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## **NEW PARADIGM RESOURCES GROUP'S CLEC REPORT 2001™ POINTS TO BRIGHT FUTURE FOR "SHAKEOUT" SURVIVORS**

### **Report Finds Steady Revenue Growth, Focus on Service Delivery, and New Technology as Positive Signs of Industry Recovery**

**CHICAGO, MAY 8, 2001** – Survivor CLECs are adapting to the changes demanded by current economic conditions, finds New Paradigm Resources Group, Inc. (NPRG). In the *CLEC Report™* 2001, 14th Edition, NPRG points to emerging industry trends that suggest "shakeout" survivors will be prepared to succeed in the future. Steady industry-wide revenue growth, more realistic capital expenditures and increasingly cost-effective technologies will speed the industry's recovery, while CLECs focused on regional markets will emerge in a strong position.

"CLECs are obviously being transformed by the demands of the market, but the industry is hardly doomed," said Terry Barnich, President of NPRG. "CLECs will circle the wagons, regroup and return to the fundamentals. They have a unique opportunity to learn from their earlier missteps and take corrective action. Customer service, revenue assurance, and market penetrations will be key."

Increasing revenues will help speed the turnaround. According to the *CLEC Report™*, CLEC revenues will top \$93 billion by 2003, up more than 100 percent from \$44.5 billion in 2000. Data services will continue to lead the growth, accounting for 58 percent of industry revenue in 2003, up from 46 percent in 2000.

As revenues grow and capital expenditures decrease, companies' bottom line performance will continue to improve. Competitive local providers received more than \$56 billion in debt and equity financing in 2000, but the capital markets are today not as quick to fund expensive network build-outs, forcing many CLECs to scale back their business plans.

Companies like BTI, NewSouth, Net2000, Network Telephone and TelePacific have chosen to remain regional players, focusing on their existing territory and customer base. These companies and others stand to build stronger customer relationships, increase brand awareness, and grow their businesses regionally.

New technologies will also reduce the future cost of doing business for CLECs, brightening their prospects for success. “Softswitches,” for example, were widely welcomed by the industry in 2000, and will increasingly be deployed to initiate new service offerings. Softswitches enable carriers to run voice and data services over the same network at one-quarter the cost of standard Class 5 switches. Had CLECs been able to deploy softswitches during the booming expansions of the last few years, many would not be faced with the burdensome debts that have driven several to bankruptcy.

“The 14<sup>th</sup> edition of the *CLEC Report*<sup>TM</sup> presents a comprehensive assessment of the state of the industry,” said Craig Clausen, Senior Vice President at NPRG. “The competitive telecommunications landscape is undergoing a significant transformation, and those competitive providers that emerge will be stronger and better positioned to compete successfully.”

The latest edition of the *CLEC Report*<sup>TM</sup>, the most comprehensive review of the competitive local telecom industry, provides extensive coverage of: Five Years after the Telecommunications Act; Regulatory Developments; Canadian CLECs; CLECs and Data; CLECs and ASPs; CLEC Network Parameters and Revenue; Markets Served by CLECs; Profiles of more than 145 facilities-based CLECs; and a Competitors’ Watchlist. The 2000-page report is available from NPRG for \$4,250, by calling 312-980-4796, or by ordering through NPRG’s e-commerce site at <http://ecom.nprg.com>.

### **About New Paradigm Resources Group**

New Paradigm Resources Group, Inc. is a research and consulting firm monitoring and analyzing developments in the competitive telecommunications industry. NPRG maintains an extensive array of proprietary databases that support our foundational industry reports, which, in turn, fuel our client-specific expert consulting work. NPRG publishes the *CLEC Report*<sup>TM</sup>, a biannual multi-volume review of the state, trends and future of the competitive local telecom industry, as well as the *ISP Report*<sup>TM</sup>, *DSL Report*<sup>TM</sup>, *ASP Report*<sup>TM</sup>, *Utilities in Telecom Report*<sup>TM</sup> and the *BLEC Report*<sup>TM</sup>.