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NPRG'S "COMPETITIVE IOC REPORT 2003™" FINDS INDEPENDENT TELCOS' CLECS ENJOYING COMPETITIVE ADVANTAGES

Market Forays by Non-Bell ILECs Showing Strength – But Larger Competitors Loom

CHICAGO, JUNE 17, 2003 – A just-released 238-page report by New Paradigm Resources Group, Inc. (NPRG), finds that *Competitive Independent Operating Companies* (CIOCs) run by non-Bell incumbents have found a workable niche in the local wireline arena for the moment – but soon could be threatened by larger competitors.

NPRG's *Competitive IOC Report (IOC CLEC Research, Analysis & Forecasts) 2003™ (2nd Edition)*, reveals that nearly 10% of the nation's 900 non-Bell ILECs have launched upstart competitive providers outside their geographic markets since passage of the 1996 federal Telecommunications Act. While small compared to their incumbent rivals – or even to the CLECs – the CIOCs continue to turn in a solid, stable performance. Total CIOC revenue has risen steadily throughout the decade, from just under \$400 million in 2000 to an expected \$500 million in 2003, and will likely reach \$600 million in 2005.

Though they face many of the same obstacles that hurt the CLECs, CIOCs enjoy significant advantages that could aid their long term viability as successful challengers, including: low debt, parents with deep pockets, the ability to bundle voice, data and video, and a focus on third and fourth tier markets where they face minimal current or future competition.

According to NPRG, these assets have helped the IOCs survive slowing revenue and access line growth, retrenchment and consolidation – the woes that sank their CLEC colleagues.

The NPRG report provides a comprehensive study of the 28 leading IOC CLEC operations, offering extensive profiles, operational metrics on revenue, capex, access lines, and number of switches, as well as a review of each company's strategy, services, OSS, equipment and markets served. Additionally, the report gives a description of 39 other rising stars in the CIOC world.

“The CIOCs have a sound strategy that mirrors the approach of second generation CLECs which avoided Tier I and Tier II cities already saturated with competition in favor of low density markets largely overlooked, or even deliberately ignored,” said Terry Barnich, NPRG President. “The difference: While the CLECs withered when funding dried up, CIOCs have deep financial roots. In short, though there have been a few outright failures, the CIOCs have by and large demonstrated impressive staying power.”

The ultimate test to the CIOCs’ viability will come as new competitors enter the market. Cable MSOs, DBS providers, mobile operators or even the RBOCs may soon turn their attention to the moderately comfortable niche now enjoyed by the CIOCs.

“Until now, CIOCs have largely flown under the radar of major competitors, who have concentrated their resources on larger markets,” said Craig Clausen, Senior Vice President for NPRG. “Now all players, including the RBOCs, are hungry to exploit every niche, and they threaten to come upon the CIOCs with much the same advantages – voice-data-video bundles, big bankrolls and a commitment to win.”

The *Competitive IOC Report (IOC CLEC Research, Analysis & Forecasts) 2003™ (2nd Edition) (238 pages)* is available from NPRG for \$4,250 (additional copies are \$1,650). Site Licenses are also available. Order your hardcopy(s) or CD-ROM(s) by calling NPRG at 312-980-4796 or via email at info@nprg.com.

About New Paradigm Resources Group

New Paradigm Resources Group, Inc. (NPRG) is the nation’s leading 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™*, the *Cable Broadband Telephony Report™*, the *Competitive IOC Report™* and the *ILEC Report™*. By continually monitoring the telecom market to develop these in-depth reports, NPRG underscores and 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.