

**The Weekly Telecom Report provided by [www.PaBroadbandnews.com](http://www.PaBroadbandnews.com)  
For more information, contact John Kennedy at [johnk@pabroadbandnews.com](mailto:johnk@pabroadbandnews.com).**

*In this issue, some CLECs are worried about possible changes to their interconnection agreements. Verizon announces “bullish plan” to for expansion of fiber optic network. The NY Times provides a look at impact of competition in mobile phone industry – chiefly “plummeting rates.” In NY, regulators tab Vonage as a phone company. Verizon’s investment in NJ continue to spark debate and, in Pennsylvania, The Morning Call looks at the expansion of Internet phone service. A PSU professor weighs in on Wi-Fi phones. “You still need the infrastructure to be put in place. It's not going to be completely free,” said Fairborz Ghadar of Penn State University. "But it will force competitive price erosion from the wireless companies, as people use the phones to bypass Verizon and SBC." Meanwhile, AT&T and Sprint announce joint wireless operation. FCC Chairman Powell pushes “regulation-free” Internet telephone calls while a new study suggests enterprise VOIP business will double in 2004.*

## **From the Papers**

VOIP is ready for prime time, says Cox Communications  
[Click Here](#)

Wi-Fi Phones the next wave.  
[Click Here](#)

The NY Times looks at mobile phone competition.  
[Click Here](#)

Vonage vows to fight New York ruling.  
[Click Here](#)

The Morning Call looks at Internet phone service.  
[Click Here](#)

Verizon limits NJ upgrades.  
[Click Here](#)

AT&T and Sprint announce joint wireless operation.  
[Click Here](#)

FCC Chairman Powell makes case for "regulation-free" Internet telephone calls.  
[Click Here](#)

Boardwatch looks at study that predicts enterprise VOIP will double in 2004.  
[Click Here](#)

# CLECs Appealing to State Regulators to Block Change in Interconnection Agreements

A number of competitive carriers (CLECs) are appealing to state regulatory bodies, including Pennsylvania's PUC, to prevent Verizon and other incumbent carriers from changing their interconnection agreements covering access to unbundled network elements (UNEs). The CLECs fear that a March 2 federal court decision, which stated that the state regulatory bodies have no authority to set access rates, would lead the incumbents to change network agreements finalized under the watchful eyes of state regulators.

For its part, Verizon has maintained that it continues to be open to establishing commercial agreements regarding access with the CLECs. In fact, FCC Chairman Michael K. Powell has encouraged network agreements between the CLECs and Verizon and the other incumbent carriers outside the regulatory scheme.

In Michigan, an association of CLECs recently filed a complaint asking the Michigan Public Service Commission to issue an order preventing incumbent telcos SBC Communications Inc. and Verizon from discontinuing competitive providers' access to unbundled network elements (UNEs) at rates set forth in existing interconnection agreements or applicable tariffs.

## Verizon Presses On With Fiber Networks

Verizon has announced a "bullish" plan to build fiber optic networks in nine states in the face of some criticism that costs of building the networks will eventually outweigh any return on investment.

"We're well aware of the doubters," said Bill Kula, a Verizon spokesman. "But we believe that fiber is a solid answer to cable/modem. It's faster, and the network is easier to maintain. We're bullish on it."

When asked if Pennsylvania were one of the nine states, Kula said that the entire plan, including the names of the states, would be made public in the next few weeks. In the meantime, he said that the \$1 billion plan would result in one million households being connected to the fiber system by the end of this year. Verizon predicts that the number of new sign-ups will double in the following year.

The new technology, known as fiber to the premises (FTTP), uses fiber-optic cable and optical electronics to directly link homes and businesses to Verizon's network. The fiber-optic connections will replace traditional copper-wire links.

Although the use of fiber-optic technology is common throughout the telecom industry, Verizon is the first company to begin using it to directly connect homes and businesses to the network on a widespread scale.

Verizon have long regarded networks built on fiber optic cables as the ultimate weapon to fight off challenges from cable companies and new competitors. Such networks could carry video on demand, telephone calls and Internet downloads at speeds more than 30 times faster than today's fastest home broadband links.

Verizon's rivals have been reluctant to build fiber networks, citing uncertain federal regulations, high costs and payoffs that might be a decade away.

“We see this as both a way to replace the old copper system and a way to compete with cable/modem and wireless services in the future,” Kula said. “We’re going to keep moving ahead.”

## Citigroup Helps to Wrap It Up for WorldCom

The cleanup after the collapse of WorldCom Inc. advanced recently when Citigroup Inc. announced it would pay investors \$2.65 billion to settle claims that one of its investment banking units helped disguise WorldCom's accounting fraud and inflate the price of its securities.

The settlement, if approved by Southern District of New York Judge Denise Cote, removes a central player from the litigation spawned by WorldCom's revelation that it hid more than \$11 billion in costs on its balance sheet.

The accounting fraud led to criminal charges against WorldCom chief executive Bernard J. Ebbers and several other top officials, triggering the collapse of the company's stock price. It forced the company into a bankruptcy that ended last month when it re-emerged under the name MCI.

The settlement leaves 16 investment banks facing civil liability in consolidated class actions that have the New York State Common Retirement Fund as lead plaintiff, represented by Bernstein Litowitz Berger & Grossman of New York and Philadelphia's Barrack Rodos & Bacine.

Citigroup, the parent of Salomon Smith Barney, was named in the class actions because of what plaintiffs' lawyers said was an incestuous relationship between Salomon Smith Barney, its star telecommunications analyst Jack Grubman and lead executives at WorldCom.

They claimed Grubman and Salomon Smith Barney aided and abetted WorldCom's record-setting accounting fraud by making material misrepresentations in analyst reports and registration statements for public securities offerings.

As part of this quid pro quo relationship, Salomon Smith Barney allegedly funneled shares in initial public offerings to top WorldCom executives and lent Ebbers hundreds of millions of dollars - all to help ensure that WorldCom send its investment banking business to Salomon Smith Barney.

For Daily Headlines from around Pennsylvania and the nation, visit our homepage at [www.pabroadbandnews.com](http://www.pabroadbandnews.com).

For more information, contact [JohnK@pabroadbandnews.com](mailto:JohnK@pabroadbandnews.com).