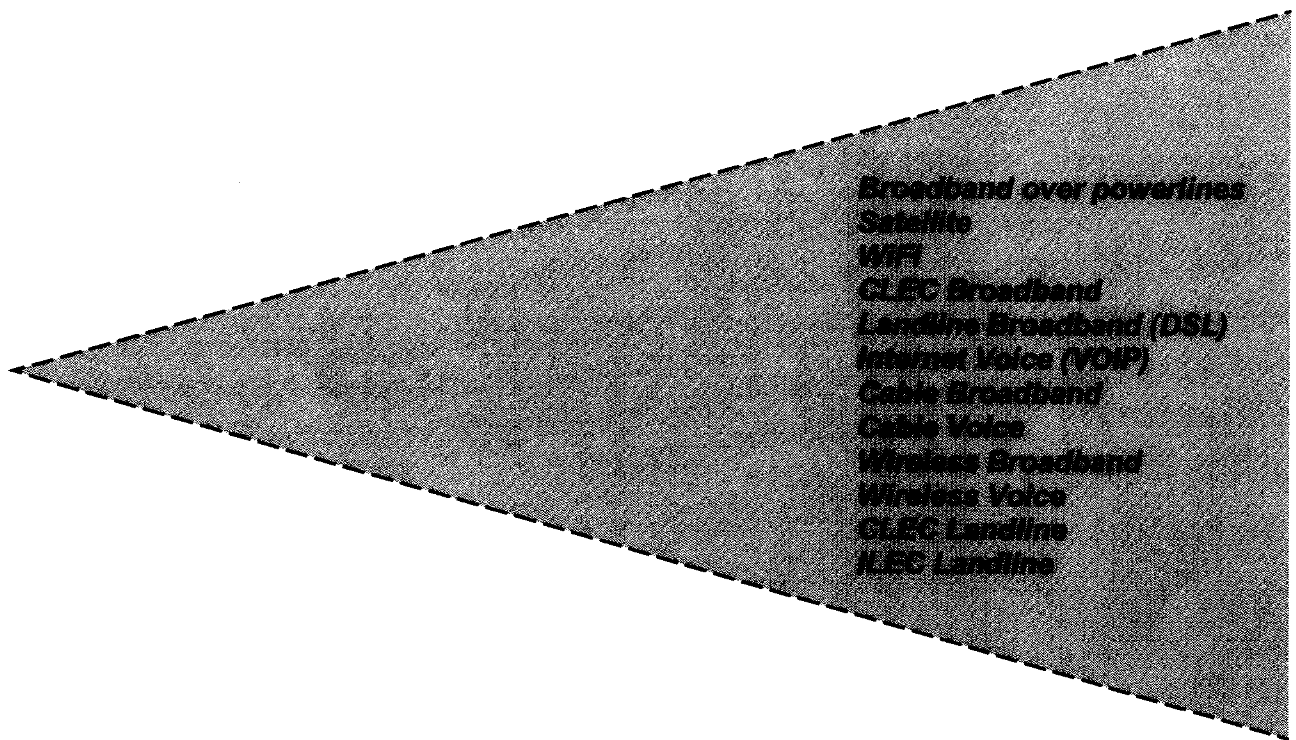
Telecommunications:

It's a new world

Plain Old Telephone Service (POTS)



	1933-1984
	51 years
Industry Focus	Universal Service No competition
Pricing Trends	Very Low Local prices Very High Toll prices
Incumbent Pricing	AT&T rural and local service are subsidized by AT&T toll service. Prices are sustainable because there is no competition.
New Market Entrant	None
Subsidy from new entrant	None
Customer Impact	Universal service achieved. Uniform pricing. No discounts
Focus of Regulation	AT&T No pricing flexibility

1939

	1984-1996
	12 years
Industry Focus	Long Distance Competition
Pricing Trends	Low Local prices High Toll prices
Incumbent Pricing	High margin pricing on features, local toll and business lines to subsidize rural and local service.
New Market Entrant	AT&T, MCI, Sprint, other LD carriers Analog/Cellular wireless
Subsidy from new entrant	LD carriers pay access charges
Customer Impact	Alternatives for long distance service. Volume discounts
Focus of Regulation	Access charges. ILECs get minimal pricing flexibility. IXC's get full pricing flexibility.

NEVADA BELL

AT&T

MCI

Sprint. One Sprint. Many Solutions.

	1996 -2003
	7 years
Industry Focus	Local Competition
Pricing Trends	Low Local Prices Discounted toll prices
Incumbent Pricing	High margin pricing on features, toll and bus lines - but there is competition from CLECs due to very low wholesale pricing.
New Market Entrant	CLECs Digital Wireless
Subsidy from new entrant	CLECs collect Universal Service surcharge
Customer Impact	Some alternatives for local service. Volume discounts and some limited bundling.
Focus of Regulation	UNE prices. ILECs get limited pricing flexibility. IXCs and CLECs get full pricing flexibility.

AT&T
WORLDCOM
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COVAD
COX COMMUNICATIONS
BELLSOUTH
XO Not just talk.
PAC WEST TELECOMM, INC.
Qwest. Spirit of Service
AdvancedTelCom
eschelon telecom, inc. Business at the next level™
SBC
verizon

	2004 +
Industry Focus	Intermodal Competition
Pricing Trends	Rational Local Prices Very low toll prices
Incumbent Pricing	Competition from many alternatives make it very difficult for ILECs to sustain high-margin pricing on any services.
New Market Entrant	Cable Voice and Broadband, Wireless Voice and Broadband Internet Voice (VOIP), WIFI Satellite, DSL.
Subsidy from new entrant	All providers should collect fees to subsidize rural and lifeline services.
Customer Impact	Many alternatives for toll, local, features, broadband, entertainment. Full bundles.
Focus of Regulation	Adopt sustainable funding for rural and lifeline service. Parity in pricing flexibility for all providers.

It's A Whole New World

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COX COMMUNICATIONS
Charter get hooked.
cricket Comfortable Wireless
cingular fits you best
VONAGE
Qwest Spirit of Service
BELLSOUTH
Advanced TelCom
XO Not just talk.
AT&T Wireless
SBC
NEXTEL
MCI
Sierra Pacific RESOURCES
Nevada Power.
STARBUCKS COFFEE
STARBUCKS.CO
dish NETWORK
eschelon telecom, Inc. Business at the next level™
verizon
DIRECTV
AOL.COM
EarthLink

It's a Whole New World

	1933-1984	1984-1996	1996 -2003	2004 +
	51 years	*12 years*	*7 years*	
Industry Focus	Universal Service No competition	Long Distance Competition	Local Competition	Intermodal Competition
Pricing Trends	Very Low Local prices Very High Toll prices	Low Local prices High Toll prices	Low Local Prices Discounted toll prices	Rational Local Prices Very low toll prices
Incumbent Pricing	AT&T rural and local service are subsidized by AT&T toll service. Prices are sustainable because there is no competition.	High margin pricing on features, local toll and business lines to subsidize rural and local service.	High margin pricing on features, toll and bus lines - but there is competition from CLECs due to very low wholesale pricing.	Competition from many alternatives make it very difficult for ILECs to sustain high-margin pricing on any services.
New Market Entrant	None	AT&T, MCI, Sprint, other LD carriers Analog/Cellular wireless	CLECs Digital Wireless	Cable Voice and Broadband, Wireless Voice and Broadband Internet Voice (VOIP), WIFI Satellite, DSL.
Subsidy from new entrant	None	LD carriers pay access charges	CLECs collect Universal Service surcharge	All providers should collect fees to subsidize rural and lifeline services.
Customer Impact	Universal service achieved. Uniform pricing. No discounts	Alternatives for long distance service. Volume discounts	Some alternatives for local service. Volume discounts and some limited bundling.	Many alternatives for toll, local, features, broadband, entertainment. Full bundles.
Focus of Regulation	AT&T No pricing flexibility	Access charges. ILECs get minimal pricing flexibility. IXC's get full flexibility.	UNE prices. ILECs get limited pricing flexibility. IXCs and CLECs get full pricing flexibility.	Adopt sustainable funding for rural and lifeline service. Parity in pricing flexibility for all providers.