FOR IMMEDIATE RELEASE/AUGUST, 1998

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IEC Report: Competition Heating Up Among Local Exchange Carriers

Revenues are growing exponentially, but so are the demands of end users; researchers suggest that carriers will have to get better if they want to stay in the game

CHICAGO—At first glance, this would appear to be a rosy time for telecommunications service providers. End users have developed a seemingly insatiable appetite for services, and this is fueling exponential growth in the local exchange marketplace, with revenues increasing at a rate of 300 percent each year.

On top of that, a staggering amount of investment money is pouring into the industry, says Terrence L. Barnich, Chairman and President of New Paradigm Resources (NPRG), an industry consulting group. Since 1996 alone, more than $18 billion has been invested in the industry, according to Barnich.

So, all is well in the world of copper wire and switches, right? For the most part, the answer is yes, says Barnich, who, along with Craig M. Clausen, NPRG’s Chief Operating Officer, co-authors the market research report The 1998 CLEC Report™ recently published by the International Engineering Consortium (IEC). However, if local exchange carriers are going to survive and ultimately thrive in this exploding marketplace, they will have to be more creative in serving the needs of their customers.

“End users are becoming more savvy,” Barnich explains. “Consequently, carriers will have to be more sensitive to their customers needs. Being competitive is no longer an issue of providing a dial tone for less money. If that’s all you’re interested in providing,
you’ll be the carrier of choice only for as long as you’re offering the lowest price. The real answer to capitalizing on this market is in providing new and different services."

The emergence of digital subscriber line technology, which allows carriers to deliver voice, video, fax and hybrid data services over their exiting copper-wire infrastructures, is a classic example of this dynamic, according to Clausen. “The competitive local exchange carriers (CLECs) were the first to recognize the opportunity, and now the incumbent local exchange carriers (ILECs) are scrambling to catch up,” he says.

The proliferation of CLECs—there are now more than 200 certified CLECs nationwide—has raised the competitive stakes, making it more difficult for all carriers to stay ahead—or even—with the pack.

Some have already fallen by the wayside, but this doesn’t concern Barnich. “The market is growing at such a pace that when one carrier gets absorbed, another pops up. This is a natural result of a de-regulated marketplace and what economists call ‘reaching an equilibrium.’ What we will be seeing as time goes on is not so much a shakeout, but an evolution.”

The 1998 CLEC Report™, recognized as the definitive source of information on the CLEC industry, provides detailed information on the most important facilities-based companies that are providing competition to the ILECs. The report offers insightful forecasts concerning the future of the CLEC industry, and in-depth profiles of the top CLECs currently in operation. Each profile discusses the CLEC’s history and development and includes a brief strategic analysis of the company’s current operation and prospects. The report also updates and analyzes the various regulations at the federal, state and local levels that are impacting the CLECs.

More information on The 1998 CLEC Report™ may be obtained by calling the IEC Publications hotline (+1-312-559-3730) or by visiting www.iec.org/pubs. E-mail may be addressed to publications@iec.org.
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