Michigan Public Service Commission

Staff Report

Results of 6th Competitive Market Conditions Survey

May 2005

Case No. U-12320

The Michigan Public Service Commission Staff conducted its 6th Information/Data Request of SBC, Verizon and all licensed Competitive Local Exchange Carriers (CLECs), which included incumbent local exchange carriers (ILECs) that also operate as CLECs in Michigan. Verizon provides information on their line activity and as competition in their area develops further, information on CLECs in Verizon areas will be gathered and presented. This survey was sent to 202 licensed CLECs in the state of Michigan as of December 31, 2004. The survey was sent to the companies on January 14, 2005 with a response date of February 28, 2005. A reminder survey was also mailed on February 14, 2005 to the companies that had not yet responded. The data collected was for the calendar year ending December 31, 2004. This information is gathered to assist the Commission in furthering its evaluation of the state of local competition in Michigan.

The original survey vehicle was developed through a collaborative process set forth in the Commission's order in docket U-12320 in 2000. This docket was initiated to review SBC's application for Section 271 long distance authority. [1] This survey requested some information that the companies considered confidential. The results of portions of this survey are reported as total group numbers to maintain the confidentiality of the individual company numbers.

Attachment A is a chart indicating the number of lines attributed to CLECs in Michigan as submitted by the CLECs responding to this survey. Of the 202 CLECs that the survey was sent to, 127 companies filed a response with 77 of those companies reporting that they are actually providing service and have line counts, and of this group 47 CLECs are providing service to both residential and business customers. The companies with no line activity have either just begun to offer service and have no line activity to report for 2004 or they are providing services other than local, like resold long distance. SBC also reported the same type of

[1] Section 271 of the Federal Telecommunications Act of 1996 describes the conditions which a Bell Operating Company (BOC) may enter the market to provide interLATA services, long distance in particular, within the region where they operate as the dominant local telephone service provider.

counts from information they collect pertaining to the number of lines that they provide to the CLECs (Attachment B). There is a discrepancy between what SBC reports and what the CLECs report. This can be attributed to what SBC estimates as the number of lines that the CLECs provide over their own facilities and what the CLECs report as actual for this category.

From the data compiled through this survey (Attachment A), staff has found that the number of lines provided by CLECs (including over their own facilities) is 1,681,173. Staff has prepared a chart of the number of access lines provided by all of the incumbent local telephone companies in Michigan (Attachment C). This indicates that the number of lines provided in Michigan (ILECs including SBC, Verizon and CLECs) is 6,103,253. The number of CLEC lines compared to total lines represents 27.5%. SBC's share is 56.9% while Verizon's share is 11.8%. The small independent telephone companies represent 3.7% of the total lines in Michigan. Virtually all of the CLEC activity is in the geographic areas that are served by SBC. As a percent of the SBC market, the CLEC market share is therefore approximately 32.6%. The survey responses indicate that the geographic areas covered by CLEC lines encompass the Detroit, Grand Rapids, Lansing, Saginaw and Upper Peninsula LATAs with the majority of the competitive lines being provided in the Detroit LATA. From the data that SBC provides, 62% of the competitive lines are provided in the Detroit area, 23% of the competitive lines are provided in the Grand Rapids area, 6% of the lines are provided in the Lansing area, 6% of the lines are provided in the Saginaw area and 3% of the lines are provided in the Upper Peninsula area.

The 2004 Survey Results Show That:

CLECs With No Lines	50
CLECs 1 – 1,000 Lines	26
CLECs 1,001 – 10,000 Lines	29
CLECs over 10,000 Lines	22
Total CLECs Responding to Survey	127

The preceding chart indicates a grouping by size of CLECs according to the number of customer lines that they served in 2004. The chart shows that of the 127 CLECs reporting, 50 were serving no customers in 2004 which represents approximately 40% of the group, while the second group served between 1 line and 1,000 lines, a group of 26 CLECs or about 20%. The third group served between 1,001 and 10,000 lines each and is comprised of 29 CLECs for a 23% share, and the last group of CLECs served over 10,000 lines each and represents 22 CLECs for a 17% share.

The results of the survey indicate that approximately 99% of the CLEC lines are in SBC's territory while only 1% of the CLEC lines are in Verizon's territory. Michigan CLECs are using several methods of entry in order to compete: 4% by resale; 18% by using the incumbent's unbundled network facilities (UNE loops); 66% by using the incumbent's unbundled network platform (UNE-P) which includes switching and 9% through the CLECs own facilities (CLECs own facilities that are in place without using the incumbents facilities).

Staff made an attempt to verify which companies may have line activity and to obtain line counts from all of the viable CLECs. Staff has determined that the companies that failed to respond to the survey essentially consist of a group of newly licensed CLECs that are not yet providing service, CLECs that were licensed but are no longer active in business or are companies with negligible line counts. During 2004, the Commission had four CLECs go out of business and surrender their licenses. From staff's review, we have determined that the majority of the viable CLECs have reported through this survey process.

Attachment A

Competitive Market Conditions
4th Information/Data Request
CLEC Access Line Data for Michigan
For the Period Ending Dec. 31, 2004
As Reported by CLECs

1. Lines Served via Resale of ILECs service	67,890		4%
2. Lines Served via Unbundled Network Facilities (UNE-L)	296,402		18%
3. Lines Served via UNE Platform (UNE-P)	1,116,670		66%
4. Other Dedicated LEC Access Lines	29,440		2 %
5. Total via ILEC Facilities (Lines 1 + 2 + 3 + 4)		1,510,402	
6. Lines Served via CLEC Own Facilities		149,247	9%
7. xDSL Lines		21,524	1%
8. Total Lines Served (Lines 5 + 6 + 7)		1,681,173	

This survey was sent to companies with CLEC licenses in Michigan as of January 14, 2005, including ILECs with CLEC licenses.

This information is collected from the 77 CLECs that reported any line activity. The rest of the reporting group reported no lines.

Business Lines	617,866	37%	(64 CLECs)
Residential Lines	1,063,307	63%	(60 CLECs)
Total Lines	1,681,173		(47 CLECs – both)

Attachment B

Competitive Market Conditions
4th Information/Data Request
CLEC Access Line Data
For the Period Ending Dec. 31, 2004
As Reported by SBC Michigan

1. Lines Served via Resale of Ameritech's Service	23,318	
2. Lines Served via Unbundled Network Facilities	197,315	
3. Lines Served via UNE Platform	1,117,877	
4. Total Lines Served via Ameritech Facilities (Lines 1 + 2 + 3)		1,338,510
5. Estimated Lines Served via CLEC Own Facilities*		736,371
6. xDSL Lines		4,327
7. Total Lines Served (Lines 4 + 5 + 6)		2,079,208

*SBC estimates lines served via CLECs own facilities (non-DSL) based on CLEC interconnection in service trunks times 2.75 (estimated lines supported per trunk) minus unbundled loops.