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Reply to
Nashville Office

November 22, 2004

Chairman Pat Miller
Attn: Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RE. Petition of BellSouth Long Distance, Inc. to Exempt Certain Services– Docket No. 03-00391

Dear Chairman Miller:

Please find enclosed for filing, an original and 14 copies of the Post-Hearing Brief of Time Warner Telecom of the Mid-South, LLC's. Please date stamp one copy for my records.

Thank you for your assistance regarding this matter. If you have any questions, or if I may be of further assistance, please do not hesitate to contact me.

Very truly yours,

FARRIS MATHEWS BRANAN
BOBANGO HELLEN & DUNLAP, PLC

Kristi Stout

Kristi Stout

IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
PETITION FOR EXEMPTION OF CERTAIN SERVICES	)	**DOCKET NO. 03-00391**
	)	
	)	

POST-HEARING BRIEF OF TIME WARNER TELECOM OF THE MIDSOUTH, LLC

COMES NOW Time Warner Telecom of the MidSouth, LLC (hereinafter referred to as "Time Warner Telecom"), by and through its undersigned counsel and hereby submits this Brief. Petitioners, BellSouth Telecommunications, Inc. (hereafter "BellSouth") and Citizens Communication, Inc. (hereafter "Citizens") request an exemption for intraLATA Toll Services and for Primary Rate Integrated Services Digital Network (hereafter "PRI-ISDN") services pursuant to T.C.A. § 65-5-208(b). Their request for an exemption for intraLATA Toll Services is no longer before the Tennessee Regulatory Authority (hereafter "TRA"). The sole issue remaining before the TRA is whether existing and potential competition is an effective regulator of the price of PRI-ISDN pursuant to T.C.A. § 65-5-208(b)

BellSouth has failed to satisfy the conditions necessary to provide PRI-ISDN service without regulation pursuant to Tenn Code Ann. § 65-5-208(b). Until BellSouth shows the TRA that existing or potential competition is an effective regulator of the price of PRI-ISDN, Time Warner Telecom respectfully submits that this Authority should not grant their Petition.

The purpose of the Tennessee Telecommunications Act is to promote competition and reduce regulation in order to secure lower prices and higher quality services for Tennessee consumers and encourage the rapid deployment of new telecommunications technologies Charged with ensuring the advancement of technology that is beneficial to both consumers and

providers, the TRA should not deregulate PRI-ISDN services without knowing, in fact, that these purposes will be furthered.

PRI-ISDN provides ISDN-based DS-1 access to the telecommunications network and includes the flexibility of integration of multiple voice and/or data transmission channels on the same line. (Blake Testimony p. 2). The service has three essential components. an access line, and interface, and B channels. (Buckner Testimony p. 3). The basic channel structure provides one 64 Kbps D Channel for network signaling and up to 23 message bearing 64 Kbps B-Channels. (See Petition for Exemption of Certain Services by BellSouth and Citizens); (Blake Testimony p. 3). PRI circuits allow for the allocation of the available bandwidth among data and voice uses on a call-by-call basis These circuits also are required for the transmission path between the VOIP provider's gateway and the Public Switched Telephone Network (Argenbright Testimony p. 5). As such, PRI-ISDN comprises advanced technology that is of particular advantage for both business and non-business consumers.

A. Compliance with T.C.A. § 65-5-208(b)

Petitioners argue that current customer-provided equipment, a majority of which are PRI-ISDN compatible, is popular with business customers due to its flexibility in managing telecommunications networks. As such, several telecommunications service providers now offer PRI-ISDN service to meet the needs of these businesses for voice and data switched services. (Blake Testimony p. 4). BellSouth, United, and Citizen argue that the increase in providers of PRI-ISDN justifies exempting these services pursuant to T C.A. § 65-5-208(b). While United argues that existing and potential competition exists as an effective regulator of PRI-ISDN service, United stops short of arguing for total deregulation of PRI-ISDN services agreeing instead "that Price Lists be filed with the TRA and that terms and conditions be maintained in

tariffs on file with the TRA, that existing customers be given 30 days' notices on rate increases, that prices will not be below costs, and that federal resale obligations remain unaffected." (Marshall Testimony p 4). Time Warner Telecom does not believe that Price Lists provide protection for the consumers because they are not regulated by the TRA and merely require notice of price increases. Understandably, even with the restrictions suggested by United, Time Warner Telecom argues that based upon the predominant market power of BellSouth and lack of proof presented by all Petitioners that existing and potential competition effectively regulate the prices of PRI-ISDN services in Tennessee, it is clearly not in the best interest of Tennessee consumers for this Petition to be granted

BellSouth argues that the PRI market in Tennessee is "vigorously competitive" because at least twelve (12) other companies offer PRI service. (Blake Testimony p 4-5) For example, KMC, XTN, Mountaineer, and CityNet compete for PRI-ISDN customers with United. (Marshall Testimony p. 1). AT&T, MCI, US LEC, ITC DeltaCom, IGC Telecom Group, Time Warner Telecom, and BellSouth's negotiated Customer Service Agreements (hereafter "CSAs") compete with BellSouth (Argenbright Testimony p. 2) (Blake Testimony p 4-5). Standing alone, the existence of several providers is not enough proof to establish that the PRI-ISDN market is ready to become deregulated. Further, BellSouth gives no proof concerning the service area of these twelve (12) competing local exchange carriers ("CLECs"), making it unclear how many of these twelve (12) CLECs are actually competing statewide for consumers with Petitioners Upon a closer look at the advertisements of CLECs provided as proof of competition, one finds that a majority of listed CLECs provide PRI-ISDN services to only a small geographic area of the state, predominantly regions in East Tennessee (See Collective Exhibit 1). Pointedly, none of the Petitioners, BellSouth, United, or Citizens, who serve adjacent

areas, lists each other as competitors. This suggests some sort of collusion on their part to not compete with each other in an effort to dominate their current service areas.

Of further significance is that many of these CLECs require use of loop and transport facilities of the ILECs. Carriers KMC, XTN, MountaiNet, and CityNet rely on United to provide last-mile facilities (Marshall Testimony p 2). MCI, AT&T, and US LEC rely on the loop and transport providers of BellSouth (Argenbright Testimony p. 7). Many CLECs use their own switches but in areas beyond the reach of their fiber networks, they still heavily rely on incumbents. (Argenbright Testimony p. 7). Even when CLECs are chosen by consumers over ILECs to provide PRI-ISDN services, ILECs still profit from revenue that CLECs must pay to utilize their loop and transport facilities It is also arguable that the revenue collected from these CLECs provided resources for BellSouth to continue to amass its six billion dollar facilities across the state.[1] (Buckner Testimony p. 6)

Emphasizing the disparity in facilities between ILECS and CLECs, Terry Buckner, Regulatory Analyst for the Consumer Advocate and Protection Division in the Office of the Attorney General (hereafter "CAPD"), testified that BellSouth's wholesale price of services directly affects the retail prices that CLECs charge their customers since CLECs must make revenue contributions for use of ILEC facilities. As BellSouth is the dominant wholesale facilities provider as well as a dominant retail facilities provider in Tennessee, granting of their petition will enable BellSouth to control the market price of PRI-ISDN services and will cause a reduction of competition amongst PRI-ISDN providers. (Buckner Testimony p. 7) (Argenbright Testimony p. 8). Likewise, this action will create ripe conditions for BellSouth to utilize its

[1] Mr Buckner's testimony relies on the following source BellSouth 2003 FCC ARMIS Report 43-02, Table B-6

position in an anti-competitive manner by implementing a price squeeze.[2] (Argenbright Testimony p. 8). If this were to occur, the consumer would benefit initially, but CLECs would ultimately not be able to offer PRI-ISDN services to customers who are out of reach of the loop and transport facilities of the CLECs. (Argenbright Testimony p. 9). BellSouth objects to this line of reasoning by arguing that AT&T and CAPD's reliance on the market share analysis are based on false assumptions and are completely subjective. However, after much discussion about why the market share analysis is an inappropriate model for evaluating competition in the PRI-ISDN market, Brian Staihr, Economist for United/Sprint, fails to apply any alternative economic model to the facts that show the market is, in fact, competitive enough to regulate prices. The burden of proof is on Petitioners to establish that existing or potential competition regulates the price of PRI-ISDN service.

To make matters even worse, there are no comparable services to substitute for PRI-ISDN Two services can be considered substitutes if they are functionally equivalent or a reasonable interchangeability of use exists. (Staihr Testimony p. 8). Brian Staihr, Economist for United/Sprint, argues that reasonable interchangeability of use is most appropriate in this matter because it encompasses all degrees of substitutability including functional equivalence. Further, he argues that under this model, two services that are not identical or functionally equivalent can still exert competitive pressure on each other. (Stairhr Testimony p. 9).

BellSouth argues that alternatives to PRI services exist in the market place. For example, Kathy Blake testifies that businesses are changing their business structure from location-based (which utilizes PRI) to an anywhere, anytime business structure. (Blake Testimony p 6). Accordingly, she argues that wireless and DSL services can be used to replace PRI The wireless

[2] A price squeeze involves the situation where a vertically integrated firm that controls an essential facility or essential input charges so much for the use of that facility or that input to a wholesale customers that that customer cannot compete at retail with the vertically integrated firm

phone replaces the voice functionality of PRI. (Blake Testimony p. 6). Business can replace PRI data functionality by allowing Internet access and Virtual Private Network (VPN) services using a broadband connection such as those using Internet Protocol to provide high-speed data connectivity. (Blake Testimony p. 6). However, neither DS1 nor DSL are direct substitutes for PRI-ISDN services. (Argenbright Testimony p 7). DS1 cannot provide the out-of-band signaling associated with PRI, and DSL only provides access to the Internet. (Argenbright Testimony p. 7).

Time Warner Telecom agrees with AT&T and CAPD that BellSouth's substitution argument is unreasonable. It is wrong because BellSouth provides no evidence about the substitute-services that the TRA does not regulate and provides no evidence that the substitutes are themselves markets where potential and existing competition is acting as an effective regulator of the substitute's price. (Buckner Testimony p.11). Further, there is nothing in the record from a buyer's viewpoint as to the interchangeability of the services Technical possibilities do not necessarily equal substitutability under any theory.

Finally, BellSouth does not demonstrate that it is disadvantaged in the PRI marketplace due to its current regulatory obligations or the competitiveness of the market. In fact, BellSouth fails to point out that the large number of CSAs formed pursuant to Tenn Code Ann. Section 65-2-201(b) allows regulatory flexibility for BellSouth to negotiate and offer services based on competitive market conditions. (Argenbright Testimony p. 10). Time Warner Telecom agrees with AT&T that until BellSouth can demonstrate that it is no longer the dominant provider of PRI-ISDN service in Tennessee and is not in a position to engage in anti-competitive activities, the TRA should retain its regulatory authority over BellSouth's offering of PRI-ISDN services.

Motion of BellSouth Telecommunications, Inc and Response to AT&T's Comments on BellSouth's Presumptive Validity Tariff, Kentucky Public Service Commission Case no 2002-00276, dated March 13, 2003, at p 7)

B. Granting BellSouth's Petition Will Potentially Slow the Advancement of VOIP Technology in Tennessee

In order for VOIP calls to be converted to a time division multiplexed or an analog signal, the gateway provider must use the call signaling and control features of PRI circuits. Dr. Steve Brown, Economist for Consumer Advocate and Protection Division from the Office of the Attorney General, testified that BellSouth's Petition should be evaluated in terms of the critical role that PRI circuits play in making VOIP an alternative to Plain Old Telephone Services (POTS) (Brown Testimony p. 3) Mr. Argenbright further explains that voice calls made via a VOIP application are converted to data packets that are carried over an Internet Protocol ("IP") based network. Upon termination of this call, the call needs to leave the IP based network via a gateway that is connected to the Public Switched Telephone Network ("PSTN"). In order for the VOIP call to be accurately converted back to a time division multiplexed or an analog signal with all the appropriate call characteristics, the gateway provider must use the call signaling and control features of the PRI circuits. (Argenbright Testimony p. 6). Similarly, when a call originates on the PSTN and it has to be terminated to a VOIP customer, the PSTN originated call is delivered to the VOIP gateway over the PRI circuit. Without the use of a PRI circuit, VOIP calls could not interface with the PSTN with any degree of accuracy or quality. (Argenbright Testimony p. 6).

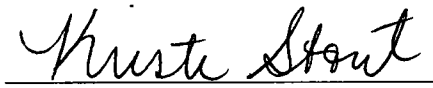
According to a Standard & Poor's report entitled "S&P cautions Bells on VOIP", PRI-ISDN is being used to implement VOIP, and incumbent telephone companies stand to lose five billion dollars annually if VOIP is substituted for POTS. (Brown Testimony p. 4). Further, this article advises that the "overall loss could be mitigated by VOIP providers' recurring payments to RBOCs for local connectivity services such as ISDN primary rate interface ..." (See Exhibit

2). If this petition is granted, BellSouth could potentially counter the use of PRI-ISDN as a platform for VOIP by price discriminating among PRI-ISDN customers according to how the service is used (Brown Testimony p. 6). It would be financially beneficial to BellSouth and other ILECs to strategically price their PRI-ISDN services to prevent the spread of VOIP technology across the state of Tennessee Although, Time Warner Telecom concedes that the possibility of preventing the growth of VOIP technology in Tennessee alone is not a reason to deny this Petition, it does aver that granting this Petition without considering the impact on VOIP in addition to its anti-competitive effects would not be in the public interest

CONCLUSION

Other than providing information regarding the existence of several CLECs in Tennessee that offer PRI-ISDN to limited service areas, the Petitioners in this matter have failed to offer any conclusive evidence that the price of PRI-ISDN service is currently regulated by existing or potential competition. Their Petition is simply premature with no real basis. Further, the granting of this Petition would equip BellSouth with the ability to limit the growth of technology in Tennessee, specifically by limiting the spread of VOIP. Since Petitioners have not met their burden of proof required under T.C A § 65-5-208(b), Time Warner Telecom respectfully requests that this Petition should be denied.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 22rd day of November, 2004, a true and correct copy of the foregoing was forwarded via U.S. Mail, first class postage prepaid, to the following:

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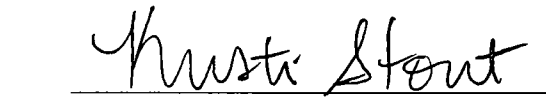

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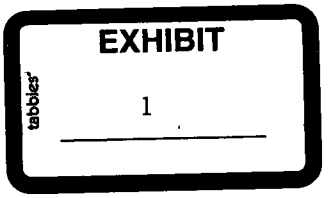

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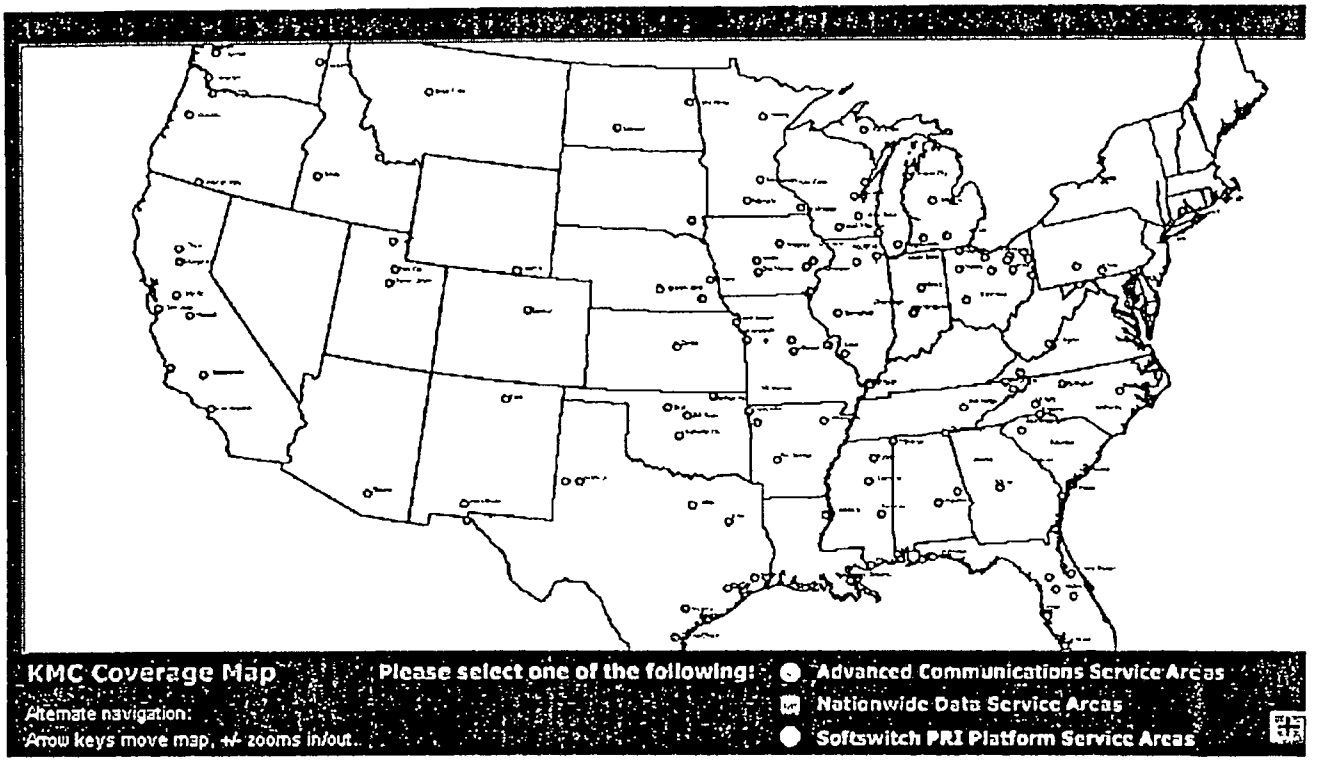

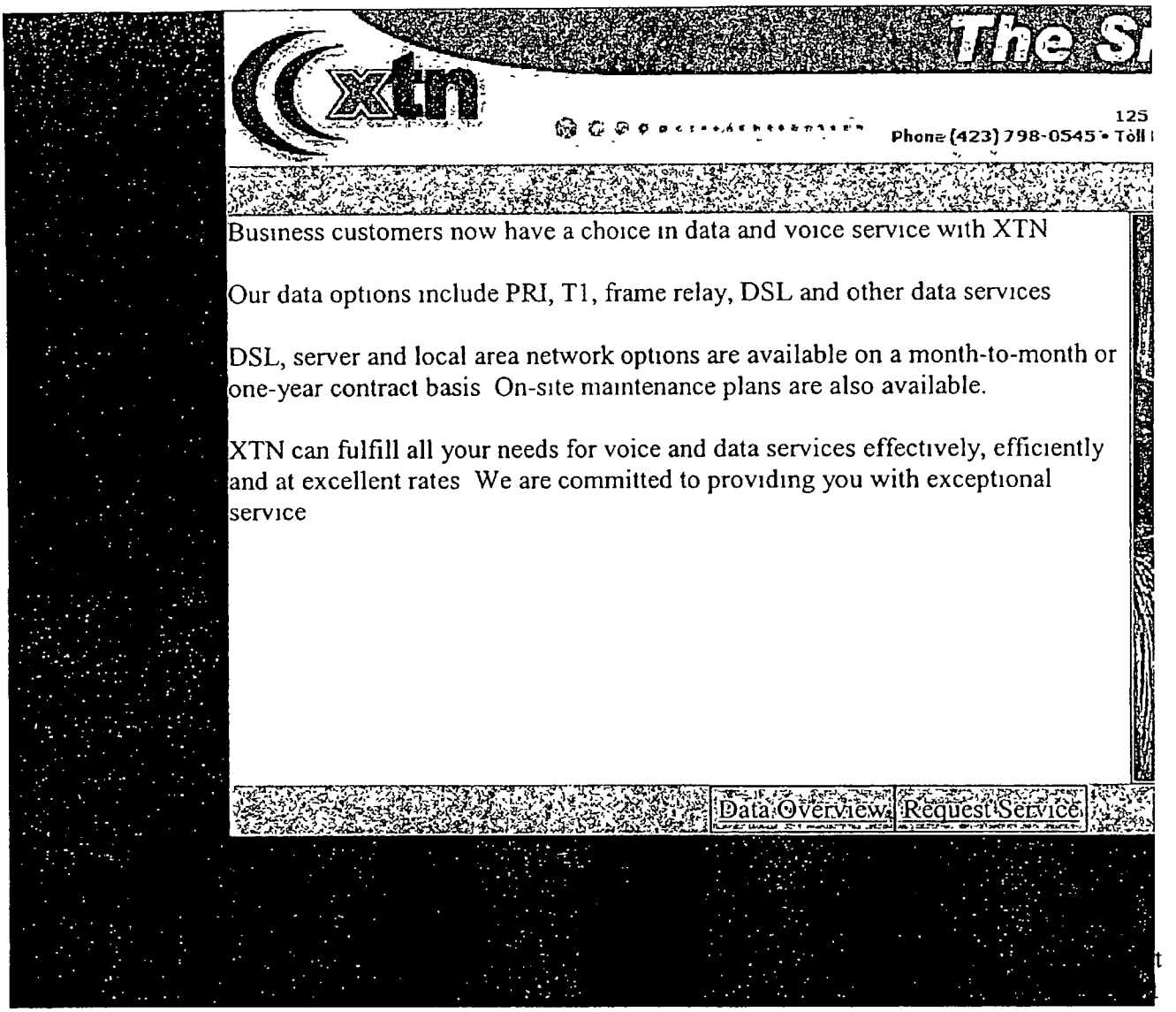
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Advantages and Benefits
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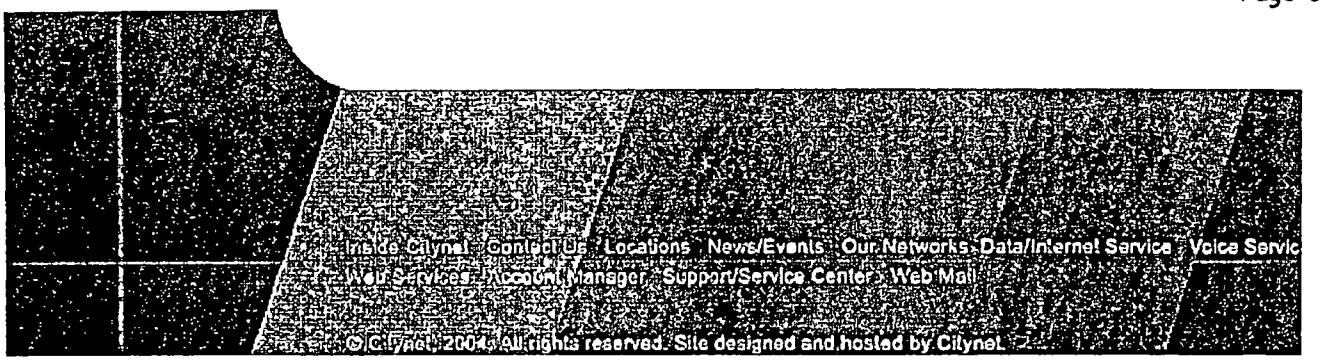
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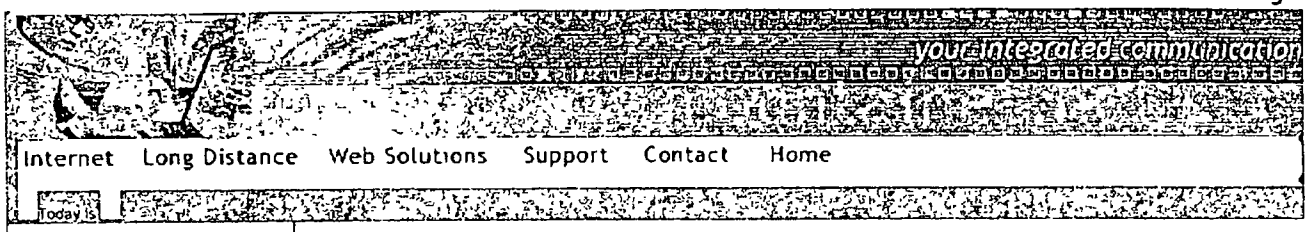

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- **DSL**

  Digital Subscriber Line (DSL) is a modem technology that can transform ordinary telephone lines into high-speed digital lines for ultra-fast Internet access DSL technology allows a high-speed data signal to be transmitted short distances over these regular telephone lines DSL provides switched, secure, unshared broadband Internet access without the throughput problems often experienced with a cable modem Coaxial cable based systems, used by cable modems have unsecured shared segments where all users attached can "see" all the data transmitted across that particular segment And as the coaxial segments are shared, only one single user can transmit or receive data at any given time on any given coaxial segment This is why the throughput rates on cable modem systems vary erratically during peak usage MountaiNet currently has high-speed DSL available in much of the Tri-Cities area and may soon expand that coverage area

- **ISDN**

  Need something faster than 56k? ISDN may be your answer if you're looking for both low cost and high speed on a larger scale

- **High Speed Broadband**

  MountaiNet provides a variety of dedicated connectivity options, everything from ISDN all the way up to ATM and DS-3 connections are supported Frame Relay support is provided for multiple site connections or when there is a need to cover long distances Full and fractional T-1 point-to-point connectivity is supported and MountaiNet can multiplex up to four T-1 circuits to increase bandwidth and throughput to your site MountaiNet even has DSL available in limited areas of our coverage footprint

  Our full DS-3, 45Mb network backbone and our OC192 Internet Gateway connection insures you always have adequate throughput and negligible latency delays Our competitive bandwidth rates are among the lowest in our coverage area Our main goal is to provide our customers with affordable, reliable Internet access

  In addition to dedicated connectivity, MountaiNet provides independent, live IP addresses to your business for use throughout your private network for servers and equipment MountaiNet can also provide Domain Name Services (DNS) to route traffic to your web applications or enable you to deploy Intranet/Extranet applications

  MountaiNet understands connectivity and our expertise insures you always have reliable Internet access

- **Lan-Wan Connectivity**

  In order for a business to effectively utilize the power of the Internet there first has to exist a dependable local area network interconnecting the resources on-site at your facility While MountaiNet will always work with and support on-site networking personnel or service providers of your choosing, we can, through our affiliate partner program, provide LAN installation and support services if necessary We have formed strategic alliances with select network service providers throughout our coverage area chosen for their impeccable reputation and certified capabilities to insure your business maximizes the use of our reliable Internet connections From the smallest office to large, multi-point networks, MountaiNet can provide affordable and dependable networking services

Wide Area Support - MountainNet can provide you with a wide variety of multiple point connection options to support a private WAN or Extranet network A private Frame Relay cloud with individual connections to each site location is a cost effective method for providing connectivity across long distances Full or fractional channelized T-1 connections between site locations can support both voice trunk lines and data traffic MountainNet can provide cost effective multi-point connectivity

Virtual Private Networking (VPN) is a relatively new technology that uses the Internet itself as the backbone connection between sites Each site needs only a local connection to the Internet and VPN technology can be used to establish a secure, encrypted point-to-point tunnel across the Internet Virtually it appears that all sites are directly connected together but the cost of interconnecting Telco circuits to each location is eliminated

- **Backbone Collocation**

At each of our network backbone nodes, MountainNet has affordable collocation space available for rack-mounted servers and other equipment If you require ultra high-speed access and the ability to move massive amounts of data quickly our co-location spaces provide local connectivity directly onto our DS-3 backbone Currently we have space available in the following areas

- Norton, VA,
- Gate City, VA
- Johnson City, TN
- Knoxville, TN
- Chattanooga, TN

When latency, throughput and response times are critical our co-location solutions provide the ultimate in Internet connectivity without the added expense of maintaining high capacity Telco circuits out to your physical site You pay for only the bandwidth you need to service your own Internet access needs The bandwidth for your web applications is provided directly from our network backbone For mission critical, high-speed access or off-site redundancy, our secure collocation spaces are ideal solutions, eliminating the various expenses relating to on-site hosting

*** NOTE** As of December 1, 2001, there will be a one-time activation charge applied to your first initial bill on all accounts* Your account also includes two free E-Mail addresses and 5 MB of free MountainNet web storage space for you own personal web page!

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- Service Portfolios
- Insight & News
- Customer Center

Integrated Services Digital Network (ISDN)

Service Portfolios

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- Data
- Hosting
- IP & IP VPN
- Business Continuity & Security
- Voice
- Access & Local
- Professional Services

Meet the network demands of today and tomorrow with AT&T ISDN Designed for high-speed, high-capacity information exchange, AT&T ISDN helps increase the productivity and efficiency of your business You can send and receive digital information of all kinds - voice, data, video, and fax - over a secure, reliable, global network. And you can take advantage of capabilities such as video-conferencing, batch file transfer, multimedia applications, imaging, and Internet access - at speeds of 56/64 Kbps up to T1 and E1. What you won't do is spend too much; ISDN is a cost-effective, versatile solution that meets the needs of both volume-sensitive and occasional use applications.

Additional Resources
Video Conferencing Solution Finder - Business Applications Using ISDN -

SERVICES

- AT&T ISDN Primary Rate Interface
- AT&T Switched Digital Services

- Terms & Conditions
- Privacy Policy
- Contact Us

MCI

Enterprise

All Products

- Managed Services
- Voice
- Internet
- Data
- Satellite
- Government Services
- Wholesale Services
- All Products
- Partner Center
- Resource Center
- Manage My Account
- Customer Service
- Contact Us

A-C

- ATM
  - U S
  - Global
- Audio Conferencing
- Authentication
- Broadband Satellite Corporate (Internet)
- Business Lines, Local
- Call Routing, Enhanced
- Calling Cards
  - Domestic Card
  - Global Card
- Circuit View
- Conferencing
  - Audio Conferencing
  - Video Conferencing
  - Net Conferencing
- Contact Center Services
  - Managed Contact Solutions
  - Web Center
  - Voice Portal
  - Enhanced Call Routing
- Contact Solutions, Managed
- Corporate Remote Access
  - IP Link
  - Transaction Services

D-G

- Data Center Services
- Dial (Internet)
  - Solo
  - Office
  - Corporate
- Dedicated Hosting
- Dedicated (Internet)
  - T1
  - T3
  - OC-3
  - OC-12
  - OC-48
  - Ethernet
- DSL (Internet)
  - Solo
  - Office
  - Enterprise
- Enhanced Call Routing
- Enterprise Content Delivery
- Enterprise DSL
- Ethernet Dedicated
- Firewalls (Unmanaged)
- Firewalls (Managed)
- Frame Relay
  - Domestic
  - International
- Full Service T1, Local

H-L

- Hosting, Web
  - Shared
  - Dedicated
- ImagePort Fax
- Internet Conferencing
- IP Link
- IP VPN
  - Dedicated
  - Remote Access
- ISDN-PRI, Local
- Local
  - Business Lines
  - Trunks
  - Full Service T1
  - Local ISDN-PRI

M-P

- MAE Services
- Managed Contact Solutions
- Managed Firewalls
- MCI Advantage
- Metro Private Line
- Network Consulting
- OC-3, Dedicated
- OC-12, Dedicated
- OC-48, Dedicated
- Outbound Long Distance
- Private IP VPN
- Private Lines
  - U S.
  - Global
  - Metro Private Line

Q-T

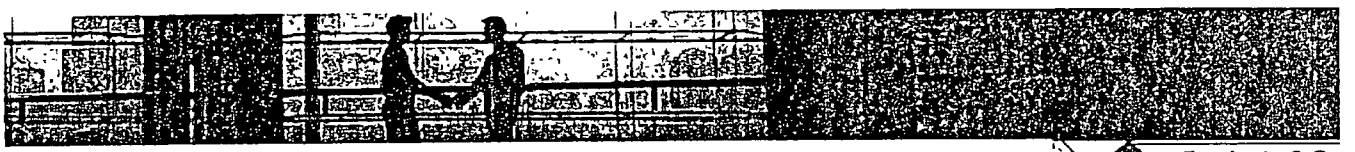
- Satellite
  - VSAT IP Networks
  - Satellite Custom Terminals
  - Internet Broadband Satellite
- Security Products
  - Firewalls
  - Managed Firewalls
  - Authentication
- Shared Hosting
- SkyTel Wireless Services
- SONET Private Lines

U-Z

- Video Conferencing
- Voice Portal
- VPNs
  - Dedicated IP VPN
  - Remote Access IP VPN
  - Private IP VPN
- WAN Services
- Web Center
- Web Conferencing
- Web Hosting
- Wholesale Products

US LEC

voice / data / Internet



Products & Se

Digital Private Line (DPL)

US LEC makes it easier for customers to communicate with their offices, customers and vendors Digital Private Line (DPL) is a US LEC product that provides low-cost connectivity to other US LEC-served locations, and eliminates long distance rates between outlying offices

Docket No 03-00391
Exhibit CAPD-SB___
Direct Testimony___
Attachment To Direct
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APRIL 14, 2004
PREVIOUS NEWS ANALYSIS

S&P Cautions Bells on VOIP

A broad warning issued last week by credit rating service Standard & Poor's has cast a lingering dark cloud over regional Bell companies (RBOCs) It's also raised new questions about VOIP regulation

S&P says RBOCs stand to lose about $5 billion in annual revenues if regulators make voice-over-IP providers exempt from federal and state access fees RBOCs currently rely on carrier access fees for about 22 percent of their total operating revenues, or about $20 billion

In its estimate, S&P assumed RBOCs will lose about 15 percent of residential access lines with average monthly bills of $24 each to cable companies, independent carriers, and long-haul carriers that offer VOIP service Loss of local lines would account for about four-fifths of the $5 billion shortfall, and loss of access fees would make up the rest

The overall loss could be mitigated by VOIP providers' recurring payments to RBOCs for local connectivity services such as ISDN primary rate interface or toll-free 800 service On the other hand, the loss could soar beyond $5 billion if VOIP providers use leased facilities to terminate large volumes of long-distance calls

The issue hinges partly on whether the Federal Communications Commission (FCC), states, and courts require VOIP carriers to pay access fees to RBOCs for VOIP traffic transmitted over, or terminated on, the RBOCs' networks

Current regulation of VOIP service is murky at best VOIP providers like Vonage Holdings Corp and AT&T Corp (NYSE T - message board) have claimed that they are information services and should not be treated as telecommunication services, which are required to pay access fees Some state regulators, such as the Minnesota Public Service Commission, have challenged those claims But in October, a U S District Court overruled Minnesota's decision to regulate Vonage as a telecom carrier

The FCC is reviewing VOIP regulation but has no deadline for a definitive decision Whatever it decides, the threat of VOIP to the RBOCs may be unavoidable "Regardless of what happens with regulation, I think you'll see the competition [from VOIP providers] move forward," says Catherine Cosentino, the credit analyst at S& P who wrote the report

S&P currently has a credit watch on all three investment-grade RBOCs SBC Communications Inc (NYSE SBC - message board), BellSouth Corp (NYSE BLS - message board), and Verizon Communications Inc (NYSE VZ - message board) But Cosentino stresses that the threat from VOIP providers is only one of several reasons for the rating service's concern Substitution of cell phones for wire lines also puts RBOCs' revenues at risk, as does the loss of retail lines to unbundled network element platform (UNE-P) competitors

Some RBOCs, such as Verizon, have been battling S&P's negative view When S&P

EXHIBIT
tabbies
2

put Verizon on credit-watch negative, Veriz
release (see Verizon Scuffles With S&P an

But VOIP is poised to grow quickly, especi
Last year, Cablevision Systems Corp (NYSE CVC - message board) rolled out VOIP service and had 29,000 subscribers by Dec 31, 2003 Cox Communications Inc (NYSE COX - message board), Time Warner Cable, and Comcast Corp (Nasdaq CMCSA, CMCSK) have introduced similar offerings

In response, some RBOCs have started deploying VOIP service themselves Qwest Communications International Inc (NYSE Q - message board) provides the service to consumers in Minnesota, and SBC offers VOIP to business customers as part of an Internet services package

VOIP systems can be as much as 50 percent less expensive for RBOCs to maintain than circuit-switched systems Nevertheless, RBOCs may still have to cut prices for VOIP services to compete with CLECs, which have lower overall cost structures

— Justin Hibbard, Senior Editor, *Light Reading*

Article Talk

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