



TELECOMMUNICATIONS

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WIRELESS & VOIP SNATCH LANDLINE CUSTOMERS

Washington D.C., Traditional landline phones continue to decline in use and are being replaced with wireless or Voice over Internet Protocol (VoIP) services, as reported in *USA Today's* May 14, 2008 edition. A report conducted by the National Center for Health Statistics ("NCHS") found that 1 in 6 (i.e., 15.8%) homes in the U.S. "had only wireless telephones during the second half of 2007, up from 6.1% during the same period in 2004." NCHS also reports one in eight homes (i.e., 13.1%) receive all or most of their calls on their wireless phones even though they had a landline in their house.

The trend to shift away from traditional landline phone service is having a major impact on the country's largest carriers, AT&T and Verizon. Even though fewer people are using landline service, it costs carriers billions to maintain traditional

landlines. According to *USA Today*, "About 21% of AT&T's annual revenue comes from the landline business; Verizon has a bigger exposure, around 29% [of its revenue comes from landline service]. The business accounts for about one-third to one-half of their profits."

Analysts predict the demise of traditional landline service will continue. "In New York, landlines have plummeted 55% since 2000 ... [and] it won't take long for the other 49 states to catch up to or surpass New York" according to Craig Moffett, author of the NCHS report. The trend away from landlines is most prominent among young adults. The report states that 34.5% of people 25-29 years old live in households with only wireless phones; 15.5% of 30-44 year olds have wireless phones exclusively; but only 2.2% of adults age 65 and older live in households with only wireless phones.

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VoIP services, which are offered at deep discounts to traditional service or are free, have caused millions of people to switch from traditional service.

Major carriers claim that they are prepared for the trend away from landline service. Both AT&T and Verizon have diversified their businesses in order to offset any losses incurred from maintenance of traditional landlines. AT&T is the top wireless carrier, boasting more than 70 million customers and Verizon is the second-largest wireless carrier with slightly fewer customers. Verizon spokesman Eric Rabe said: “We saw this trend coming for a long time, that’s why the company is building an all-fiber cable network and going after television customers.”

In 2004 VoIP was used by only 4% of corporations. In 2008 The Radicati Group released a report in 2008 forecasting that

over the next two years almost 75% of corporate phone lines will use VoIP. Residential VoIP has also experienced extreme growth. According to the Telecom Industry Association’s 2008 *Market Review and Forecast*, residential use of VoIP in the U.S. is expected to grow at a compound annual rate of 20% over the next four years. It is predicted that there will be 32.3 million VoIP subscribers by 2011. Current revenues from VoIP are \$5 billion annually, and those revenues are expected to double by 2011.

In the same way the Regional Bell Companies are making modifications to their product suite to curb attrition as well as create organic growth, single-type service telecommunications service providers should carefully consider evaluating their current business models to determine whether they are positioned to remain competitive and profitable by offering high-demand services.

If you have questions about this article, or if we may be of assistance to you, please contact us without hesitation.

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