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**NEW PARADIGM RESOURCES GROUP'S
VOIP REPORT 2004™
SEES QUADRUPLING OF VOIP ACCESS LINES THIS YEAR**

**Too Late to the Party? -- ILECs, RBOCs, IXC's and CLECs Rush VoIP
Services
to Fend Off Competition**

CHICAGO, MAY 17, 2004 – A report by New Paradigm Resources Group, Inc. (NPRG) finds that VoIP service, prematurely touted as a serious threat to plain old telephone service during the Internet boom of the 1990s, is real this time – and that incumbents themselves are launching new IP-based voice services as *the* means to combat competition and shore up flagging revenues from traditional circuit-switched voice.

The VoIP revolution signifies a real transformation on the competitive playing field and is directing the way operators invest in and structure networks to deliver real integration among voice, data and video. For the future, circuit-switching is out, IP-based networks are in. At the same time, VoIP further enables already well-positioned cable MSOs to chip away even more effectively than before at incumbents' once-impregnable POTS fortress.

The net result: NPRG estimates that VoIP access lines will scale four-fold from 298,900 last year to over 1.2 million in 2004, and double to 2.3 million access lines in 2005, with a further doubling to 4.2 million access lines by 2007.

The report finds that VoIP has rapidly evolved to become a necessary component in service portfolios for all traditional telecommunications carriers, who are racing to offset the lead of pure-play VoIP providers, and to leverage huge installed customer bases by offering new Internet telephony services. However, strategies for executing VoIP in the marketplace – and stages of deployment – vary widely.

NPRG President Terrence Barnich said, “We’re seeing almost as many strategies as there are operators, which is proving VoIP to be a true disruptive technology with significant market impact. VoIP, which had slow beginnings less than a decade ago, and was not taken seriously by major players at the time, suddenly has emerged as the new potential “killer app” of the decade. Now everyone is racing to play catch-up.”

Barnich continued, “Many carriers are migrating to IP-based networks with softswitches, while others are building IP networks as ‘greenfield’ VoIP startups. Some, like MCI, use media gateways to convert the last mile VoIP to time division multiplexing and thus use their Class 5 switches. In fact, both MCI and AT&T are behind the market, and will not have complete true VoIP service offerings for another 12 to 18 months.”

According to the new NPRG report, ILECs, RBOCs, IXC’s and CLECs alike are driven by common objectives: the need to compete with IP-only carriers, match the feature and cost benefits of smaller market entrants that enjoy white hot speed-to-market, and meet the operational mandate to reduce costs.

“The handwriting is on the wall for traditional circuit-switched operators,” said NPRG Senior Vice President Craig Clausen. “Revenue from wireline POTS is already on the decline, ironically in large part due to the cannibalistic anti-synergy of operators’ own wireless ventures. Now they’re getting hammered from the other side by VoIP. Without their own VoIP service offerings, the old line phone companies will not be able to compete.”

Traditional telcos aren’t the only ones feeling the pinch. Sales of Class 5 switches, already depressed during the three-year market downturn, are being heavily impacted by the onslaught of VoIP.

The *VoIP Report 2004*TM, is available from NPRG for \$4,250 (additional copies are \$2,100). Site Licenses are also available. Order your hardcopy(s) or CD-ROM(s) by calling Rochelle Barnich at 312-980-4796 or via e-mail at rbarnich@nprg.com.

About New Paradigm Resources Group

New Paradigm Resources Group, Inc. (NPRG) is the nation’s leading market research and consulting firm analyzing the competitive telecom industry. NPRG’s publications are recognized as the most reliable and comprehensive in the competitive telecom sector with several specializing on various segments, such as the *Broadband Provider Report*TM, the *Cable Broadband Telephony Report*TM, the *Competitive IOC Report*TM, the *CLEC Report*TM and the *ILEC Report*TM. By continually analyzing the competitive telecom market to develop these in-depth reports, NPRG hones its expertise in providing a wide range of client-specific consulting services requested by carriers, equipment vendors, investors and

consultants in the industry. NPRG was founded in 1993 and is headquartered in Chicago. Additional information about New Paradigm Resources Group is available on the Internet at www.nprg.com

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