Status of Telecommunications Competition in Michigan for 2008

MPSC Staff Presentation

June 23, 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 surveyed the 203 licensed CLECs.
  - 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 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.

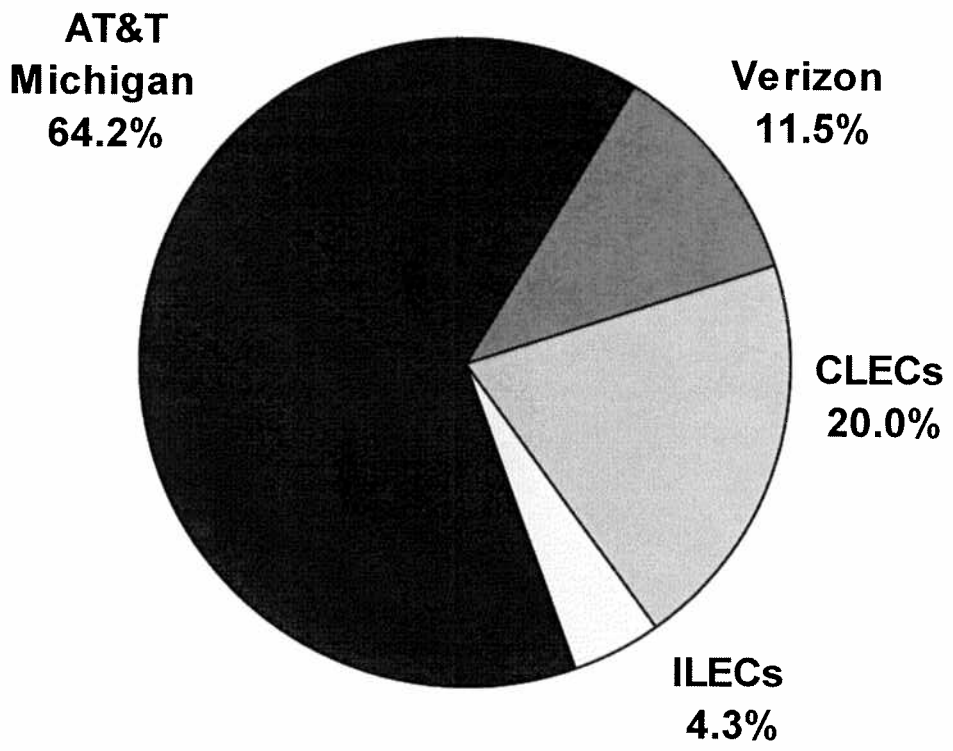
Decrease in Total Wirelines

- 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.

Michigan's 2008 Telecommunications Market

- Competitive providers' market share remained stable.
  - 20.7% in 2007
  - 20.0% in 2008

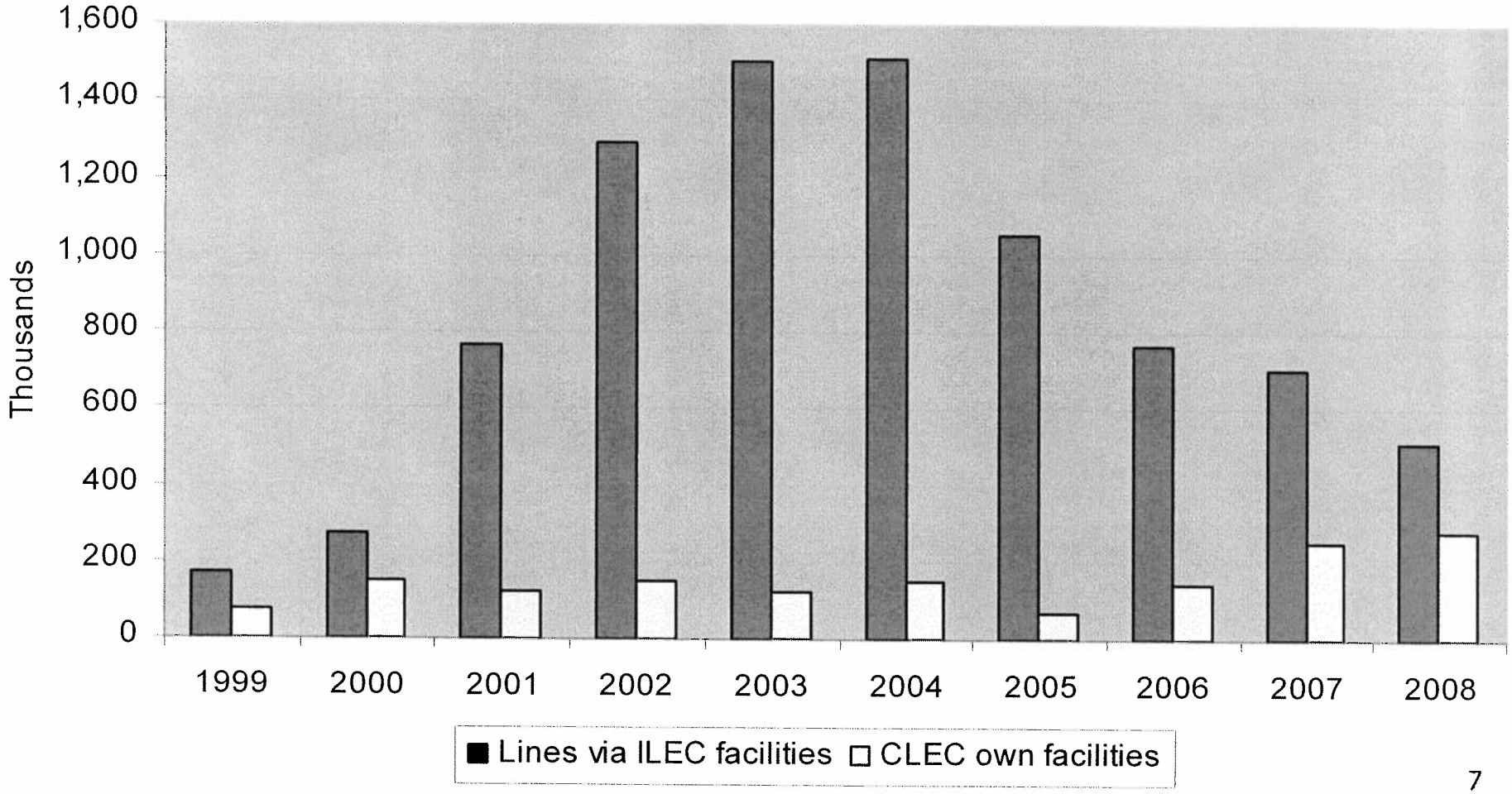


Evolution of CLEC Market Share

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

CLEC's Continue to Invest in Infrastructure in Michigan



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 the 6 Economic Areas that contain Michigan counties.

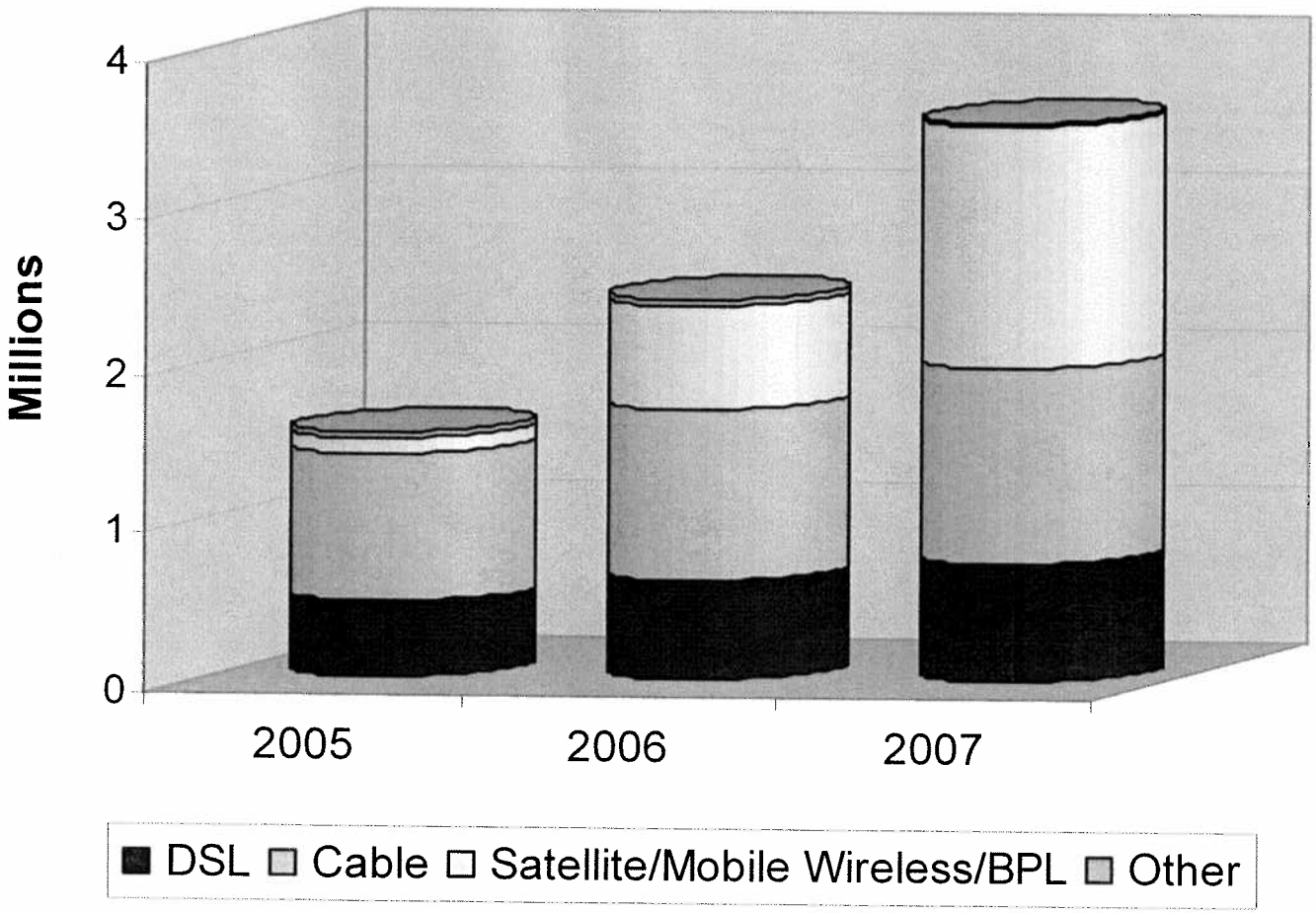
Broadband in Michigan

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.

Broadband in Michigan

FCC data from calendar year 2007



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

Thank You

Additional Questions?

MPSC Telecommunications Division

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