

Michigan Public Service Commission

Staff Report

Results of 5th Competitive Market Conditions Survey

May 2004

Case No. U-12320

The Michigan Public Service Commission Staff conducted its 5th Information/Data Request of SBC and all licensed Competitive Local Exchange Carriers (CLECs), which included incumbent local exchange carriers (ILECs) that also operate as CLECs in Michigan. The data request on competitive lines is sent to SBC as they are the only incumbent to have CLECs actively operating in their service areas. Verizon provides information on their line activity and as competition in their areas develops, information on CLECs in Verizon areas will be gathered and presented. This survey was sent to 192 licensed CLECs in the state of Michigan as of December 31, 2003. The survey was sent to the companies on January 29, 2004 with a response date of February 27, 2004. A reminder survey was also mailed on March 10, 2004 to the companies that had not yet responded. The data collected was for the calendar year ending December 31, 2003. This information was 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. 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 consists of a chart that indicates the number of lines attributed to CLECs in Michigan as submitted by the CLECs responding to this survey. Of the 192 CLECs that the survey was sent to, 112 companies filed a response with 70 of those companies reporting that they are actually providing service and have line counts, and of this group 34 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 2003 or they are providing services other than local, like resold long distance. SBC also reported the same type of 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 totally 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 1,677,423. 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 6,634,114. The number of CLEC lines compared to total lines represents 26.5%. SBC's share is 57.7% while Verizon's share is 11.2%. The small independent telephone companies represent 4.5% 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 31%. 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, 22% of the competitive lines are provided in the Grand Rapids area, 7% 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 2002 Survey Results Show That:

| | |
|----------------------------------|-----|
| CLECs With No Lines | 49 |
| CLECs 1 – 1,000 Lines | 21 |
| CLECs 1,001 – 10,000 Lines | 21 |
| CLECs over 10,000 Lines | 21 |
| Total CLECs Responding to Survey | 112 |

The preceding chart indicates a grouping by size of CLECs according to the number of customer lines that they served in 2003. The chart shows that of the 112 CLECs reporting, 49

were serving no customers in 2003 which represents approximately 44% of the group, while the second group served between 1 line and 1,000 lines, a group of 21 CLECs or about 19%. The third group served between 1,001 and 10,000 lines each and is comprised of 21 CLECs for a 19% share, and the last group of CLECs served over 10,000 lines each and represents 21 CLECs for a 19% 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: 2% by resale; 15% by using the incumbent's unbundled network facilities (UNE loops); 73% by using the incumbent's unbundled network platform (UNE-P) and 7% through their own facilities (CLECs own facilities that are in place).

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 those companies not responding to the survey mainly comprised a group of newly licensed CLECs that are not yet providing service, CLECs that were licensed but are no longer in business or are companies with negligible line counts. During 2003, the Commission had nine 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
4th Information/Data Request
CLEC Access Line Data For Michigan
For the Period Ending Dec. 31, 2003
As Reported by CLECs**

| | | |
|--|---------------|-----|
| 1. Lines Served via Resale of ILECs service | 28,018 | 2% |
| 2. Lines Served via Unbundled Network Facilities | 249,882 | 15% |
| 3. Lines Served via UNE Platform | 1,225,561 | 73% |
| 4. Other Dedicated LEC Access Lines | <u>0</u> | 0 % |
| 5. Total via ILEC Facilities (Lines 1 + 2 + 3 + 4) | 1,503,461 | |
| 6. Lines Served via CLEC Own Facilities | 126,208 | 7% |
| 7. xDSL Lines | <u>47,754</u> | 3% |
| 8. Total Lines Served (Lines 5 + 6 + 7) | 1,677,423 | |

This survey was sent to companies with CLEC licenses in Michigan as of January 29, 2004, including ILECs with CLEC licenses.

This information is collected from the 70 CLECs that reported any line activity. The rest of the reporting group reported no lines.

| | | | |
|-------------------|------------------|-----|-------------------|
| Business Lines | 600,323 | 36% | (47 CLECs) |
| Residential Lines | <u>1,077,100</u> | 64% | (50 CLECs) |
| Total Lines | 1,677,423 | | (34 CLECs – both) |

**Competitive Market Conditions
4th Information/Data Request
CLEC Access Line Data
For the Period Ending Dec. 31, 2003
As Reported by SBC Michigan**

| | |
|--|--------------|
| 1. Lines Served via Resale of Ameritech's Service | 26,289 |
| 2. Lines Served via Unbundled Network Facilities | 178,376 |
| 3. Lines Served via UNE Platform | 1,204,360 |
| 4. Total Lines Served via Ameritech Facilities (Lines 1 + 2 + 3) | 1,409,025 |
| 5. Estimated Lines Served via CLEC Own Facilities* | 817,836 |
| 6. xDSL Lines | <u>4,872</u> |
| 7. Total Lines Served (Lines 4 + 5 + 6) | 2,231,733 |

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

**Access Line Count – Michigan
At December 31, 2003**

Attachment C

| Company Name | Residential | Business | Pay Phone | Total 2003 | |
|---|------------------|------------------|---------------|------------------|---------------|
| Ace Telephone Company of Michigan, Inc. | 4,972 | 1,020 | - | 5,992 | |
| Allendale Telephone Company | 5,134 | 1,019 | 21 | 6,174 | |
| Baraga Telephone Company | 3,632 | 1,296 | 67 | 4,995 | |
| Barry County Telephone Company | 6,262 | 1,576 | 2 | 7,840 | |
| Blanchard Telephone Association, Inc. | 1,250 | 207 | 5 | 1,462 | |
| Bloomington Telephone Company, Inc. | 1,887 | 190 | 5 | 2,082 | |
| Carr Telephone Company | 2,009 | 79 | 6 | 2,094 | |
| CenturyTel Midwest -- Michigan, Inc. | 24,919 | 5,358 | 138 | 30,415 | |
| CenturyTel of Michigan, Inc. | 49,338 | 15,371 | 352 | 65,061 | |
| CenturyTel of Northern Michigan, Inc. | 2,770 | 591 | 8 | 3,369 | |
| CenturyTel of Upper Michigan, Inc. | 9,587 | 3,276 | 84 | 12,947 | |
| Chapin Telephone Company | 667 | 39 | - | 706 | |
| Chippewa County Telephone Company | 1,281 | 480 | 18 | 1,779 | |
| Climax Telephone Company | 1,070 | 456 | - | 1,526 | |
| Contel of the South, Inc., d/b/a Verizon North Sys. | 44,424 | 8,806 | 113 | 53,343 | |
| Deerfield Farmer's Telephone Company | 2,223 | 346 | 19 | 2,588 | |
| Drenthe Telephone Company | 625 | 128 | 3 | 756 | |
| Frontier Communications of Michigan, Inc. | 19,893 | 4,884 | 126 | 24,903 | |
| Hiawatha Telephone Company | 4,622 | 1,590 | 111 | 6,323 | |
| Kaleva Telephone Company | 2,083 | 540 | - | 2,623 | |
| Lennon Telephone Company | 1,284 | 313 | - | 1,597 | |
| Midway Telephone Company | 715 | 164 | 7 | 886 | |
| Ogden Telephone Company | 407 | 48 | - | 455 | |
| Ontonagon County Telephone Company | 2,926 | 1,164 | 42 | 4,132 | |
| Peninsula Telephone Company | 1,252 | 240 | - | 1,492 | |
| Pigeon Telephone Company | 2,855 | 956 | 23 | 3,834 | |
| Sand Creek Telephone Company | 1,062 | 140 | 1 | 1,203 | |
| SBC Ameritech Michigan | 2,048,023 | 1,578,571 | 30,583 | 3,657,177 | |
| Springport Telephone Company | 1,662 | 264 | - | 1,926 | |
| TDS Telecom/Chatham Telephone Co. | 3,591 | 1,137 | - | 4,728 | |
| TDS Telecom/Communications Corp. of MI (CCM) | 2,622 | 436 | - | 3,058 | |
| TDS Telecom/Island Telephone Company | 964 | 293 | - | 1,257 | |
| TDS Telecom/Shiawassee Telephone Co. | 4,930 | 1,151 | - | 6,081 | |
| TDS Telecom/Wolverine Telephone Co. | 8,115 | 1,587 | - | 9,702 | |
| Upper Peninsula Telephone Company | 6,481 | 751 | 20 | 7,252 | |
| Verizon North Inc. | 532,924 | 177,085 | 2,278 | 712,287 | |
| Waldron Telephone Company | 493 | 111 | 1 | 605 | |
| Westphalia Telephone Company | 895 | 319 | 3 | 1,217 | |
| Winn Telephone Company | 693 | 125 | 6 | 824 | |
| Total | 2,810,542 | 1,812,107 | 34,042 | 4,656,691 | |
| | | | | | |
| Verizon | | | | 712,287 | 11.2% |
| SBC | | | | 3,657,177 | 57.7% |
| | | | | | |
| Independent Telcos | | | | 287,227 | 4.5% |
| | | | | | |
| Total CLEC Lines | | | | 1,677,423 | 26.5% |
| | | | | | |
| Total Lines in Michigan | | | | 6,334,114 | 100.0% |