband Converts <i>(Line 8 * Line 17)</i>	945,000	
19	Broadband Adopters (New Internet Users) <i>(Line 17 - Line 18)</i>	-	
20	Cumulative Dial-up to Broadband Converts	945,000	
21	Cumulative Broadband Adopters (NIU)	-	
22	Annual Broadband Revenue <i>12 months * (Line 5 * Line 15)</i>	\$	408,240,000
23	Annual Dial-up Revenue <i>12 months * (Line 6 * Line 16)</i>	\$	8,290,800,000
24	Broadband Converts Revenue (Annual Δ)	\$	408,240,000
25	Broadband Adopters (NIU) Revenue (Annual Δ)		-

26	Cannibalized Dial-up Revenue <i>12 months * (Line 6 * Line 18)</i>	\$	226,800,000
27	Retired Second Phone Line Revenue <i>12 months * (Line 7 * Line 11 * Line 18)</i>		-
28	Total Conversion Cost <i>(Line 26 + Line 27)</i>	\$	226,800,000
29	Additional Revenue from Broadband <i>(Line 24 + Line 25 - Line 28)</i>	\$	181,440,000
30	Avg. Monthly Broadband Benefit for Converts <i>(Line 13 - Line 5 + Line 6 + [Line 7 * Line 11 * Line 18] / Line 17)</i>	\$	10.00
31	Implied Decline in Price for Converts <i>(Line 30 / Line 5)</i>		28%
32	Annual Total Broadband Benefit (Converts) <i>12 months * (Line 18 * Line 30)</i>	\$	113,400,000
33	Revenue + Consumer Surplus <i>(Line 29 + Line 33)</i>	\$	294,840,000
34	Total Gross Benefits for Broadband Since 1999	\$	294,840,000
35	Cumulative Gross Benefits for Broadband Since 1999	\$	294,840,000

	2000	2001	2002	2003	2004
	106,000,000	107,000,000	108,000,000	109,000,000	110,000,000
	41.5%	50.3%	52.5%	54.6%	60.0%
	3.0%	9.0%	12.0%	17.0%	25.0%
	38.5%	41.3%	40.5%	37.6%	35.0%
\$	36	\$ 36	\$ 36	\$ 36	\$ 36
\$	20	\$ 20	\$ 20	\$ 20	\$ 20
\$	20	\$ 20	\$ 20	\$ 20	\$ 20
	100%	100%	100%	100%	100%
	26,200,000	26,300,000	18,400,000	16,000,000	13,800,000
	2,600,000	100,000	(7,900,000)	(2,400,000)	(2,200,000)
	0%	0%	33%	33%	33%
	-	-	6.60	6.60	6.60
\$	26	\$ 26	\$ 26	\$ 26	\$ 26
	43,990,000	53,821,000	56,700,000	59,514,000	66,000,000
	3,180,000	9,630,000	12,960,000	18,530,000	27,500,000
	40,810,000	44,191,000	43,740,000	40,984,000	38,500,000
	2,235,000	6,450,000	3,330,000	5,570,000	8,970,000
	2,235,000	6,450,000	3,330,000	5,570,000	8,970,000
	-	-	-	-	-
	3,180,000	9,630,000	12,960,000	18,530,000	27,500,000
	-	-	-	-	-
\$	1,373,760,000	\$ 4,160,160,000	\$ 5,598,720,000	\$ 8,004,960,000	\$ 11,880,000,000
\$	9,794,400,000	\$ 10,605,840,000	\$ 10,497,600,000	\$ 9,836,160,000	\$ 9,240,000,000
\$	965,520,000	\$ 2,786,400,000	\$ 1,438,560,000	\$ 2,406,240,000	\$ 3,875,040,000
	-	-	\$ -	\$ -	\$ -

\$ 536,400,000	\$ 1,548,000,000	\$ 799,200,000	\$ 1,336,800,000	\$ 2,152,800,000
-	-	\$ 263,736,000	\$ 441,144,000	\$ 710,424,000
\$ 536,400,000	\$ 1,548,000,000	\$ 1,062,936,000	\$ 1,777,944,000	\$ 2,863,224,000
\$ 429,120,000	\$ 1,238,400,000	\$ 375,624,000	\$ 628,296,000	\$ 1,011,816,000
\$ 10.00	\$ 10.00	\$ 16.60	\$ 16.60	\$ 16.60
28%	28%	46%	46%	46%
\$ 268,200,000	\$ 774,000,000	\$ 663,336,000	\$ 1,109,544,000	\$ 1,786,824,000
\$ 697,320,000	\$ 2,012,400,000	\$ 1,038,960,000	\$ 1,737,840,000	\$ 2,798,640,000
\$ 992,160,000	\$ 3,004,560,000	\$ 4,043,520,000	\$ 5,781,360,000	\$ 8,580,000,000
\$ 1,287,000,000	\$ 4,291,560,000	\$ 8,335,080,000	\$ 14,116,440,000	\$ 22,696,440,000

	2005	2006
	111,000,000	112,000,000
	66.0%	73.0%
	37.0%	42.0%
	29.0%	31.0%
\$	36	\$ 36
\$	20	\$ 20
\$	20	\$ 20
	100%	100%
	12,100,000	10,500,000
	(1,700,000)	(1,600,000)
	33%	33%
\$	6.60	\$ 6.60
\$	26	\$ 26
	73,260,000	81,760,000
	41,070,000	47,040,000
	32,190,000	34,720,000
	13,570,000	5,970,000
	13,570,000	5,970,000
	-	-
	41,070,000	47,040,000
	-	-
\$	17,742,240,000	\$ 20,321,280,000
\$	7,725,600,000	\$ 8,332,800,000
\$	5,862,240,000	\$ 2,579,040,000
\$	-	\$ -

\$ 3,256,800,000 \$ 1,432,800,000

\$ 1,074,744,000 \$ 472,824,000

\$ 4,331,544,000 \$ 1,905,624,000

\$ 1,530,696,000 \$ 673,416,000

\$ 16.60 \$ 16.60

46% 46%

\$ 2,703,144,000 \$ 1,189,224,000

\$ 4,233,840,000 \$ 1,862,640,000

\$ 12,813,840,000 \$ 14,676,480,000

\$ 35,510,280,000 \$ 50,186,760,000