PCS equipment sales were $2.1 million, an increase of $0.4 million or 26.6%. The equipment sales are net of $1.7 million of rebates and discounts given at the time of sale. Rebates and discounts continue to be required to meet significant industry competition for subscriber additions and subscriber retention. These discounts and rebates are primarily transacted in the form of instant rebates, providing a second phone free when a customer purchases one, or providing free phones if the subscriber signs up for a specific contract term and a specific service plan.

In accordance with Sprint's requirements, the Company launched third generation (3G 1X) wireless service in August 2002. 3G 1X is the first of a four-stage migration path that will enable additional voice capacity and increased data speeds for subscribers. The network upgrades completed in 2002 were software changes, channel card upgrades, and some new network elements required for packet data. The Company's base stations were outfitted with network card enhancements, thereby allowing the Company to provide 3G 1X service without wholesale change-outs of base stations. 3G 1X is backwards compatible with the existing 2G network, thereby allowing continued use of current customer handsets. The impact of 3G 1X-network enhancements on revenues became more pronounced in 2003, as use of new 3G services and features generated approximately $1.0 million for the year, compared to $0.2 million in 2002. The growth in 3G revenue is the result of more subscribers on 3G plans and the increase in popularity of camera phones during 2003.

Wireless revenues included tower leases of $2.6 million, an increase of $0.5 million or 24.8%. The increase was the result of other wireless carriers executing additional leases to use space on the Company's portfolio of towers. Of the 88 towers and poles owned by the Company as of December 31, 2003, 52 towers have one or more external tenants, compared to 46 towers with external tenants at the end of 2002.

Wireless revenues from the Company's paging operation were $0.2 million, a decrease of $0.1 million as the customer base increasingly chose alternative wireless services. Paging service subscribers declined by 32.3% in 2003 from 2,940 subscribers to 1,989 subscribers. The paging operation continues to decline as more areas are covered by wireless voice services, which have features that surpass those of paging technologies. The Company anticipates that its paging customer base will continue to decline in the future.

Within wireline revenues, the Telephone operation contributed $22.7 million, an increase of $0.3 million, or 1.2%. Telephone access revenues were $11.6 million, an increase of $0.7 million or 6.7%. During 2003, the Company recorded a $1.2 million reduction to access revenue, of which $0.7 million was related to 2002, resolving disputes with interexchange carriers on the rating of long distance calls transiting the Telephone switching network for termination on wireless networks.

Originating access revenue increased in 2003 due in part to a shift from interstate to intrastate traffic. On similar traffic volume in both years, the Company generated an additional $0.4 million due to a favorable rate differential of $0.03 per minute on the increase in the mix of intrastate traffic. The Company's increased access revenue was also a result of the benefit gained through terminating more minutes through the switch, which increased 36.0 million minutes or 35.7% over 2002. The rates for terminating traffic were similar in both years, although the percentage of terminating traffic to total traffic increased from 58% in 2002 to 65% in 2003.

The shift in originating traffic is the result of implementing software capable of identifying actual interstate and intrastate traffic specifically delivered to the wireline switch, where previously usage was allocated between interstate and intrastate traffic types by the interexchange carriers.

The following table shows the access traffic minutes of use for the two years of 2003 and 2002.

Minutes of use (in thousands) (net of intercompany usage)	**2003**		2002	
	Originating	Terminating	Originating	Terminating
Interstate	**29,373**	**87,539**	42,929	63,959
Intrastate	**37,190**	**49,103**	22,684	36,712
Total	**66,563**	**136,642**	65,613	100,671

Access revenue (in thousands) (net of intercompany usage)	**2003**		2002	
	As reported	Pro forma	As reported	Pro forma
Traffic sensitive (1)	**$ 4,274**	**$ 4,974**	$ 4,676	$ 3,976
Special access revenues	**1,606**	**1,606**	1,247	1,247
Carrier common line settlement	**5,750**	**5,750**	4,978	4,978
Total	**$ 11,630**	**$ 12,330**	$ 10,901	$10,201

(1) Traffic sensitive revenue has been normalized in the proforma column to remove the impact of the access billing dispute adjustment and the impact of the NECA settlement adjustments.