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THE COMPETITIVE CARRIER MARKET:

Service Reach, Market Share, and Growth Potential

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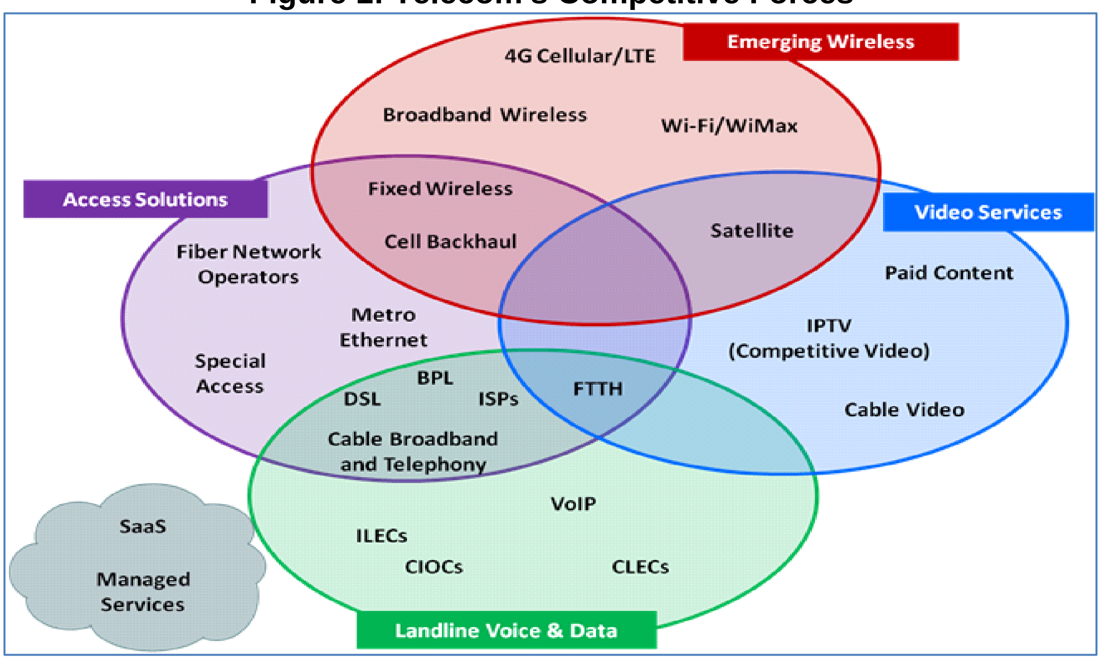
EXECUTIVE SUMMARY

Competition in the communications industry is a given at this point. But what remains more opaque is identifying the actual competitors and competitive carrier categories. A dozen years ago, identifying the competitors was a fairly straight-forward exercise. At that time, there were two geographically-defined markets: the local market, served by the "Baby Bells" and Independent Local Exchange Carriers (collectively, these two groups are now referred to as "Incumbent LEC" or "ILECs"); and the long distance market, which was the domain of interexchange carriers (IXCs), the largest of which was AT&T. While the long distance market was largely opened to competitive entry in the 1980s, the local telecom market remained the LECs' realm. The walls protecting the local monopolies began to crumble around 1990 when the first "Competitive Access Providers" (CAPs) began to claw their way into the local exchange market.[1]

After CAPs bored a hole in the dike, a flood of competitors soon followed. The first waves of credible competitors were Competitive Local Exchange Carriers (more commonly known as CLECs). Today, a diverse range of service providers represent competitive forces in telecommunications markets. These sets (or sectors) may be defined by the technology used or by the services they provide. Figure 1 below presents our generalized framework for looking at competitive forces shaping the broad communications industry.

Figure 1: Telecom's Competitive Forces



Source: New Paradigm Resources Group, Inc.

[1] CAPs were aptly named as these carriers initially offered point-to-point access and related services. Their intent was to provide an alternative to the LECs for the IXCs to use for originating and terminating long distance calls. During this time, access accounted for approximately 40% of the price of long distance (i.e., if a call was 10 cents per minute, 4 cents went to access services).

This Report's Focus

The web of telecommunications competition is intricate and, at times, intractable. Discerning competitive trends and forces is, however, a necessary first step towards understanding any market and the impacts on other industry participants. Therefore, this report represents a foundational examination of the competitive carrier space by:

- Identifying the service providers currently operating as the core of the "competitive carrier" industry;
- Identifying the specific geographic markets in which these providers operate and provide service;
- The market share of the business services segment each of these carriers holds on a market-by-market basis;
- The in-market potential each carrier has on a market-by-market basis in the business services space.

This report focuses on the metro (local) market level. Metro access remains and will continue to be the critical component of the overall communications network. Broadband connectivity – beyond that which is supported by traditional TDM solutions – is as essential to businesses today as voice telephone service was 20 years ago. The carriers extending fiber infrastructure deeper into metro areas will be well-positioned as long-term players in the business services market into the foreseeable future.

This report also focuses on the business services market. While residential and consumer communications services are of course critical, business users' technological and communications requirements have become more complex and require a different set of service providers to address their needs.

We have included those carriers (which are often referred to as "competitive carriers" herein) are those that have deployed metro fiber infrastructure as well as network intelligence (such as switching platforms) to provide advanced services to business customers. These facilities-based "competitive carriers" include CLECs, Cable MSOs and certain ILECs, together serving as the core of the competitive carrier sector.

Carriers Covered in this Report

The following carriers are covered in this report:

AMA*TECHTEL COMMUNICATIONS
AT&T
BAYRING COMMUNICATIONS

BIRCH COMMUNICATIONS
BRIGHT HOUSE NETWORKS
BROADVIEW NETWORKS
BUCKEYE TELESYSTEM
CBEYOND COMMUNICATIONS
CENTURYLINK
CHARTER COMMUNICATIONS
COX COMMUNICATIONS
CROSS RIVER FIBER
EARTHLINK
ENMR-PLATEAU COMMUNICATIONS
FATBEAM
GCI COMMUNICATIONS
GRANDE COMMUNICATIONS NETWORKS
INTEGRA
LEVEL 3 COMMUNICATIONS
LOGIX COMMUNICATIONS
NTS COMMUNICATIONS
OPTIMUM LIGHTPATH
PAC-WEST TELECOMM
PEERLESS NETWORK
SIDERA
SUREWEST TELEPHONE
TDS TELECOM
TECH VALLEY COMMUNICATIONS
TELEPACIFIC COMMUNICATIONS
TELNET
TW TELECOM
VERIZON
WOW! (WideOpenWest)
WINDSTREAM COMMUNICATIONS
XO COMMUNICATIONS
ZAYO

About the Data

This report is a result of a collaboration between **New Paradigm Resources Group, Inc.** and **GeoResults, Inc**. NPRG is among the leaders in researching and analyzing the competitive communications industry and producing analytical reports providing clients with information about critical trends and emerging strategies shaping the broad communications market and ultimately affecting their businesses.

GeoResults, Inc. (www.georesults.com) is a leading source of market-level data and information tools covering the telecommunications industry. GeoResults has developed one of the most sophisticated and comprehensive sets of databases in the industry allowing it to provide clients with detailed data and insights into various telecom markets. The databases and information tools offered by GeoResults allow its clients to identify, locate and rank high value market opportunities, optimize deployment of network infrastructure to expand clients' addressable markets, and understand the underlying competitive structure in geographic markets.

NPRG and GeoResults have integrated their respective data to develop much of the information contained in this report. *NPRG's* databases focus on developing information and profiles on service providers and their operational information, such as strategies, services offered, network infrastructure deployed, and financial data. *GeoResults's* databases focus on providing market opportunity profiles of geographic markets for its clients in the telecom industry.

The complementary nature of each firm's data and perspectives has yielded this robust report shedding light on the actual reach facilities-based competitive carriers have developed, the markets each operates in and the micro-level market share each holds in the business services market.

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