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Carl Lumley

From: Matt Kohly [rmkohly@sockettelecom.com]
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SBC's WIRELINE SEGMENT REBOUND CONTINUES

**Missouri Public
Service Commission**

SBC Communications, Inc., said today that the revenue rebound in its wireline operations that began early last year continued in the fourth quarter of 2004, due largely to strong results from its digital subscriber line (DSL) services business and improvement in access line loss trends at the hands of competitors relying on unbundled network element-platform (UNE-P) rules that are being phased out by the FCC.

For the quarter ended Dec. 31, 2004, SBC booked \$10.2 billion of revenues excluding results from its 60% share of the Cingular Wireless LLC venture, up 3.1% over prior-year totals. Cingular generated \$7.0 billion of revenue in the quarter, along with operating losses of \$177 million, versus \$1.2 billion of operating profit from SBC's non-wireless operations.

Although local voice revenues fell by 2.7% on a year-over-year basis, to \$5.1 billion, revenues from SBC's wireline segment as a whole - which includes DSL and long distance services - grew by 3.6% over the period. Fourth quarter 2004 net new DSL customer adds came in at 425,000, to a total of 5.1 million, and long distance service line net additions amounted to 1.1 million, for a period-ending tally of 20.4 million lines in service.

"We had a really good quarter, led by progress in our wireline business," said Randall Stephenson, SBC's chief operating officer, during a conference call today. He credited the company's service bundling strategy for the revenue improvement, and noted that 61% of the company's retail customers at year-end 2004 subscribed to bundled products, versus 44% a year earlier.

Mr. Stephenson also cited an easing in access line losses from UNE-P competitors during the fourth quarter. SBC's count of total switched access lines declined by 580,000 in the quarter, and UNE-P wholesale lines dropped by 283,000 in the fourth quarter, following a 192,000-line drop in the third quarter of last year. "I would expect as FCC rules [phasing out UNE-P regulations] take effect, we will see further improvement in these totals, the COO said.

He added that SBC expected continued improvement in access line loss trends in 2005, although competition from cable providers offering telephony services remained a wildcard. Mr. Stephenson remarked that cable companies had begun to push phone services aggressively, "but it is not clear that those actions have moved the needle much."

Mr. Stephenson also said that the company had begun testing its fiber-to-the-node "Lightspeed" service, but was not likely to take the service

into commercial operations until late in the fourth quarter of 2005. -
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