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NEW PARADIGM RESOURCES GROUP'S CLEC REPORT 2002™ FINDS COMPETITIVE LOCAL TELECOM STILL GROWING

**Voice Service Providers Log \$44 Billion in Revenue and 22% Rise in Access Lines.
“Failed” Companies Use Chapter 11 to Erase Debt, Improve Competitiveness.**

CHICAGO, MAY 28, 2002 – It just keeps going, and going and going. . . Not the battery-powered rabbit made famous by national television commercials, but the competitive local telecommunications business, which continues to overcome obstacles and defy premature death notices, racking up year-over-year revenue gains, new access lines and wider market penetration.

New Paradigm Resources Group (NPRG) chronicles the last year in local telecom competition in the latest edition of its biannual report on the industry, **CLEC Report 2002™**, released today. Considered the most thorough compendium and analysis of the competitive arena, the report concentrates on the 2001 performance metrics of 73 voice-focused, facilities-based CLECs, also providing insight on nearly 90 other companies that are following niche-specific business models in DSL, gigabit Ethernet and other markets.

Among the key metrics revealed on voice-focused CLECs:

- **Significant Revenue Gains.** Voice-focused carriers billed \$44 billion out of a total \$51 billion in CLEC revenue in 2001, including data and other services.
- **Access Lines Rise.** Aggregate access lines jumped to 21.6 million at the end of 2001, an increase of 22 percent.
- **Linked to More Buildings.** The number of buildings connected to CLEC networks rose 15 percent to 380,840.
- **Voice Switch Growth.** CLECs installed over 1,000 new voice switches in 2001.

“As demonstrated by every measurement, competitive telecommunications is moving forward, with many more CLECs adapting, surviving and succeeding than failing,” said Terry Barnich, New Paradigm Resources Group President. “This is the nature of a

competitive market, and NPRG does not believe the current chaos portends the demise of the wider industry.”

The **CLEC Report 2002™** notes several trends that dominate the industry during the current “survival of the fittest” scenario:

- Slashing Capex. In general, CLECs have improved their financial and marketplace focus by dramatically reducing capital spending on costly network infrastructure and instead devoting resources to offering telecommunications services.
- Chapter 11 as a Financial Strategy. Companies are aggressively using Chapter 11 to shed debt and improve their balance sheets. These companies will be well-positioned to undercut incumbents’ prices while becoming cash flow and net income positive.
- AT&T, the Stealth CLEC. Perhaps the least publicized CLEC is the largest – AT&T, with more than \$16 billion in competitive voice, data and access revenue, or 30 percent of the industry’s \$51 billion total. With more than five million access lines, AT&T is a formidable competitive local operation not likely to quit the field.
- Cable Companies Push into Voice. Cable firms are beginning an aggressive drive into local voice, with AT&T Broadband accounting for 450,000 cable telephony subscribers at the end of 2001. In all, 1.7 million people get local telephone service from their cable provider.

“We’ve said it before and we’re saying it again, competitive local telecom is not a dying industry, but rather a constantly shifting one,” said Craig Clausen, Senior Vice President of New Paradigm Resources Group. “Though the names of the players may seem to change from month-to-month, and new service vehicles continue to encroach on traditional wireline service, the key constant in this business is continual upward growth.”

The CLEC Report 2002™ is available 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™*, a semi-annual multi-volume review of the state, trends and future of the competitive local telecom industry, as well as the *ILEC Report™*, *DSL Report™*, *ILEC Capital Spending Report™*, *Utilities in Telecom Report™*, and the *CIOC Report™*.