

Michigan Senate
Committee on Energy Policy and Public Utilities

Status of Telecommunications Competition in Michigan for 2008

MPSC Staff Presentation
June 11, 2009

The Report

- Section 103 of the MTA directs the MPSC to submit an annual report describing the status of competition in telecommunications service in Michigan.
- This year's report was released June 2, 2009.
 - Commission Staff sent surveys to the ILECs and CLECs licensed in Michigan.
 - This year's report is the 9th report under this section.
 - Compiles local wireline competition data for calendar year 2008.

Overview

- Commission staff survey shows a decrease of more than 600,000 in the total number of wirelines.
- The percentage of lines served by competitive providers (CLECs) remained stable.
- FCC data suggests continued growth in mobile wireless connections and high-speed internet connections.
- Mergers
 - Some mergers between smaller competitive providers.
 - Announcement of two large wireless provider mergers.

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Decrease in Total Wirelines

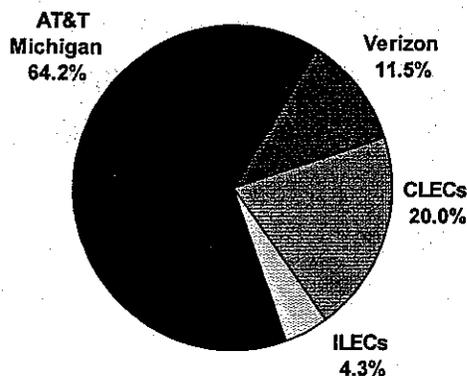
- A 12.6% decrease in the number of lines since last year.
 - 600,000+ fewer lines
- Continuation of a trend that began in 2001.
 - Multiple causes including:
 - High-speed internet connections replacing dial-up/need for a second residential line.
 - Substitution of wireless for wireline phones.
 - Use of Voice over Internet Protocol (VoIP) technology.

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Michigan's 2008 Telecommunications Market

- Competitive providers' market share remained stable.

- 20.7% in 2007
- 20.0% in 2008



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Evolution of CLEC Market Share

Year	Market Share
1999	4.0%
2000	6.5%
2001	12.8%
2002	21.7%
2003	26.5%
2004	27.5%
2005	21.2%
2006	18.3%
2007	20.7%
2008	20.0%

- Rapid growth between in early 2000's.
- Peaked in 2004
- In 2005, FCC action eliminated the incumbent providers' obligation to provide the unbundled network element platform at regulated rates resulting in decreased market share for 2005, 2006
- Slight rebound in 2007
- Stable for 2008

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Mobile Wireless in Michigan

FCC data from calendar year 2007

- 11 mobile wireless providers
- 7,608,420 mobile wireless subscriptions
 - An increase of over 500,000 subscriptions from year-end 2006.
- The wireless penetration rate continues to increase throughout Michigan.

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Broadband in Michigan

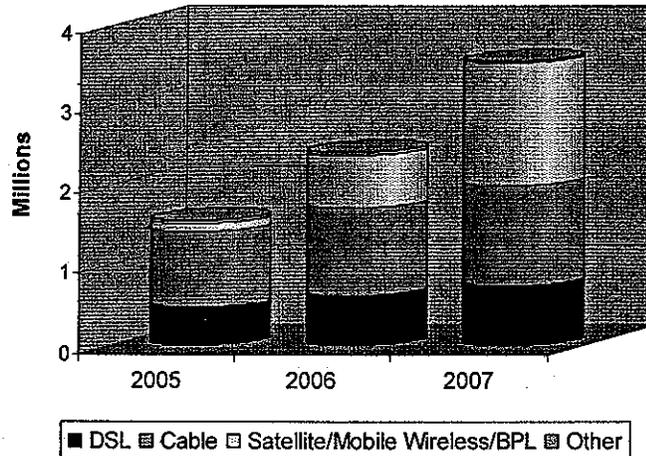
FCC data from calendar year 2007

- Just over 3.5 million high-speed lines
 - Over 1 million more lines than year-end 2006.
 - Michigan ranks 10th in the country in number of lines.
 - 61% residential, 39% business.
- 82 different providers
- 71% of residences located in incumbent telephone company's exchanges can receive DSL service.
- 98% of residences located in cable television providers service areas can receive cable modem service.

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Broadband in Michigan

FCC data from calendar year 2007



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Mergers in 2008

- 3 transactions between CLECs providing service in Michigan.
 - Transfer of certain assets from CenturyTel Acquisition, LLC to Onvoy, Inc.
 - Birch Telecom of the Great Lakes, Inc. acquired customers of Navigator Telecommunications, LLC.
 - Indirect transfer of control of GlobalCom, Inc. to First Communications, Inc.
- 2 mobile wireless mergers.
 - Verizon-Alltel Merger Completed
 - Announced 06/05/08, Completed 01/09/09
 - FCC required certain Michigan properties to be divested.
 - Rebranding of Alltel to Verizon Wireless to occur in stages throughout 2009.
 - AT&T Wireless-Centennial Merger
 - Announced 11/07/08

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Thank You!

Questions?