

Michigan Public Service Commission

Staff Report

7th Wireline Competitive Market Conditions Survey

May 2006

Case No. U-14749

The Michigan Public Service Commission Staff (staff) conducted its 7th Information/Data Request of AT&T Michigan (f/k/a SBC Michigan), Verizon and all licensed Competitive Local Exchange Carriers (CLECs), which included incumbent local exchange carriers (ILECs) that also operate as CLECs in Michigan. This survey is used to gather information on the wireline telecommunications industry in Michigan. This survey was sent to 214 licensed CLECs and ILECs in the state of Michigan as of December 31, 2005. The survey was sent to the companies on January 12, 2006 with a response date of March 15, 2006. Reminder surveys were also mailed on February 15, 2006 and March 1, 2006 to the companies that had not yet responded. The data collected was for the calendar year ending December 31, 2005. This information is gathered annually to assist the Commission in 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 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 This survey requests some information that the companies consider confidential. The results of portions of this survey are reported as total group numbers to maintain the confidentiality of the individual company numbers. On November 22, 2005, amendments to the Michigan Telecommunications Act (2005 PA 235) became effective. Act 235 requires that a provider submit to the Commission all information that is required by the Commission which is necessary for preparation of the annual report. Subsequently, the Commission issued an order in U-14749 on January 10, 2006 directing the staff to request all necessary information.

Attachment A is a chart indicating the number of wireline lines attributed to CLECs in Michigan as submitted by the CLECs responding to this survey. Of the CLECs that the survey was

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. At that time, AT&T Michigan was known as Ameritech Michigan and then SBC Michigan.

sent to, 142 companies filed a response with 78 of those companies reporting that they are actually providing service and have line counts, and of this group 43 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 2005 or they are providing services other than local, like resold long distance. AT&T Michigan and Verizon also reported the same type of counts from information they collect pertaining to the number of lines that they provide to the CLECs. There is a discrepancy between what AT&T Michigan reports and what the CLECs report. This can be attributed to what AT&T Michigan estimates as the number of lines that the CLECs provide over their own facilities and what the CLECs report as actual for this category. Also, AT&T Michigan includes the former AT&T Communications, Inc. lines in their totals as competitive lines. The staff considers the former AT&T Communications, Inc. as now part of AT&T Michigan pursuant to the merger on November 18, 2005.

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 1,158,550. Staff has prepared a chart of the number of access lines provided by all of the incumbent local telephone companies in Michigan (Attachment B). This indicates that the number of wireline lines provided in Michigan (ILECs including AT&T Michigan, Verizon and CLECs) is 5,471,708. The number of CLEC lines compared to total lines represents 21.2%. AT&T Michigan's share is 62.6% while Verizon's share is 12.3%. The small independent telephone companies represent 3.9% of the total wireline lines in Michigan. 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 AT&T Michigan provides, approximately 62% of the competitive lines are provided in the Detroit area; 24% 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 2005 Survey Results Show That:

CLECs With No Lines	64
CLECs With 1 – 1,000 Lines	31
CLECs With 1,001 – 10,000 Lines	31
CLECs With over 10,000 Lines	16
Total CLECs Responding to Survey	142

The preceding chart indicates a grouping by size of CLECs according to the number of customer lines that they served in 2005. The chart shows that of the 142 CLECs reporting, 64 were serving no customers in 2005, which represents approximately 45% of the group, while the second group served between 1 line and 1,000 lines, a group of 31 CLECs or about 22%. The third group served between 1,001 and 10,000 lines each and is comprised of 31 CLECs for a 22% share, and the last group of CLECs served over 10,000 lines each and represents 16 CLECs for an 11% share.

The results of the survey indicate that approximately 95% of the CLEC lines are in AT&T Michigan's territory while only 5% of the CLEC lines are in Verizon's territory. Michigan CLECs are using several methods of entry in order to compete: 4% by resale; 46% by using the incumbent's unbundled network elements-loops (UNE loops); 13% by using the incumbent's unbundled network elements platform (UNE-P) which includes switching; 27% by using Local Wholesale Complete (LWC), which is the alternative option to UNE-P but at non-regulated rates, and 6% 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 in order 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 CLECs that are not yet providing service and that do not have tariffs or are CLECs that were licensed but are no longer active in business. Eleven eligible CLECs did not respond to staff's survey and data request. During 2005, the Commission had 13 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.

**Competitive Market Conditions
7th Information/Data Request
CLEC Access Line Data for Michigan
For the Period Ending Dec. 31, 2005
As Reported by CLECs**

1. Lines Served via Resale of ILECs service	47,286	4%
2. Lines Served via Unbundled Network Elements -Loops (UNE-L)	535,251	46%
3. Lines Served via Unbundled Network Elements Platform (UNE-P)	153,988	13%
4. Lines Served via Local Wholesale Complete (LWC)	312,288	27%
5. Other Dedicated LEC Access Lines	<u>6,559</u>	1%
6. Total via ILEC Facilities (Lines 1 + 2 + 3 + 4 + 5)	1,055,372	
7. Lines Served via CLEC Own Facilities	70,170	6%
8. xDSL Lines	<u>33,008</u>	3%
9. Total Lines Served (Lines 5 + 6 + 7)	1,158,550	

This survey was sent on January 12, 2006 to companies with CLEC licenses in Michigan on December 31, 2005, including ILECs with CLEC licenses.

This information is collected from the 78 CLECs that reported any line activity. The rest of the reporting group reported no lines.

Business Lines	470,904	41%	(61 CLECs)
Residential Lines	<u>687,646</u>	59%	(60 CLECs)
Total Lines	1,158,550		(43 CLECs – both)

Attachment B

**Access Line Count – Michigan
At December 31st, 2005**

Company Name	Residential	Business	Pay Phone	Total 2005	
Ace Telephone Company of Michigan, Inc.	4,736	818	167	5,721	
Allendale Telephone Company	4,513	1,614	14	6,141	
AT&T Michigan	1,952,981	1,453,854	16,713	3,423,548	
Baraga Telephone Company	3,493	1,272	64	4,829	
Barry County Telephone Company	5,863	1,591	30	7,484	
Blanchard Telephone Association, Inc.	1,152	206	4	1,362	
Bloomington Telephone Company, Inc.	1,761	319	3	2,083	
Carr Telephone Company	1,737	75	1	1,813	
CenturyTel Midwest -- Michigan, Inc.	22,621	5,204	143	27,968	
CenturyTel of Michigan, Inc.	45,204	14,510	273	59,987	
CenturyTel of Northern Michigan, Inc.	2,556	588	6	3,150	
CenturyTel of Upper Michigan, Inc.	9,112	3,283	72	12,467	
Chapin Telephone Company	640	53	-	693	
Chippewa County Telephone Company	1,201	498	14	1,713	
Climax Telephone Company	1,007	399	-	1,406	
Deerfield Farmer's Telephone Company	2,088	330	19	2,437	
Drenthe Telephone Company	684	156	3	843	
Frontier Communications of Michigan, Inc.	15,053	3,525	143	18,721	
Hiawatha Telephone Company	4,574	1,600	107	6,281	
Kaleva Telephone Company	1,980	547	-	2,527	
Lennon Telephone Company	1,134	278	-	1,412	
Midway Telephone Company	698	91	6	795	
Ogden Telephone Company	433	45	-	478	
Ontonagon County Telephone Company	2,868	1,125	43	4,036	
Peninsula Telephone Company	1,224	218	-	1,442	
Pigeon Telephone Company	2,606	976	14	3,596	
Sand Creek Telephone Company	1,015	130	1	1,146	
Springport Telephone Company	1,563	308	5	1,876	
TDS Telecom/Chatham Telephone Co.	2,543	411	-	2,954	
TDS Telecom/Comm. Corp. of MI (CCM)	3,333	1,037	-	4,370	
TDS Telecom/Island Telephone Company	981	289	-	1,270	
TDS Telecom/Shiawassee Telephone Co.	4,661	955	-	5,616	
TDS Telecom/Wolverine Telephone Co.	7,684	1,464	-	9,148	
Upper Peninsula Telephone Company	5,544	719	17	6,280	
Verizon North Inc.	515,343	156,246	3,537	675,126	
Waldron Telephone Company	464	82	1	547	
Westphalia Telephone Company	904	198	3	1,105	
Winn Telephone Company	647	130	10	787	
Total	2,636,601	1,655,144	21,413	4,313,158	
Verizon				675,126	12.3%
AT&T Michigan				3,423,548	62.6%
Independent Telcos				214,484	3.9%
Total CLEC Lines				1,158,550	21.2%
Total Lines in Michigan				5,471,708	100.0%