Michigan Public Service Commission

Staff Report

9th Wireline Competitive Market Conditions Survey

June 2008

The Michigan Public Service Commission staff (Staff) has conducted its 9th Information/Data Request of AT&T Michigan, Verizon, small incumbent local exchange carriers (ILECs) and all licensed Competitive Local Exchange Carriers (CLECs). This annual survey gathers information that allows the Michigan Public Service Commission (Commission) to evaluate the status of local wireline telecommunications competition in Michigan. The original survey vehicle was developed through a collaborative process set forth in the Commission's order in Docket No. U-12320 in 2000. Case No. U-12320 was initiated to review AT&T Michigan's application for Section 271 long distance authority.[1] The survey was further modified when the Michigan Telecommunications Act (MTA)[2] was amended in November of 2005 to incorporate a requirement for providers to submit all information required by the Commission for purposes of the preparation of the annual *Status of Telecommunications Competition in Michigan* report. To obtain data for the 2007 calendar year, the survey was sent to the 41 ILECs and 202 CLECs licensed in the state of Michigan as of December 31, 2007. Initial notification was sent to the companies January 11, 2008, noting that the survey was available on the Commission's website and needed to be completed by February 15, 2008. A second notice was sent February 21 reminding the providers of the deadline. Companies were able to complete the survey online and, for confidential filings, submit it in paper form to the Commission.

All of the ILECs and 146 of the CLECs responded to the survey. As the survey requests information that some companies consider confidential, portions of the results are reported as aggregates to maintain the confidentiality of the individual company data. Of the 146 CLECs

[1] Section 271 of the Federal Telecommunications Act of 1996 describes the conditions that must be met in order for a Bell Operating Company (BOC) to enter the market as a provider of interLATA services, long distance in particular, within the region where the company operates as the dominant local telephone service provider.

[2] The MTA is Public Act 235 of 2005 (MCL 484.2103).

that responded to the survey, 94 were actively serving customers as of December 31 and reported line counts. Companies with no line counts are either companies that have recently begun to offer service and had no active lines for 2007 or are providing services other than local exchange service, such as resold long distance service. As presented on the lower portion of Attachment A, of the responding CLECs, 46 are providing service to both residential and business customers, 18 to residential only, and 30 to business only. In addition to the data provided by the responding CLECs, AT&T Michigan and Verizon report on the data they collect pertaining to the number of lines they are providing to CLECs. The data is also reported by the type of lines provided and serves as another tool for evaluating the number and type of CLEC lines in Michigan. There is some discrepancy between the CLEC survey data and the data provided by AT&T Michigan, but it can be attributed to AT&T Michigan relying on estimates for the number of lines provided over a CLEC's own facilities.

Staff's compilation of the data from the CLEC responses, as presented on the upper portion of Attachment A, shows that the total number of lines provided by all CLECs was 1,013,897. This represents 20.7% of the 4,904,384 total wireline lines in Michigan. Staff has also prepared a chart that shows the number of access lines provided by the incumbent local telephone companies in Michigan (Attachment B). As Attachment C shows, AT&T Michigan's share of the wireline telecommunications market is 63.5%. Verizon's share represents 11.81% and the smaller independent ILECs had 4.0% of the market. The geographic areas in which CLECs had lines include the Detroit, Grand Rapids, Lansing, Saginaw and Upper Peninsula LATAs. The data that AT&T Michigan and Verizon provide shows that approximately 57.1% are provided in the Detroit LATA, 26.9% are provided in the Grand Rapids LATA, 6.7% in the Lansing LATA, 7.3% in the Saginaw LATA, and only 2.0% in the Upper Peninsula LATA. The

results of this survey also indicate that the majority of the CLEC lines are provided in AT&T Michigan's service territory, while 8.8% are provided in the service territory of Verizon.

The 2007 Survey Results Show:

CLECs with No Lines	52	36%
CLECs with 1 – 1,000 Lines	46	31%
CLECs with 1,001 – 10,000 Lines	33	23%
CLECs with over 10,000 Lines	15	10%
Total CLECs Responding to the Survey	146	100%

The preceding chart illustrates the number of CLECs by the amount of lines provided. As shown on the chart, the majority of the responding CLECs are actively providing lines. In addition, the number of lines provided by the majority of individual CLECs remains fairly low. Of the competitive companies responding to the survey, 31% were serving no more than 1,000 lines, 23% were serving between 1,001 and 10,000 lines, and only 10% were serving over 10,000 lines, while the remaining 36% served no customers in 2007.

Michigan CLECs are using several methods of entry in order to compete in the wireline telecommunications market. Competitive providers are using one or more of the following to provide lines to Michigan customers: the CLECs' own facilities, unbundled network element-loops (UNE-L), unbundled network elements including switching, now provided at unregulated rates,[3] referred to in this report as local wholesale arrangements, and resale of other providers' offerings. As can be seen on the upper portion of Attachment A, 25.1% of the competitive lines are provided over CLEC-owned facilities, 38.1% using UNE-L, 23.0% using local wholesale arrangements, and 8.5% using resale. The survey results also indicate that 3.9% of the CLEC lines are xDSL lines. The CLECs are also continuing to use Voice over Internet Protocol (VoIP)

[3] This type of service used to be referred to as the unbundled network element-platform (UNE-P). The FCC no longer requires incumbent providers to offer this service at regulated rates.

technology to provide lines. These VoIP lines represent 1.4% of the total CLEC lines reported in this survey.

Staff strives to keep current its listing of viable CLECs in order to obtain accurate line counts. Developments in 2007 in this area included the voluntary surrender of licenses by 9 CLECs as well as the completion of 5 mergers and acquisitions. In addition, the Commission revoked the licenses of 27 CLECs who had failed to attend to the statutory and regulatory responsibilities of licensed basic local exchange carriers. As noted earlier, of the 202 CLECs to which the survey was sent, 146, or 72% responded to the survey. The group of non-responding companies likely consists of CLECs that are not yet providing service, do not currently have tariffs on file, are providing other services which are not necessarily local exchange service or are no longer in business but still have an active license. Staff will continue to monitor these companies to ensure they are meeting all the requirements to maintain a license to provide basic local exchange in Michigan. Staff is confident that the majority of viable CLECs have reported through this survey process.

Attachment A

Competitive Market Conditions
9th Information/Data Request
CLEC Access Line Data for Michigan
For the Period Ending December 31, 2007
As Reported by the Responding CLECs

1. Lines Served via Resale of ILECs Service	86,140	8.5%
2. Lines Served via Unbundled Network Element-Loop (UNE-L)	386,080	38.1%
3. Lines Served via Wholesale Arrangements	233,052	23.0%
5. **Total via ILEC Facilities** = Lines (1 + 2 + 3)	705,272	
6. Lines Served via CLEC Facilities	254,632	25.1%
7. xDSL Lines	39,652	3.9%
8. Voice over Internet Protocol (VoIP) Lines	14,341	1.4%
Total CLEC Lines Served = Lines (5 + 6 + 7 + 8)	1,013,897	

Number of CLECs by Type of Customer Served:

Residential Customers Only	18	12%
Business Customers Only	30	21%
Residential and Business Customers	46	31%
Serving No Lines	52	36%
Total CLECs Responding	146	

Attachment B

Michigan ILECs Access Lines

December 31, 2007

Company	Access Line Count			Total Access Lines
	Residential	Business	Payphone	
Ace Telephone Company of MI, Inc.	4,229	893	13	5,135
Allband Communications Cooperative	44	1	0	45
Allendale Telephone Company	4,011	1,590	7	5,608
AT&T Michigan	1,709,591	1,401,196	4,758	3,115,545
Baraga Telephone Company	3,306	1,267	60	4,633
Barry County Telephone Company	5,587	974	26	6,587
Blanchard Telephone Association, Inc.	` 1,056	265	4	1,325
Bloomingdale Telephone Company, Inc.	1,481	176	3	1,660
Carr Telephone Company	1,534	69	1	1,604
CenturyTel Midwest -- Michigan, Inc.	20,570	4,365	95	25,030
CenturyTel of Michigan, Inc.	40,323	12,571	233	53,127
CenturyTel of Northern Michigan, Inc.	2,261	533	4	2,798
CenturyTel of Upper Michigan, Inc.	8,373	2,588	69	11,030
Chapin Telephone Company	613	45	0	658
Chippewa County Telephone Company	937	434	7	1,378
Climax Telephone Company	949	367	0	1,316
Deerfield Farmers Telephone Company	1,909	304	18	2,231
Drenthe Telephone Company	631	133	0	764
Frontier Communications of Michigan, Inc.	15,688	3,397	140	19,225
Hiawatha Telephone Company	3,479	1,374	78	4,931
Kaleva Telephone Company	1,769	520	0	2,289
Lennon Telephone Company	977	245	0	1,222
Midway Telephone Company	678	92	3	773
Ogden Telephone Company	344	44	0	388
Ontonagon County Telephone Company	2,738	993	35	3,766
Peninsula Telephone Company	1,100	196	0	1,296
Pigeon Telephone Company	2,284	964	0	3,248
Sand Creek Telephone Company	983	124	0	1,107
Springport Telephone Company	1,404	249	2	1,655
TDS Telecom/Chatham Telephone Co.	2,382	441	1	2,824
TDS Telecom/Communications Corp. of MI (CCM)	3,020	1,305	2	4,327
TDS Telecom/Island Telephone Company (MI)	964	311	0	1,275
TDS Telecom/Shiawassee Telephone Co.	4,189	907	8	5,104
TDS Telecom/Wolverine Telephone Co.	7,066	1,535	6	8,607
Upper Peninsula Telephone Company	5,791	668	16	6,475
Verizon	428,235	148,451	2,562	579,248
Waldron Telephone Company	434	75	0	509
Westphalia Telephone Company	876	143	3	1,022
Winn Telephone Company	574	147	1	722
Total	**2,292,380**	**1,589,952**	**8,155**	**3,890,487**

Attachment C

Michigan Access Lines
December 31, 2007

Provider	Lines	Percentage
Verizon	**579,248**	***11.8%***
AT&T Michigan	**3,115,545**	***63.5%***
Independent Telcos	**195,694**	***4.0%***
CLECs	**1,013,897**	***20.7%***
Total Lines in Michigan	***4,904,384***	***100.0%***