

Michigan Public Service Commission

Staff Report

8<sup>th</sup> Wireline Competitive Market Conditions Survey

June 2007

The Michigan Public Service Commission staff (Staff) has conducted its 8<sup>th</sup> 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 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.<sup>1</sup> The survey was further modified when the Michigan Telecommunications Act (MTA)<sup>2</sup> 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 2006 calendar year, the survey was sent to the 40 ILECs and 210 CLECs licensed in the state of Michigan as of December 31, 2006. Initial notification was sent to the companies January 9, 2007, noting that the survey was available on the Commission's website and needed to be completed by March 15, 2007. A second notice was sent February 23 reminding the providers of the deadline. Companies were able to complete the survey online or, for confidential filings, submit it in paper form to the Commission.

All of the ILECs and 116 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 116 CLECs that responded to the survey, 63 were actively serving customers as of December 31 and reported

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<sup>1</sup> 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.

<sup>2</sup> The MTA is Public Act 235 of 2005 (MCL 484.2103).

line counts. Companies with no line counts are either companies that have recently begun to offer service and had no active lines for 2006 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, 32 are providing service to both residential and business customers, 10 to residential only, and 21 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 CLECs 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 961,460. This represents 18.3% of the 5,260,443 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 B shows, AT&T Michigan's share of the wireline telecommunications market is 65.5%. Verizon's share represents 12.3% and the smaller independent ILECs had 3.9% 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 provided shows that approximately 60.1% are provided in the Detroit LATA, 25.1% are provided in the Grand Rapids LATA, 6.3% in the Lansing LATA, 6% in the Saginaw LATA, and only 2.5% 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 4.4% are provided in the service territory of Verizon.

**The 2006 Survey Results Show:**

CLECs with No Lines	53	46%
CLECs with 1 – 1,000 Lines	26	22%
CLECs with 1,001 – 10,000 Lines	20	17%
CLECs with over 10,000 Lines	17	15%
<b>Total CLECs Responding to the Survey</b>	<b>116</b>	<b>100%</b>

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 not 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, 22% were serving no more than 1,000 lines, 17% were serving between 1,001 and 10,000 lines, and only 15% were serving over 10,000 lines, while the remaining 46% served no customers in 2006.

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,<sup>3</sup> known as Local Wholesale Complete (LWC);<sup>4</sup> and resale of other providers' offerings. As can be seen on the upper portion of Attachment A, 14.8% of the competitive lines are provided over CLEC-owned facilities, 40.7% using UNE-L, 34.4% using LWC or residual UNE-

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<sup>3</sup> 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. Some residual UNE-P lines were reported in the CLEC survey; however they represent less than 1% of the total CLEC lines.

<sup>4</sup> Local Wholesale Complete is the name of the package of unbundled network elements including switching offered to CLECs by AT&T Michigan. Verizon has a similar package called Wholesale Advantage. Since the majority of CLECs currently using these offerings to provide service are using the AT&T Michigan package this report uses 'Local Wholesale Complete' to refer to both types of service.

P, 3.7% using resale, and 0.7% using other types of dedicated access lines. The survey results also indicate that 3.8% of the CLEC lines are xDSL lines. The CLECs are also beginning to use Voice over Internet Protocol (VoIP) technology to provide lines. These VoIP lines represent 1.8% 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 2006 in this area included the voluntary surrender of licenses by 11 CLECs. In early 2007, the Commission also initiated a proceeding to revoke the licenses of 27 CLECs who had failed to attend to the statutory and regulatory responsibilities of licensed basic local exchange carriers. These 27 CLECs are not included in the count of CLECs to which the survey was sent. As noted earlier, of the 210 CLECs to which the survey was sent, 116, or 55% 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, 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.

**Competitive Market Conditions  
8<sup>th</sup> Information/Data Request  
CLEC Access Line Data for Michigan  
For the Period Ending December 31, 2006  
As Reported by the Responding CLECs**

1. Lines Served via Resale of ILECs Service	35,710	3.7%
2. Lines Served via Unbundled Network Element-Loop (UNE-L)	391,570	40.7%
3. Lines Served via Local Wholesale Complete	330,798	34.4%
<i>Local Wholesale Complete</i>	326,997	34.01%
<i>Residual Unbundled Network Element-Platform (UNE-P)</i>	3,801	0.40%
4. Other Dedicated LEC Access Lines	7,161	0.7%
5. Total via ILEC Facilities = Lines (1 + 2 + 3 + 4)	<b>765,239</b>	
6. Lines Served via CLEC Facilities	142,306	14.8%
7. xDSL Lines	36,550	3.8%
8. Voice over Internet Protocol (VoIP) Lines	17,365	1.8%
<b>Total CLEC Lines Served</b> = Lines (5 + 6 + 7 + 8)	<b>961,460</b>	

**Number of CLECs by Type of Customer Served:**

Residential Customers Only	10	8%
Business Customers Only	21	18%
Residential and Business Customers	32	28%
Serving No Lines	53	46%
Total CLECs Responding	116	

**Access Line Count-Michigan ILECs**  
**Reported by the ILECs as of December 31, 2006**

<b>Company</b>	<b>Residential</b>	<b>Business</b>	<b>Payphone</b>	<b>Total</b>	
Ace Telephone Company of Michigan, Inc.	4,517	809	0	5,326	
Allband Communications Cooperative 12/02/04	20	0	0	20	
Allendale Telephone Company	4,328	1,606	0	5,934	
AT&T Michigan (Includes AT&T Comm & TCG)	1,944,379	1,490,119	8,897	3,443,395	
Baraga Telephone Company	3,428	1,284	62	4,774	
Barry County Telephone Company	5,678	1,398	28	7,104	
Blanchard Telephone Association, Inc.	1,100	202	4	1,306	
Bloomington Telephone Company, Inc.	1,687	319	3	2,009	
Carr Telephone Company	1,697	72	1	1,770	
CenturyTel Midwest -- Michigan, Inc.	21,574	4,683	128	26,385	
CenturyTel of Michigan, Inc.	42,794	13,168	357	56,319	
CenturyTel of Northern Michigan, Inc.	2,407	562	8	2,977	
CenturyTel of Upper Michigan, Inc.	8,811	2,907	113	11,831	
Chapin Telephone Company	618	54	0	672	
Chippewa County Telephone Company	1,139	407	10	1,556	
Climax Telephone Company	987	399	0	1,386	
Deerfield Farmer's Telephone Company	2,004	318	19	2,341	
Drenthe Telephone Company	645	76	0	721	
Frontier Communications of Michigan, Inc.	17,464	2,924	147	20,535	
Hiawatha Telephone Company	4,332	1,431	88	5,851	
Kaleva Telephone Company	1,824	532	10	2,366	
Lennon Telephone Company	1,031	266	0	1,297	
Midway Telephone Company	718	93	3	814	
Ogden Telephone Company	368	50	0	418	
Ontonagon County Telephone Company	2,783	847	35	3,665	
Peninsula Telephone Company	1,165	207	0	1,372	
Pigeon Telephone Company	2,461	980	0	3,441	
Sand Creek Telephone Company	995	126	1	1,122	
SBC Michigan (See AT&T Michigan)	0	0	0	0	
Springport Telephone Company	1,480	301	4	1,785	
TDS Telecom/Chatham Telephone Co.	2,499	315	2	2,816	
TDS Telecom/Communications Corp of MI (CCM)	3,158	1,244	3	4,405	
TDS Telecom/Island Telephone Company	969	245	4	1,218	
TDS Telecom/Shiawassee Telephone Co.	4,440	1,111	17	5,568	
TDS Telecom/Wolverine Telephone Co.	7,375	2,364	9	9,748	
Upper Peninsula Telephone Company	6,058	726	0	6,784	
Verizon North Inc.	487,607	156,843	3,145	647,595	
Waldron Telephone Company	470	75	1	546	
Westphalia Telephone Company	862	187	3	1,052	
Winn Telephone Company	619	139	1	759	
<b>Total</b>	<b>2,596,491</b>	<b>1,689,389</b>	<b>13,103</b>	<b>4,298,983</b>	
<b>Verizon</b>				<b>647,595</b>	<b>12.3%</b>
<b>AT&amp;T Michigan</b>				<b>3,443,395</b>	<b>65.5%</b>
<b>Independent Telcos</b>				<b>207,993</b>	<b>3.9%</b>
<b>Total CLEC Lines</b>				<b>961,460</b>	<b>18.3%</b>
<b>Total Lines in Michigan</b>				<b>5,260,443</b>	<b>100.0%</b>