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February 1, 2008

Honorable Jennifer Granholm
Governor of Michigan

Honorable Members of the Senate
Secretary of the Senate

Honorable Members of the House of Representatives
Clerk of the House of Representatives

The enclosed annual report, *Status of Competition for Video Services in Michigan*, is submitted on behalf of the Michigan Public Service Commission in accordance with Section 12 (2) of the Uniform Video Services Local Franchise Act (2006 PA 480). This report will be made available on the Commission's website at www.michigan.gov/mpsc. The purpose of this report is to describe the status of competition in video services in Michigan. This report also includes information on the responsibilities and activities of the Commission throughout 2007, responses from franchise entities and cable/video service providers, currently pending legislative amendments, as well as the Commission's recommendations.

While the responses from both the providers and franchise entities indicate that there is not an overwhelming amount of video service competition occurring throughout Michigan at this time, there are encouraging signs that competition is beginning to take hold. Of the new providers that entered the video services market in 2007, three of those providers did so as a result of 2006 PA 480. It is important to understand that competition and the entrance of new providers will not occur immediately. However, information that has been provided in this report presents some positive signs that competition is beginning to develop. It should be noted that the report does not include satellite, which may be viewed as another competitor in video service.

The Commission has provided recommendations for legislative revisions pursuant to Section 12 (2) of 2006 PA 480. These recommendations not only provide for better clarification, but also improve the efficiency of implementing 2006 PA 480.

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While there are signs of video service competition developing, the complete status of competition cannot be fully assessed. The Act only became effective on January 1, 2007, and at the earliest, providers began using the Agreement on January 31, 2007. Additional time and information are necessary to evaluate the status of video competition in Michigan as it progresses.

The Commission will continue to monitor the status of video services competition in Michigan, which includes receiving and analyzing information from both franchise entities and cable/video service providers throughout Michigan. The Commission will also continue to assist individual customers, franchise entities, and providers with their questions and/or complaints. Finally, the Commission will continue to inform the Governor and Legislature of these future developments and make the appropriate recommendations for needed legislation.

Very truly yours,

Orjiakor N. Isiogu, Chairman
Michigan Public Service Commission

Monica Martinez, Commissioner
Michigan Public Service Commission

Steven A. Transeth, Commissioner
Michigan Public Service Commission