

discussed? In addition, are there other ways to interpret existing national and sub-national subscribership data for purposes of the Eighth Report?

(b) Minutes of Use

25. To analyze mobile telephone usage, the Commission has used MOUs as a key metric in the previous *CMRS Reports*. The *Seventh Report* includes MOU estimates from CTIA, Paul Kagan and Associates, and J.D. Power & Associates. All of these sources showed MOUs increasing substantially during 2001. We seek comment on the use of MOUs as an indicator of the demand for mobile telephone services as well as of the level of competition in the mobile telephone sector. For purposes of the Eighth Report, we ask for comment on the sources of the MOU data presented in the *Seventh Report* and request additional MOU data. In addition, should the Commission perform other analyses or draw additional conclusions from new or existing data?

26. All of the MOU sources presented in the *Seventh Report* estimate MOUs on a national basis. In order to increase the granularity of our analysis for the Eighth Report, we request data on MOUs on a sub-national basis and/or broken down by various demographic groups.

(c) Average Revenue Per Unit

27. Average monthly revenue per subscriber, often referred to as average revenue per unit or "ARPU", is another key metric presented in the *CMRS Reports*. One source of this metric is the industry-wide ARPU figure reported by CTIA in its semi-annual mobile telephone survey. In addition, many carriers report their individual ARPU figures periodically in their SEC filings. We seek comment on the use of ARPU as a metric in our analysis of the mobile telephone industry. Is ARPU a useful metric when analyzing competition? Is there a link between changes in ARPU and changes in competition? Is additional ARPU data available that should be considered, in particular data depicting whether and how ARPU varies by region and/or demographic group? Are there additional analyses that can be performed or conclusions that can be drawn in the Eighth Report from new or existing data?

28. CTIA reported that ARPU declined almost continuously from 1987 to 1999, going from a peak of \$98.02 in December 1988 to a low of \$39.43 in December 1998. However, since 1999, ARPU has been increasing, rising to \$47.37 in December 2001. The *Seventh Report* concluded that the growth in ARPU might be the result of a variety of

factors, including increased usage offsetting per-minute price declines, as well as the adoption of higher-priced monthly calling plans by consumers. We request from commenters additional input on the possible causes for the recent rise in ARPU, as well as additional data that may support various hypotheses. What role, if any, do changes in ARPU have on competition?

(d) Churn

29. Churn, a fourth key metric used in the *CMRS Reports*, refers to the number of customers an operator loses over a given period of time. The *Seventh Report* discussed churn estimates from Merrill Lynch, Salomon Smith Barney, and Telephia. Some of data included in these sources is reported by carriers, many of whom reveal their churn rates periodically in their SEC filings. Are there other sources of churn data available that should be included in the Eighth Report?

30. We seek comment on the use of churn rates as a tool in our analysis of the mobile telephone industry, including to what extent churn rates are a reflection of competition in this industry. We ask if there are additional analyses that can be performed or conclusions that can be drawn from churn data in the Eighth Report. Do commenters believe the churn data we have included in previous reports is reliable?

31. The Telephia data presented in the *Seventh Report* included estimates of churn for selected metropolitan areas including Chicago, Los Angeles, New York, San Francisco, and Washington D.C. To improve our analysis of the mobile telephone industry in the Eighth Report, we request additional sub-national or regional churn data, as well as churn data by demographic groups.

iv. Pricing Data and Trends

32. The *Seventh Report* contained pricing data from a series of sources, all of which indicated that the average price of mobile telephone service has been decreasing over time. The *Seventh Report* cited information from the U.S. Department of Labor's Bureau of Labor Statistics ("BLS"), Econ One, and trends based on CTIA data. Using CTIA data, we calculated a national average of revenue per minute ("RPM") by dividing ARPU by MOUs. We used this RPM figure as an estimate of the average price per minute of mobile telephone service. RPM has been declining every year since 1995. BLS began reporting a cellular telephone component of the Consumer Price Index ("CPI") in December 1997 ("cellular CPI"). The

cellular CPI decreased 5.5 percent during 2001, and 32.8 percent between 1997 and 2001. The CPI, which includes the cellular CPI, represents approximately 87 percent of the U.S. population, and includes expenditure patterns of some of the rural populations. Do commenters believe the cellular CPI should be considered representative of national pricing trends? In contrast to our estimate of RPM and BLS's cellular CPI, which attempt to capture national pricing trends, Econ One analyzes pricing plans for the top 25 U.S. cities. The firm also calculates the average price of service across four different monthly usage levels and derives, from that data, an average for all users. Econ One found that the average price of service (across all usage levels and 25 cities) declined 7.3 percent during 2001, following a 6.9 percent decline in 2000.

33. We seek comment on the use of these various pricing estimates as a tool in our analysis of the mobile telephone industry, including to what extent price decreases are evidence of competition in the mobile telephone sector. We ask for feedback on the sources of the pricing data used in the *Seventh Report* and request additional national and sub-national pricing data for the Eighth Report. Are there additional analyses that can be performed or conclusions that can be drawn from new or existing pricing data?

34. The *CMRS Reports* have also examined new types of pricing plans introduced during the past year in order to report on major developments in the industry and to assess the new plans' impact on competition. To what extent do new types of pricing plans both reflect a competitive industry and stimulate competition among providers? What are the major innovations that have occurred with pricing plans since the *Seventh Report*?

35. We seek information on which carriers offer nationwide pricing plans, particularly those that are not typically described as being nationwide operators, and request descriptions of the terms of such plans. We ask carriers that offer nationwide pricing plans whether they offer the same rates and terms to consumers throughout all parts of the country where they offer such plans, including Alaska, Hawaii, and Puerto Rico. Furthermore, do carriers charge different prices—both monthly and per minute—or offer different terms for their local and regional plans across the various areas that they serve? If so, are these geographic variations substantial, and what are the major reasons for such variations?