

ARS ANALYSIS RELEASE

Contact: Jennifer Billingsley
ARS, Inc.
858-729-2893

ARS, INC. STUDY FINDS BROADBAND PRICES HELD STEADY IN SECOND QUARTER 2002

LA JOLLA, CALIFORNIA, August 21, 2002 - A recent study by ARS, Inc. finds that overall consumer broadband Internet service rates finally leveled off in the second quarter of 2002 after nearly 15 months of price increases.

Cable broadband Internet service prices rose less than one percent in the second quarter of 2002, from an average of \$44.95 per month in March 2002 to an average of \$45.31 per month in June 2002. Basic ADSL (Asymmetric Digital Subscriber Line) monthly prices decreased less than one percent over the same time period, from an average of \$51.82 in March 2002 to an average of \$51.36 in June 2002.

"These findings indicate that after 15 months of steady price increases, the upward trend in consumer broadband prices that ARS first quantified a year ago has finally leveled off," said Mark Kersey, Broadband & Cable Industry Analyst at ARS. "91 percent of all broadband service providers that have been in business since the beginning of 2001 have raised their rates since that time, while subscriber growth rates have sunk to their lowest percentage levels on record. ARS believes that the introduction of tiered broadband services will ultimately have a positive impact on both broadband prices and overall industry growth, as the nation's 50 million or so dial-up customers will finally have a choice of broadband services and pricing packages to which they can migrate."

Basic ADSL service is generally a DSL service provider's lowest bandwidth offering and is the most popular flavor of DSL among residential users. Rates for cable service are calculated using pricing data for services available to cable television customers who lease their cable modems, as is most common in the industry. Recent service launches of "entry-level broadband," which generally offer sub-300Kbps service at sub-\$40 price points, are not included in either the cable or DSL data above. The average entry-level DSL line now costs \$37.95, while the average entry-level cable broadband line costs \$35.93.

Cable providers control 62 percent of the broadband market, according to ARS research.

ARS also found that the increase in promotions available to make broadband a more attractive offering that it first quantified at the end of 2001 has continued:

- 85 percent of providers offered free or discounted installation in the second quarter of 2002, up from 81 percent in the first quarter of 2002.
- 73 percent of providers offered new customers a rebate on monthly service in the second quarter, up from 58 percent in the first quarter.
- 67 percent of providers offered free or discounted cable or DSL modems (CPE) in the second quarter, up from 65 percent in the first quarter.

These findings, along with statistics and analysis regarding subscriber growth trends, service provider pricing and promotions, product launches, service availability, regulatory events, consumer broadband pricing and leading broadband provider profiles and analyses, are published in the *ARS Broadband MarketTrack* quarterly study, which will be available for

purchase in early September.

For press inquiries, please contact Jennifer Billingsley at jbillingsley@ars1.com or 858-729-2893. For more information on the broadband and cable industries, please contact Mark Kersey at mkersey@ars1.com or 858-729-2883.

ARS Inc. is a competitive market intelligence company that analyzes daily market, channel, and product changes and informs clients what is happening and why, analyzes relevant impacts, and predicts what to expect in the near term. More information can be obtained by calling ARS' La Jolla office at (858) 551-0008 or by visiting www.ars1.com.

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