

## **Analysis of Local Exchange Service Competition in New York State**

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**Reflecting company reported data and statistics  
as of December 31, 2002**

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*We are embarking on the transition to...(a) market environment. ... While limited competitive alternatives exist ..., how fast it will spread remains uncertain.*

*We must monitor the development of competition during this transition period. This information will provide valuable evidence of the success or failure of our policies and provide a guide as to those markets where regulatory attention is most likely required or where regulation can be relaxed.*

New York State Public Service Commission, May 22, 1996

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## Preface

This document is the sixth annual Competitive Analysis Report from the Office of Communications describing the development of local exchange competition in New York State.

The Competitive Analysis Report is based primarily on data filed annually by local exchange companies pursuant to the Commission's Telecommunication Competition Monitoring Report (TCMR) requirements. The Commission adopted these requirements in 1997 and streamlined them in 2000 to reflect evolving regulatory needs.<sup>1</sup>

Companies are required to file TCMRs by March 31 each year. In January, Staff sends letters to the companies reminding them of the filing requirement and due date. Despite this notification, many competitive local exchange companies (CLECs) fail to comply. Staff follows up with delinquent companies in order to obtain enough information to prepare the Competitive Analysis Report. It is often difficult to obtain timely, accurate data from competitive carriers. Of the sixty companies filing TCMRs this year, thirty-one were a month or more late. Fifty eight additional companies requested exemption from filing a TCMR. Many of the companies filed incomplete and possibly inaccurate data requiring Staff to make interpretations and estimations. Accordingly, Staff advises readers to recognize the limitations of the unaudited data presented in this report.

The TCMR format was changed in 2000 to differentiate between true, facilities-based competition and competition derived from an incumbent's UNE-Platform offering or from resale. Although companies are asked to report lines-in-service and revenues separately for these modes of competition, many companies still combined the data in their TCMR reports. Consequently, Staff has had to estimate the breakdowns in the Competitive Analysis Report between UNE-Platform competition and true, facilities-based competition.

CLECs that have been involved in acquisitions or mergers are reported separately in the Competitive Analysis Report, if they filed separate TCMRs. Known relationships between companies are identified in the Competitive Analysis Report.

The Competitive Analysis Report begins with an Executive Summary that highlights yearly changes in the local exchange market from 1998 to 2002. Next, a Statewide Perspective includes such information as company rankings by lines and revenues and company-specific data. The report concludes with an evaluation of service quality trends between 1991 and 2002.

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<sup>1</sup> Orders issued and effective May 20, 1997 and February 18, 2000 in Case 96-C-0647.

## Executive Summary

- The number of Competitive Local Exchange Companies (CLECs) serving over 1,000 local exchange lines:

<u>@ Y.E.</u>	<u>CLECs</u>
1997	13
1998	38
1999	54
2000	48
2001	46
2002	47

- The number of CLEC local exchange lines and line market share:

<u>@ Y.E.</u>	<u>Lines</u>	<u>Market Share (%)</u>
1997	288,000	2.0
1998	649,000	4.9
1999	1,469,000	10.7
2000	2,947,000	20.9
2001	3,368,000	24.0
2002	3,368,415	24.0

Note that a recent FCC report which contains state-by-state comparative data indicates that New York State has both the highest number of CLEC lines and the highest percentage of CLEC line market share in the nation<sup>2</sup>.

- CLEC line market share (%):

<u>Region</u>	<u>Year End</u>				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
New York Metro	6	12	23	26	27
Albany	2	6	17	20	23
Binghamton	2	4	12	15	16
Buffalo	3	10	20	21	23
Poughkeepsie	1	2	5	13	11
Rochester	4	6	27 <sup>3</sup>	28	26
Syracuse	3	6	18	16	21

<sup>2</sup> Source: Local Telephone Competition Status as of December 31, 2002. Issued by the Industry Analysis and Technology Division of the Federal Communications Commission's Wireline Competition Bureau. June 2003. Table 6.

<sup>3</sup> The jump in CLEC market share in the Rochester region was due to Frontier Communications of Rochester, a CLEC affiliate of Frontier Telephone of Rochester, an ILEC. Frontier Communications of Rochester failed to file a TCMR in prior years. Its line count was included with that of Frontier Telephone of Rochester.

- CLEC total basic local service revenues, local service revenues per line, and CLEC revenue market share:

<u>Year</u>	<u>Total local Svc. Revs. \$ (million)</u>	<u>Local Svc. Revs. \$ (per line)</u>	<u>Revenue Market Share (%)</u>
1998	247	381	6
1999	480	327	8
2000	942	320	15
2001	1,288	382	20
2002	1,289	383	21

- CLEC revenue market share (%):

<u>Region</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
New York Metro	7	9	15	21	23
Albany	2	4	10	16	16
Binghamton	1	4	9	13	8
Buffalo	4	7	13	18	12
Poughkeepsie	1	1	4	13	3
Rochester	5	5	37 <sup>4</sup>	40	45
Syracuse	3	5	12	16	12

- Breakdown of CLEC local exchange lines by business or residential lines:

<u>@ Y.E.</u>	<u>Business (%)</u>	<u>Residential (%)</u>
1998	84	16
1999	68	32
2000	48	52
2001	50	50
2002	46	54

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<sup>4</sup> The jump in CLEC market share in the Rochester region was due to Frontier Communications of Rochester, a CLEC affiliate of Frontier Telephone of Rochester, an ILEC. Frontier Communications of Rochester failed to file a TCMR in prior years. Its line count was included with that of Frontier Telephone of Rochester.

Breakdown of CLEC local exchange lines, by resale and non-resale. Non-resale, in this report, includes the use of unbundled network elements (UNEs – loops or platforms), furnished by the ILECs.

<u>@ Y.E.</u>	<u>Resale (%)</u>	<u>Fac.-based/UNEs (%)</u>
1998	45	55
1999	30	70
2000	19	81
2001	14	86
2002	7	93

- Further breakdown of CLEC local exchange lines. Estimated UNE Platform percentage shown separately.

	<u>Resale (%)</u>	<u>UNE Platform (%)</u>	<u>Facilities-based (%) excluding UNE Platform</u>
2000	19	49	32
2001	14	47	39
2002	7	58	35

- The number of local exchange lines (in millions) served by ILECs and their market share (%):

<u>@ Y.E.</u>	<u>Lines (million)</u>	<u>Market Share (%)</u>
1997	12.3	98
1998	12.5	95
1999	12.3	89
2000	11.1	79
2001	10.6	76
2002	10.5	76

- The percentage of CLEC lines that were non-resale (including UNEs), by region:

<u>Region</u>	<u>@ Year End</u>				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
New York Metro	61	68	85	91	88
Albany	15	20	72	67	81
Binghamton	25	63	84	82	86
Buffalo	32	68	79	88	87
Poughkeepsie	0	46	96	97	96
Rochester	44	80	29 <sup>5</sup>	34	22
Syracuse	43	51	77	88	90

<sup>5</sup> The drop in facilities-based percentage of CLEC lines in the Rochester region was due to Frontier Communications of Rochester, a CLEC affiliate of Frontier Telephone of Rochester, an ILEC. A reseller of its affiliate's lines, Frontier Communications of Rochester failed to file a TCMR in prior years. Its line count was included with that of Frontier Telephone of Rochester.

- Verizon - New York remains the predominant provider of ILEC retail lines, with local exchange lines and percentage of the state's total local exchange lines, as follows:

<u>@ Y.E.</u>	<u>Verizon Retail Local Exchange Lines</u>	<u>% of Total retail lines</u>
1998	11,370,261	86
1999	11,136,320	81
2000	9,953,319	71
2001	9,462,864	68
2002	9,247,518	67

### **Loss of Companies**

Since the start of 2002, at least seventeen companies providing local exchange service have discontinued service in New York State. These companies represented a market share of 2.8% of the CLEC lines or 0.7% of the total LEC lines at the end of 2001.

### **2002 vs. 2001**

There was a net gain of approximately 400 CLEC lines in 2002 compared to a net gain of 421,000 the year before.

- Yearly gain in local exchange lines served by CLECs:

	<u>Yearly Line Gain</u>
1998	361,000
1999	820,000
2000	1,478,000
2001	421,000
2002	415

## Statewide Perspective

### Local Exchange Companies Ranked by Lines Served

The following chart lists the LECs in New York State in decreasing order of number of local exchange lines at 12/31/02. CLECs appear in **bold**.

During 2002:

- The CLEC share of lines remained constant at 24%.
- The number of CLECs serving 1,000 or more lines increased to 47.
- The largest local exchange companies based on lines served are Verizon-NY, AT&T, and Frontier Telephone of Rochester/Citizens Telecom of NY.

### Local Exchange Companies Ranked by Lines Served at 12/31/02

Verizon NY	9,247,518	Champlain	6,151
AT&T Comms of NY	1,105,237	Township	6,029
Frontier Tel of Roch/Citizens Telecom NY	853,757	Delhi	5,515
MCImetro Access Trans	562,943	Ontario	5,367
Teleport Comms Grp	166,278	Frontier of Sylvan Lake	5,114
Choice One of NY	148,868	Margaretville	4,654
Broadview Networks	143,516	DFT Local Svc	4,600
Cablevision Lightpath	135,445	Chazy & Westport	4,131
CTC Comms	122,546	Oneida County Rural	3,906
Frontier C of Roch	106,826	Newport	3,792
PaeTec Comms	106,792	Port Byron	3,792
Bridgecom Int'l	105,512	Armstrong	3,728
Alltel	101,290	TimeWarner ResCom	3,425
MCI Worldcom Comms	97,021	Northland Netwrks	2,949
Frontier of NY	94,579	Vernon	2,882
Z-Tel Comms	86,816	Telecon Comms	2,746
TimeWarner Telcom NY	62,183	Telebeam Tel Sys	2,576
RCN Telecom	53,489	McGraw Comms	2,504
Allegiance Telecom	48,752	Excel Telcoms	1,992
XO NY	48,736	Citizens of Hammond	1,959
RGT Utilities	37,704	DSLnet Comms	1,902
Warwick Valley	30,261	Hancock	1,870
Taconic	28,946	MetTel	1,837
TalkAmerica	26,188	PrimeLink	1,662
NOS Comms	24,025	Cassadaga	1,658
Ogden	23,391	Ernest Comms	1,490
Focal Comms NY	19,267	Pattersonville	1,456
Brooks Fiber Comms NY	18,831	Qwest Comms	1,419
Plan B Comms	15,486	Convergent Telesis	1,410
Broadview NP Acquisition	14,450	NY Telsave	1,373
Conversent Comms	14,403	NTCNet Telecom	1,342
Chautauqua & Erie	12,872	Servisense.com, Inc.	1,205
ACC Natl Telecom NY	12,470	Crown Point	1,147
Global Crossing Telmgt	12,286	Fishers Island	1,085
Dunkirk & Fredonia	11,371	Sterling Telecoms	1,005
Deposit	9,940	Oriskany Falls	715
Frontier of Seneca Gorham	9,854	Frontier C of America	653
TVC Albany	9,790	Pub Interest Ntwrk	577
State	9,114	Access Point	557
Empire	8,752	Business Telecom	230
Global Crossing Loc	8,649	Westelcom Ntwks	180
eLEC	8,568	QuantumShift Comms	133
Trumansburg	7,475	SBC Telecom	63
CoreComm NY	7,396	Local Line America	61
Middleburgh	7,200	Best Telecoms	50
Frontier of Ausable	6,812	TDS Metrocom	1
Berkshire	6,800		

## Competitive Local Exchange Companies Ranked by Total Local Service Revenue

The following chart lists the CLECs in New York State in decreasing order of total local service revenue for 2002. The CLECs' revenues were as reported in their TCMRs. Unusually high revenue/line may be due to the type of service provided, while unusually low revenue/line may indicate that service was provided for less than the full year.

During 2002:

- The CLEC share of local service revenue increased slightly from 20% to 21%.
- The largest CLECs, based on local service revenue were AT&T, MCImetro Access, and Cablevision Lightpath.

<b><u>COMPANY</u></b>	<b><u>2002 Retail Revenues</u></b>	<b><u>Lines</u></b>	<b><u>Revenue/Line</u></b>
AT&T Comms of NY	370,176,351	1,105,237	334.93
MCImetro Access Trans	208,965,285	562,943	371.20
Cablevision Lightpath	103,403,924	135,445	763.44
CTC Comms	74,061,626	122,546	604.36
Frontier C of Roch	65,120,871	106,826	609.60
Broadview Networks	58,501,928	143,516	407.63
Choice One of NY	54,582,321	148,868	366.65
Teleport Comms Grp	49,388,268	166,278	297.02
Bridgecom Int'l	47,029,052	105,512	445.72
TimeWarner Telcom NY	41,896,820	62,183	673.77
PaeTec Comms	29,869,407	106,792	279.70
MetTel	27,507,499	1,837	14974.14
Z-Tel Comms	24,811,489	86,816	285.79
RCN Telecom	23,272,718	53,489	435.09
Focal Comms NY	21,319,284	19,267	1106.52
Allegiance Telecom	19,339,772	48,752	396.70
XO NY	13,448,242	48,736	275.94
MCI Worldcom Comms	11,832,529	97,021	121.96
Plan B Comms	8,138,694	15,486	525.55
Global Crossing Telmgt	8,024,723	12,286	653.16
McGraw Comms	6,443,621	2,504	2573.33
Excel Telcoms	6,166,675	1,992	3095.72
ACC Natl Telecom NY	5,293,243	12,470	424.48
Northland Netwrks	5,268,406	2,949	1786.51
CoreComm NY	4,142,824	7,396	560.14
Global Crossing Loc	2,889,216	8,649	334.05
Conversent Comms	2,832,989	14,403	196.69
RGT Utilities	2,113,382	37,704	56.05
DSLnet Comms	2,089,340	1,902	1098.50
DFT Local Svc	1,844,129	4,600	400.90
TVC Albany	1,547,157	9,790	158.03
NOS Comms	1,449,412	24,025	60.33
PrimeLink	1,267,734	1,662	762.78

<u>Company</u>	<u>Revenues</u>	<u>Lines</u>	<u>Rev./ Ln.</u>
TimeWarner ResCom	971,239	3,425	283.57
Qwest Comms	722,186	1,419	508.94
NTCNet Telecom	688,432	1,342	512.99
Frontier C of America	491,375	653	752.49
SBC Telecom	407,911	63	6474.78
Access Point	397,091	557	712.91
Convergent Telesis	365,254	1,410	259.05
Telebeam Tel Sys	361,425	2,576	140.30
Servisense.com, Inc.	319,435	1,205	265.09
Pub Interest Ntwrk	309,070	577	535.65
Westelcom Ntwks	210,303	180	1168.35
Sterling Telecoms	202,121	1,005	201.12
Business Telecom	62,584	230	272.10
NY Telsave	57,666	1,373	42.00
Brooks Fiber Comms NY	27,128	18,831	1.44
TDS Metrocom	26,784	1	26784.00
Local Line America	6,570	61	107.70
Best Telecoms	6,000	50	120.00

**2002 Telephone Network Plant in Service Comparison**

Total CLEC investment in Plant-in-Service (Central Office Equipment and Cable & Wire Facilities) in New York State continues to increase.

@ Y.E.	Total Plant-in-Service (\$)	Net Annual Additions in Plant Investment (\$)
1999	2,166,140,121	-
2000	2,224,001,071	57,860,950
2001	2,363,028,954	139,027,883
2002	2,461,905,987	98,877,033

The following chart lists the CLECs in New York State in decreasing order of telephone network plant in service at year-end 2002. Data is also provided as of year-end 1999, 2000, and 2001 for comparison purposes.

### CLECs Ranked by Total Network Plant in Service

	12/31/99	12/31/00	12/31/01	12/31/02
AT&T Comms of NY	928,628,904	962,567,876	951,721,071	957,956,736
Cablevision Lightpath	160,093,000	258,214,000	473,235,000	606,561,000
TimeWarner Telcom NY	135,157,821	144,120,510	168,031,266	179,931,624
MCImetro Access Trans	143,003,000	136,636,000	207,142,757	173,583,423
Allegiance Telecom	45,889,977	63,223,034	101,045,903	127,304,653
Choice One of NY	23,674,000	40,793,000	65,950,000	80,824,000
Broadview Networks	3,489,370	4,012,775	45,220,340	57,668,943
XO NY	19,248,077	31,566,791	40,482,908	43,603,872
PaeTec Comms	-	77,675,568	55,771,553	39,482,771
SBC Telecom	-	1,355,359	30,571,691	38,972,156
TimeWarner ResCom	26,505,736	28,133,700	28,087,460	26,732,478
MCI Worldcom Comms	61,174,000	33,231,000	21,695,164	23,522,975
Intermedia Comms	-	-	48,044,141	21,893,038
Brooks Fiber Comms NY	31,261,000	19,734,000	16,230,024	13,977,276
CTC Comms	-	-	8,917,915	9,827,386
Focal Comms NY	20,692,971	39,500,673	52,939,503	9,376,041
RGT Utilities	-	-	9,648,335	7,726,306
Conversent Comms	-	3,939,958	5,683,662	6,756,047
PrimeLink	-	3,168,241	4,517,639	6,053,802
TVC Albany	-	-	7,703,128	5,987,987
MetTel	336,490	830,568	4,769,924	5,934,687
Broadview NP Acquisition	-	-	-	5,106,501
Northland Netwrks	1,770,732	3,210,531	4,237,754	3,659,379
Westelcom Ntwks	-	579,540	1,118,108	1,896,101
Frontier C of America	-	-	1,761,354	1,852,248
Global Crossing Loc	1,576,089	1,576,089	1,576,089	1,556,089
Adelphia Bus SIntns	53,946,954	62,040,858	3,396,807	1,274,821
Teleport Comms Grp	509,692,000	307,891,000	769,547	798,611
Convergent Telesis	-	-	677,292	693,692
Cable & Wireless USA	-	-	1,852,195	621,975
NEES Comms	-	-	-	371,891
TDS Metrocom	-	-	230,424	230,424
DFT Local Svc	-	-	-	167,054
<b>Total</b>	<b>2,166,140,121</b>	<b>2,224,001,071</b>	<b>2,363,028,954</b>	<b>2,461,905,987</b>

## **New York State's Top 10 LECs – (Based on Local Exchange Lines)**

This section of the report provides detail on the key players in the local exchange telecommunications industry in New York

The top 10 local exchange companies, based on local exchange lines served, are listed. They include not only incumbent local exchange companies (ILECs), but also competitive local exchange companies (CLECs). Some of the providers are predominantly “facilities-based”, that is providing service over their own facilities (or, as used in this report, utilizing UNEs) while others offer service through “resale”.

Verizon - New York

#1



- Incumbent local exchange company and intraLATA toll provider
- Eligible Telecommunications Carrier

		<u>Rank</u>
Local Exchange Lines	9,247,518	1
Local Service Revenues	4,505,292,000	
Network Plant in Service	23,298,071,943	

**Operating Territory:** Provides residence and business local exchange and intraLATA toll services in six out of the seven regions in New York as well as a small portion of Connecticut (Greenwich and Byram only)

**Parent Company:** Wholly-owned subsidiary of Verizon Communications, Inc.

**Affiliates:** Verizon Long Distance, Verizon Enterprise Solutions, Verizon Advanced Data, Inc., Verizon Select Services, Inc., Verizon Avenue, Verizon Wireless Communications, Metromedia Fiber Networks, Inc.

**General Description of Current Operations:**

- Verizon – New York was originally incorporated under the laws of the State of New York in 1896. Its principal offices are located at 1095 Avenue of the Americas, New York, New York 10036.
- Verizon-NY currently provides two basic types of telecommunications services. First, it transports telecommunications traffic between subscribers located within the same LATA (intraLATA service), including both local and long distance services. Local service includes the provision of local exchange (dial-tone), local private line, and public telephone services. Among other local services provided are Centrex and a variety of special and custom calling services.
- Long distance service includes message toll service within LATA boundaries, and intraLATA Wide Area Toll Service (WATS) and 800 services. Verizon-NY also earns long distance revenue from the provision of telecommunications service between LATAs (interLATA service) in the corridor between the cities (and certain surrounding counties) of New York, New York and Newark, New Jersey.
- Second, Verizon-NY provides exchange access service, which links a subscriber’s telephone or other equipment to the transmission facilities of interexchange carriers which, in turn, provide intra and interLATA telecommunications service to their customers. The company also provides exchange access service to competitive local exchange carriers for calls within a LATA.
- Verizon-NY is the largest local exchange and intraLATA toll carrier (67% of total NY local exchange lines).

AT&T Communications  
of New York

#2



- Competitive local exchange company and toll provider

		<u>Rank</u>
Local Exchange Lines	1,105,237	2
Local Service Revenues	370,176,351	
Network Plant in Service (includes toll TPIS)	957,956,736	

**Operating Territory:** Provides local exchange and toll services in all New York regions.

**Parent Company:** Wholly-owned subsidiary of AT&T Corporation.

**Affiliates:** Teleport Communications Group, ACC National Telecommunications Corp.

**General Description of Current Operations:**

- AT&T Corp. was incorporated in 1885 under the laws of the State of New York and has its principal offices at 32 Avenue of the Americas, New York, New York 10013.
- AT&T offers local telephone services primarily through its AT&T Business Services and AT&T Consumer Services units.
- AT&T Business Services - Nationwide, local voice services provided in more than 90 cities.
- AT&T Consumer Services – Nationwide, AT&T Consumer Services offers local service in Georgia, Michigan, New York and Texas using the unbundled network elements platform.

Frontier Telephone of Rochester  
Citizens Telecommunications of New York  
Frontier Communications of Rochester

#3



- Incumbent local exchange company and toll provider
- Eligible Telecommunications Carrier
- Competitive Local Exchange Company,

		<u>Rank</u>
Local Exchange Lines	960,583	3
Local Service Revenues	254,956,754	
Network Plant in Service	1,776,837,492	

**Operating Territory:** Frontier Telephone of Rochester provides residence and business local exchange and toll services in the Rochester LATA, which includes seven counties. Citizens Telecommunications of New York provides local exchange services in the Albany, Binghamton, Buffalo, Poughkeepsie, Syracuse LATAs, which includes thirty-four Counties. Frontier Communications of Rochester provides residential and business service in the Rochester area.

**Parent Company:** Wholly-owned subsidiary of Citizens Communications Company.

**Affiliates:** Frontier Communications International, Inc., Frontier Communications America, Inc. Frontier Communications of Ausable Valley, Inc., Frontier Communications of New England, Inc., Frontier Communications of New York, Inc., Frontier Communications of Rochester, Inc., Frontier Communications of Seneca-Gorham, Inc., Frontier Communications of Sylvan Lake, Inc., Citizens Telecommunications of New York, Inc., Citizens Long Distance, Inc., Ogden Telephone Company, Ogden Long Distance, Inc.

**General Description of Current Operations:**

- Citizens Communications Company was incorporated in 1994 under the laws of the State of Delaware and has its principal offices at 3 High Ridge Park, Stamford, Connecticut 06905
- Citizens Communications purchased from Global Crossing Ltd. 100% of the stock of Frontier Corp.'s local exchange carrier subsidiaries, which owned approximately 1,096,700 telephone access lines (as of December 31, 2000) in Alabama, Florida, Georgia, Illinois, Indiana, Iowa, Michigan, Minnesota, Mississippi, New York, Pennsylvania and Wisconsin, for approximately \$3,373,000,000 in cash.

MCImetro Access Transmission Services

#4



- Competitive local exchange company
- Eligible Telecommunications Carrier

		<u>Rank</u>
Local Exchange Lines	562,943	4
Local Service Revenues	208,965,285	
Network Plant in Service	173,583,423	

**Operating Territory:** Provides residence local exchange services in Verizon – New York Service Area and business local exchange services in Albany, Buffalo, Nassau County, New York City, Rochester, Westchester County.

**Parent Company:** Wholly-owned subsidiary of WorldCom, Inc.

**Acquisitions:** Intermedia Communications, Inc. for \$5.8 billion on July 1, 2001.

**Affiliates:** Brooks Fiber Properties, Inc., Compuserve Corporation, MCI WorldCom, Inc., MCI Wireless, MCI WorldCom Network Services, Inc., MCI WorldCom Communications, Inc., SkyTel Communications, Inc., Telecom\*USA, TTI National Inc.

**General Description of Current Operations:**

- WorldCom, Inc. was incorporated in 1983 under the laws of the State of Georgia and has its principal offices at 500 Clinton Center Drive, Clinton, Mississippi 39056. The company operates as two separate groups – the WorldCom group and the MCI group.
- The WorldCom group provides business voice (basic dial tone and private line services, network access and long distance services), data (Frame Relay, ATM networks and digital subscriber line services) and Internet-based services.
- The MCI group provides long distance voice and data communications, residence local voice communications, wireless messaging, private line services and dial-up Internet access services.
- Local exchange services are offered to residential customers through the use of combinations of ILEC unbundled network elements, while business customers are also served by WorldCom switches and Verizon unbundled loops.
- The corporation is attempting to emerge from the protection of Chapter 11 of the Federal Bankruptcy Code and has been criticized for potential operational and accounting irregularities.

Teleport Communications Group

#5



•Competitive local exchange company

		<u>Rank</u>
Local Exchange Lines	166,278	5
Local Service Revenues	49,388,268	
Network Plant in Service	798,611	

**Operating Territory:** Provides business local exchange services in Albany, Binghamton, Buffalo, Nassau County, New York City, Poughkeepsie, Rochester, Syracuse, and Westchester County.

**Parent Company:** Wholly-owned subsidiary of AT&T Corporation.

**Affiliates:** ACC National Telecommunications Corp.

**General Description of Current Operations:**

- AT&T Corp. was incorporated in 1885 under the laws of the State of New York and has its principal offices at 32 Avenue of the Americas, New York, New York 10013.
- (See AT&T Communications of New York, above).

Choice One of New York

#6



- Competitive local and intraLATA toll reseller

		<u>Rank</u>
Local Exchange Lines	148,868	6
Local Service Revenues	54,582,321	
Network Plant in Service	80,824,000	

**Operating Territory:** Provides residence and business local exchange and intraLATA toll

**Parent Company:** Choice One Communications, Inc.

**Affiliates:** Choice One Online (website developing and hosting)

**General Description of Current Operations:**

- Domestic Long Distance
- Incorporated in 1998 in Delaware, Choice One is headquartered in Rochester, New York. Choice One Communications, Inc. (CWON.OB) is an integrated communications service provider offering voice and data services including Internet and DSL solutions, and web hosting and design, primarily to small and medium-sized businesses in second and third-tier markets.
- Choice One currently offers services in 29 markets across 12 Northeast and Midwest states. Choice One reported \$290 million of revenue in 2002, has more than 100,000 clients and employs approximately 1,400 employees

Broadview Networks, Inc.

#7



- Competitive local exchange company and toll provider

		<u>Rank</u>
Local Exchange Lines	143,516	7
Local Service Revenues	58,501,928	
Network Plant in Service	57,668,943	

**Operating Territory:** Provides residence local exchange and toll services in Verizon – New York Service Areas.

**General Description of Current Operations:**

- Broadview Networks is a leading-edge electronically integrated communications provider serving small and medium-sized business and residential customers in the Northeast. With over 72,000 access lines in service, we offer customers an innovative array of bundled data, Internet and voice services backed by state-of-the-art technology.
- The company was born of the opportunity for customer choice created by the Telecommunications Act of 1996. In 1997, Broadview acquired a Syracuse-based company, adding business telecommunications, data and Internet services. In 1999, Broadview started rolling out its own integrated data and voice network, marking its debut as a network-based provider.

Cablevision Lightpath, Inc.

#8



- Competitive local exchange company and toll provider
- Eligible Telecommunications Carrier

		<u>Rank</u>
Local Exchange Lines	135,445	8
Local Service Revenues	103,403,924	
Network Plant in Service	606,561,000	

**Operating Territory:** Provides residence and business local exchange and toll service in Nassau, New York City, Suffolk County, and Westchester County.

**Parent Company:** Wholly-owned subsidiary of Cablevision Systems Corporation

**General Description of Current Operations:**

- Cablevision Systems Corporation was incorporated in 1997 under the laws of the State of Delaware and has its principal offices at 1111 Stewart Avenue, Bethpage, New York 11714. Cablevision Lightpath is part of the Cablevision NY Group, a tracking stock. This stock excludes the Cablevision operations of the Rainbow Media Group, which produces video programming.
- Cablevision Lightpath provides switched telephone services and high-speed Internet access to the business market in portions of the greater New York City metropolitan area.
- Cablevision Lightpath provides local exchange telephone service through the use of its own cable TV facilities.

CTC Communications, Corp.

#9



- Competitive local exchange company and toll provider

		<u>Rank</u>
Local Exchange Lines	122,546	9
Local Service Revenues	74,061,626	
Network Plant in Service	9,827,386	

**Operating Territory:** Provides residence local exchange and toll services in Verizon – New York Service Areas.

**General Description of Current Operations:**

CTC Communications is a facilities-based Competitive Local Exchange Carrier (CLEC) that has been marketing voice and data services to businesses for over 20 years. CTC operates throughout the Northeast and Mid-Atlantic states, has an industry leading CLEC market share, and industry leading customer satisfaction level.

CTC is a "next generation" Integrated Communications Carrier utilizing advanced technology and providing its customers with converged voice, data, Internet and video services on a broadband, packet-based network, called the PowerPath® Network. The Company serves medium to larger business customers from Virginia to Maine, which includes the most robust telecommunications region in the world, the Washington D.C. to Boston corridor.

On October 3, 2002, CTC made a voluntary Chapter 11 filing in the United States Bankruptcy Court. The filing allows CTC to continue normal business operations while it reorganizes to improve its financial health.

On August 7, 2003, CTC announced that it has signed an investment agreement with Columbia Ventures Corporation. The investment will be the basis for CTC's forthcoming plan of reorganization.

On August 21, 2003, CTC announced that the Bankruptcy Court approved the Investment Agreement and the selection of Columbia Ventures as plan investor.

Paetec Communications

#10



- Competitive local, long distance and advanced data services.

	<u>Rank</u>
	10
Local Exchange Lines	106,792
Local Service Revenues	29,869,407
Network Plant in Service	39,482,771

**Operating Territory:** PAETEC is an integrated communications provider (ICP) offering a wide range of communications services available on a stand-alone or bundled-package basis to both wholesale and retail markets.

**Parent Company:** PAETEC is a privately held company financed by a combination of private investment and senior debt/credit facilities.

**Affiliates:** The PAETEC network will continue to incorporate advanced switching technologies and fiber and data products that will quickly provide additional capacity as customer demand grows.

**General Description of Current Operations:**

Based in Fairport, NY, PAETEC Communications, Inc. is an integrated communications provider offering local, domestic, and international long distance services, high-speed Internet access, advanced data services, and communications management services to medium, and large-sized businesses, colleges and universities, hospitals, governmental organizations, and affinity groups throughout the United States. PAETEC currently serves customers in over 27 markets, including: Albany, Baltimore, Boston, Buffalo, Connecticut, Long Island, Los Angeles, Miami, New Hampshire, New York City, New Jersey, Orange County, Philadelphia, Rhode Island, Rochester, San Diego, Northern Virginia, Syracuse, Washington DC, Chicago, Pittsburgh and Western Massachusetts. PAETEC is a privately held company and has more than 950 employees nationwide.

## Collocation Arrangements

With collocation, CLECs have the ability to lease space in an ILEC's central office to connect their facilities with those of the ILEC, thereby gaining access to all ILEC customers served by that central office. The number of collocation arrangements is a good measure of the presence of competition. The following tables demonstrate the changes in the number of collocation arrangements in New York State since 1999 for Verizon – NY and Frontier Telephone of Rochester central offices.

	<u>2/99</u>	<u>3/00</u>	<u>2/01</u>	<u>1/02</u>	<u>6/03</u>
Verizon – NY					
Collocation Arrangements	529	1,583	2,612	3,455	1,209
Collocating Companies	35	37	62	80	51
Frontier Telephone of Rochester					
Collocation Arrangements	0	24	112	38	47
Collocating Companies	0	4	10	5	6

## Regional Perspective

### Changes in the Number of CLECs Serving Each Region

The following table shows the number of CLECs serving each region, from 1998 through 2002.

#### Number of CLECs Serving Each Region

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>NYC Metro</b>	35	54	50	46	44
<b>Poughkeepsie</b>	4	14	14	19	18
<b>Albany</b>	10	29	28	27	23
<b>Syracuse</b>	10	25	25	27	20
<b>Binghamton</b>	6	15	15	17	14
<b>Buffalo</b>	10	25	23	25	22
<b>Rochester</b>	7	14	14	14	12

### Service Quality Trends

In the year 2002 the average monthly number of incumbent and CLEC trouble reports decreased to 264,331, a large improvement compared to 2001 and prior years.

Year	Average Monthly Trouble Reports	Access Lines	CTRR
1991	384,353	10,166,555	3.78
1992	342,457	10,259,048	3.34
1993	364,953	10,515,862	3.47
1994	397,636	10,831,381	3.67
1995	391,685	11,172,413	3.51
1996	407,475	11,477,603	3.55
1997	336,030	11,871,048	2.83
1998	335,917	12,331,680	2.72
1999	345,546	12,959,439	2.67
2000	362,484	13,637,620	2.66
2001	336,357	13,813,804	2.43
2002	264,331	13,858,846	2.02