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Honorable Rick Snyder
Governor of Michigan

Honorable Members of the Senate Energy and Technology Committee
Secretary of the Senate

Honorable Members of the House Energy and Technology Committee
Clerk of the House of Representatives

The enclosed annual report, *Status of Telecommunications Competition in Michigan*, is submitted on behalf of the Michigan Public Service Commission (Commission) in accordance with Section 103 of the Michigan Telecommunications Act (MTA). Pursuant to changes to the MTA, this will be the final such report on telecommunications competition in Michigan. This final report, as well as reports from previous years, is available on the Commission website at www.michigan.gov/mpsc. The report describes the status of competition in telecommunications service in Michigan, including, but not limited to, the toll and local exchange markets in the state. The report includes information on the traditional wireline industry in Michigan, as well as information specific to Michigan on mobile wireless, Voice over Internet Protocol (VoIP), and broadband.

For 2012, Michigan continued to experience a decrease in the total number of wirelines. The data for 2012 shows the total number of wirelines provided in Michigan was 3,078,219. This accounts for a decrease of about 266,000 lines from 2011, which is slightly lower than the average annual loss of lines over the past 14 years. However, the Commission continues to license new providers, and as of the end of 2012, competitive providers were providing 33.2 percent of the wirelines provided to customers in Michigan. This not only represents an increase from last year and continues the trend of increasing competitive market share over the last four years, but it also was a new high for the competitive wireline market share in Michigan. As in recent years, the trend of facilities-based competition continues to be more evident in residential lines.

While the Commission does not have jurisdiction over most communications services that are not traditional wireline telecommunications, additional public data allows for the monitoring of developments in these markets. Federal Communications Commission (FCC) data shows that the number of wireless subscriptions in Michigan continues to grow. As of December 31, 2011, in the FCC's most recent data, it is reported that there are approximately 9,253,000 wireless subscribers in Michigan. In addition to the mobile wireless voice service, the Commission has continued to believe that VoIP subscriptions were an increasingly large portion of the telecommunications market in Michigan. According to FCC data, as of December 31, 2011, Michigan had 98 providers of interconnected VoIP serving over 1.3 million interconnected VoIP lines.

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Broadband Internet service provides customers not only with the opportunity to use VoIP service, but numerous additional benefits as well. While the Commission does not have regulatory authority over broadband, it does seek ways to support the availability and adoption of this important technology. One way the Commission is encouraging this development is in partnership with non-profit Connected Nation on the Connect Michigan project. The Connect Michigan project has made available an interactive broadband availability map, launched May 20, 2010, as well as research results on broadband adoption and barriers to adoption specific to both Michigan residences and businesses. These are all available at www.connectmi.org. Because Connect Michigan has had so much success with the community engagement aspects of the program, and because an interactive broadband map is such a useful tool for citizens and policymakers in the state, the Commission is currently exploring possible sources of funding to continue the Connect Michigan program after the expiration of the federal grant at the end of 2014. Michigan continues to see growth in the number of high-speed Internet connections, with 6,705,000 such connections reported to the FCC as of December 31, 2011. Each technology platform continues to see growth in the number of lines served, though the most dramatic increase is in the number of high-speed Internet access lines provisioned with mobile wireless.

The *Status of Telecommunication Competition in Michigan* report for 2012 indicates that while the total number of wirelines continue to decrease, competitive providers' market share has increased substantially, especially if all VoIP lines reported to the FCC are included. Competitive providers continue to serve about a third of their lines via their own facilities. This continues to represent an investment in Michigan's competitive telecommunications infrastructure and continues to serve as an indication that the provider has the intent of remaining in the marketplace in the long-term. Additionally, as in past years, alternative services – mobile wireless and VoIP – continue to see strong growth, leading to a diverse communications marketplace. The Commission will continue to strive to meet its obligations under the MTA to ensure that all Michigan citizens have access to telecommunications services and to resolve disputes that arise under the MTA. At the same time, the Commission is committed to monitoring developments in the wireless and broadband realms and any resulting impacts on the competitive landscape in Michigan. As noted, due to changes to the MTA in June of 2011, this is the last report on the Status of Competition in Telecommunications Service that will be submitted by the Commission to the Governor and Legislature. The Commission will continue to apprise the Governor and the Legislature of any future developments that may warrant action.

Very truly yours,

John D. Quackenbush, Chairman

Orjiakor N. Isiogu, Commissioner

Greg R. White, Commissioner