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February 1, 2019

Honorable Gretchen Whitmer
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 (Commission) in accordance with Section 12(2) of the Uniform Video Services Local Franchise Act (2006 PA 480, or the Act). This report will be made available on the Commission's website at michigan.gov/mpsc. The purpose of this report is to describe the status of competition for video/cable services in Michigan. This report also details Commission activities for 2018 and provides an overview of the survey responses from franchise entities and video/cable service providers.

The Commission also provides recommendations for additional legislative revisions pursuant to Section 12(2) of 2006 PA 480 to help improve the Commission's ability to more effectively implement provisions of the Act.

The Commission will continue to monitor the status of video/cable services competition in Michigan, which includes receiving and analyzing information from both franchise entities and video/cable service providers throughout Michigan. The Commission will also continue to assist individual customers, franchise entities, and providers with their questions and/or complaints.

Sincerely,

Sally A. Talberg, Chairman
Michigan Public Service Commission

Norman J. Saari, Commissioner
Michigan Public Service Commission



Status of Competition for Video Services in Michigan

In compliance with Public Act 480 of 2006

February 1, 2019

Sally A. Talberg, Chairman
Norman J. Saari, Commissioner

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Executive Summary

This annual report, submitted by the Michigan Public Service Commission (Commission) in accordance with Section 12(2) of the Uniform Video Services Local Franchise Act (2006 PA 480, or the Act), describes the status of competition for video/cable services in Michigan. There are currently 39 video and cable television providers offering service to Michigan customers, and they are continuing to report more competition in their franchise areas since the Act took effect. This report provides information regarding the responsibilities and activities of the Commission, the results from the 2018 Commission survey to gather information from franchise entities and video/cable providers, as well as recommendations to the Legislature. It is important to note that the Act does not provide jurisdiction over satellite television providers and as such, this report does not include information regarding satellite providers or their customers.

The Commission continues to educate and inform customers of the dispute resolution process that was adopted in 2009 and will continue to oversee complaints regarding video/cable services in Michigan. The Commission will continue to monitor the status of video/cable services competition in Michigan, which includes receiving and analyzing information from both franchise entities and video/cable service providers throughout the state. The Commission will also continue to assist individual customers, franchise entities, and providers with their questions and/or complaints, as well as inform the Governor and Legislature of any future developments and make the appropriate recommendations for needed legislation.

Introduction

On January 1, 2007, the Uniform Video Services Local Franchise Act (hereinafter referred to as "2006 PA 480" or the "Act") became effective. Section 12(2) of the Act states:

"The commission shall file a report with the governor and legislature by February 1 of each year that shall include information on the status of competition for video services in this state and recommendations for any needed legislation. A video service provider shall submit to the commission any information requested by the commission necessary for the preparation of the annual report required under this subsection. The obligation of a video service provider under this subsection is limited to the submission of information generated or gathered in the normal course of business."

This Act directs the Michigan Public Service Commission (Commission) to provide information regarding the status of competition for video/cable services in Michigan, as well as any recommendations for needed legislation to the Governor and Legislature by February 1 of each year. For the twelfth year, the Commission has collected information regarding the status of competition of video/cable services by developing electronic surveys for use by franchise entities (also referred to as municipalities or communities) and video/cable service providers operating throughout Michigan. The surveys, as well as the information collected from the surveys, are explained in further detail within the body of this report.

In addition to the survey information, this report provides a brief description of the Commission's role as it pertains to the Act, as well as the Commission's video/cable franchise activities (including complaint handling) during 2018. This report also includes information relating to recommendations for legislative changes and the Commission's conclusion on the status of video/cable competition for 2018.

Responsibilities and Activities of the Commission

This section provides an overview and analysis of the responsibilities and activities of the Commission since the Act became effective, and more specifically, during the 2018 calendar year. These responsibilities and activities have been divided into the following categories: Statutory Responsibilities, Outreach, and Complaint Handling.

Statutory Responsibilities

This Act became effective on January 1, 2007. The Commission established a statewide uniform standardized form to be used by both video/cable service providers (providers) and franchise entities pursuant to Section 2(1) of the Act. The Uniform Video Service Local Franchise Agreement

(Agreement) was formally approved on January 30, 2007 by the Commission in Case No. U-15169. The Agreement can be found on the Video/Cable section of the Commission's website.¹

The Act required the Commission to develop a proposed dispute resolution process, which was submitted to the Legislature in compliance with Section 10(3) of the Act. Public Act 4 of 2009 established the video/cable dispute resolution process. The Commission offers the dispute resolution process for the following types of complaints: customer vs. provider; franchise entity vs. provider; and provider vs. provider.

The Act provides that a video service provider shall not deny access to service to any group of potential residential customers because of the race or income of the residents, pursuant to Section 9. In addition, the Act also provides that the Commission shall receive and rule on waiver requests from providers for an extension of requirements in Section 9 of the Act (deployment of services) and provides for the monitoring of the providers' compliance through annual reports. Commission Staff follow-up annually with the appropriate video/cable providers to ensure compliance with this section of the Act.² To date, the Commission has not received any such waiver requests.

The Act also provides that video/cable providers shall notify their customers of the dispute resolution process under Section 10 of the Act. Commission Staff follow-up with video/cable providers annually to ensure compliance with the Act.³

The Commission issued a Show Cause order in 2018 against a video/cable provider for possible violations of the Act (U-20093).⁴ Ultimately, the video/cable provider provided the required information to the Commission and the case was dismissed.

¹ The Agreement, as well as the Act, can be located at: <https://www.michigan.gov/mpsc/0,1607,7-159-49641---,00.html>

² In 2018, two video/cable providers (Martell Cable Service, Inc. and Negaunee Cable Company) failed to provide the appropriate Section 9 information to the Commission. Staff is currently reviewing this issue for possible Commission action regarding this matter.

³ In 2018, Commission Staff confirmed that all video/cable providers were providing the dispute resolution information except for one provider. Staff has been communicating with Northside TV Corporation and will continue to work with them to ensure the dispute resolution process is properly displayed and notified to their customers.

⁴ U-20093, Commission Show Cause Order against Martell Cable Service, Inc. (See: <https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t00000023GIFAA2>)

Outreach

Commission Staff continue to make efforts to communicate and meet with representatives from various cable companies as well as local municipalities to keep communication open between the Commission and those impacted by the Act. Like previous years, Staff mailed copies of the Commission's Video/Cable Consumer Tips to over 1,700 municipalities in 2018 in an effort to have the municipalities share the dispute resolution process and Commission's contact information with their residents, as well as provide information to municipalities regarding any issues that they may be encountering with their video/cable provider.

Updates and enhancements are continually being made to the Commission's video franchise webpage.⁵ The video franchise webpage provides a link to "Video/Cable Providers Offering Service in Michigan", where a person can view an updated list of all video/cable providers offering service as well as contact information for each provider. In addition, there is a link on the video franchise webpage to Michigan's Interactive Broadband Map⁶. The map is detailed, user-friendly, and allows users to see if Internet service – including Internet service offered by a video/cable provider – is available in a particular area, and if so, which providers are offering those services.⁷

Other items on the video franchise webpage include: 2006 PA 480, Frequently Asked Questions (FAQs), the Uniform Video Services Dispute Resolution Process (Public Act 4 of 2009), the Uniform Video Services Local Franchise Agreement, Video/Cable Consumer Tips⁸, information on the process for filing an informal or formal complaint, an online complaint form, contact information for Video Franchise, and an archive containing previous Video Competition Reports.

Complaint/Inquiry Handling

Consumers can contact the Commission with complaints and inquiries using several methods: by calling the Commission's toll-free telephone line, faxing, mailing, submitting an online complaint form, or filing a complaint in person at the Commission office. Commission's Staff also receives complaint and inquiry referrals from the Governor's office, legislative staff, the Attorney General's office, the Director of the Department of Licensing and Regulatory Affairs, and other state agencies.

5 MPSC Video/Cable webpage: <https://www.michigan.gov/mpsc/0,4639,7-159-49641---,00.html>

6 <https://connectednation.org/michigan/mapping-analysis/>

7 The map provides broadband internet information from participating providers. In addition, since providers continually expand and enhance their infrastructure, it is recommended that consumers contact the potential provider for assurance that service is available and can be offered.

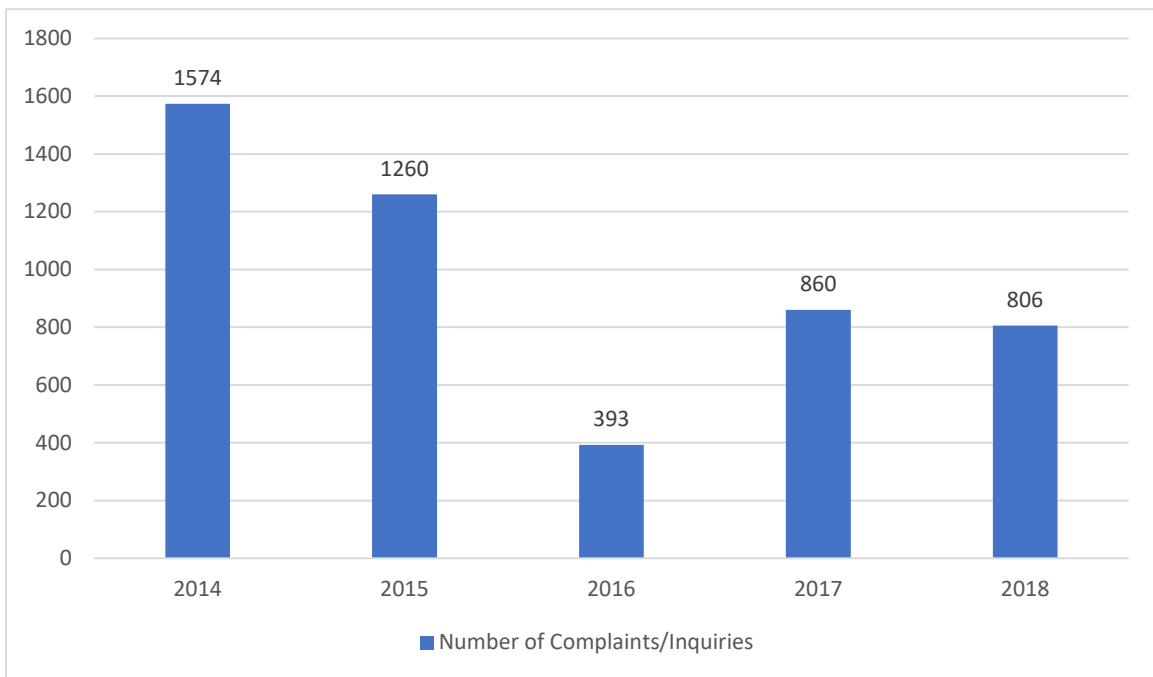
8 https://www.michigan.gov/mpsc/0,4639,7-159-16368_65327-305503--,00.html

After contacting the Commission, a customer record is created for each customer complaint and/or inquiry. These records allow the Commission to track the history and progress of the customer’s complaint from initial contact to resolution and collect data to analyze complaint and inquiry trends. Commission Staff respond directly to a customer’s inquiry or complaint, and complaints are forwarded to a video/cable provider complaint representative for resolution. The Commission follows the dispute resolution process as set forth in Public Act 4 of 2009.

Informal/Formal Customer Complaints

The Commission received 806 video/cable customer complaints and inquiries from January 1, 2018 to December 31, 2018. Figure 1 below shows the number of video/cable complaints and inquiries filed at the Commission over the past five years (2014 – 2018):⁹

Figure 1
Total Number of Video/Cable Complaints & Inquiries Reported to the Commission (2014-2018)



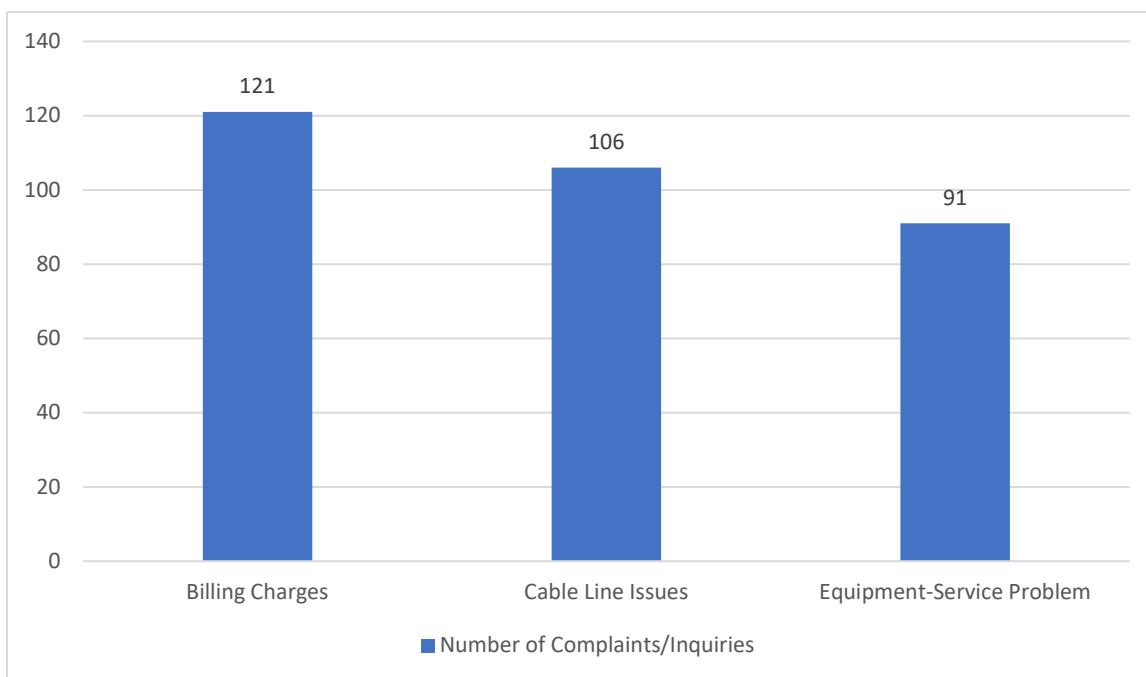
Source: MPSC Complaint Data

⁹ As noted in last year’s annual report, due to a lack of funding authority at that time, Video/Cable operations ceased between January 1, 2016 and June 30, 2016, resulting in a lower number of complaints handled in 2016.

Follow-up calls and the reopening of a complaint are not documented as a new complaint unless the complaint consists of an additional problem not originally reported by the customer.

Commission Staff continues to assist customers on a variety of issues regarding billing, false/misleading information, equipment-service problems, cable line issues, customer service, and request for service – among others. Figure 2 provides a listing of the most common types of video/cable complaints and inquiries filed with the Commission in 2018:

Figure 2
Most Common Video/Cable Complaints & Inquires



Source: MPSC Complaint Data

Of the 39 cable providers operating in Michigan, the Commission received video/cable complaints and inquiries pertaining to 9 different cable providers. The three providers with the most complaints and inquiries filed with the Commission in 2018 were Comcast (48 percent), AT&T (17 percent) and Charter (14 percent).

Customers who remain dissatisfied with the complaint resolution offered during the informal complaint process have the option to file a formal complaint pursuant to the Act. There were three formal customer complaints (U-20305, U-20320, and U-20352) filed in 2018, one of which was withdrawn, one was not found to be prima facie, and the one remaining is currently ongoing. The Commission issued Orders (U-18492, U-18430, and U-18481) in 2018 on three formal complaints that had originally been filed in 2017.

Franchise Entity vs. Video/Cable Provider Complaints

The Commission received one informal complaint filed on behalf of a franchise entity against a video/cable provider in 2018. Pursuant to the Act, Commission Staff conducted an informal mediation in an attempt to resolve the dispute.¹⁰

2018 Commission Survey to Franchise Entities and Providers

As in the past, the Commission continued to use its electronic survey for franchise entities, as well as a separate survey for providers.

Franchise Entities' Responses to the Commission Survey

As in prior years, the Commission posted the survey form on its website for franchise entities to complete. The online survey was available October 19 – November 16, 2018.

Although the franchise entity survey is not mandatory and not required by the Act, the Commission believes it is important to continue collecting information from municipalities regarding the video/cable environment in their communities. Notification letters were sent to over 1,700 municipalities informing them of the location and availability of the survey and encouraging communities to respond. The Commission also included with the notification letter two Video Franchise Consumer Tip Sheets, one that describes the dispute process for customers to file a video/cable complaint, and one for municipalities that explains the process to file a complaint against a video/cable provider.

Of the more than 1,700 municipalities that the survey notification letters were sent to, 297 communities responded and 93 responded for the first time this year. The compiled responses provide a cross-section of information necessary for analyzing video/cable service and competition in Michigan. The Commission believes it is important to include this information in this report; however, the responses do not necessarily reflect the views of the Commission.

Complaints

Of those municipalities that responded to the survey regarding customer complaints, 82 percent indicated they no longer take video/cable complaints. The Commission has continued to try to inform municipalities about Public Act 4 of 2009 (the dispute resolution process), resulting in 73 percent of the respondents in this year's survey stating they are aware of Public Act 4 of 2009. 74

¹⁰ The parties involved in the dispute provided responses and at this time no further action has been taken by the franchise entity.

percent of responding municipalities indicated they are aware the Commission can assist customers, franchise entities, and providers with video/cable inquiries and/or complaints.

Of those municipalities that continue to respond to video/cable complaints from their residents, the four most frequent complaints received by municipalities are rates¹¹, customer service, service equipment issues/outages, and billing issues. Although less frequently, municipalities also received various other complaints¹². In 2018, 99 percent of respondents indicated they have not had any form of dispute with a provider regarding a franchise agreement.

Impact of the Video Franchise Act on Communities

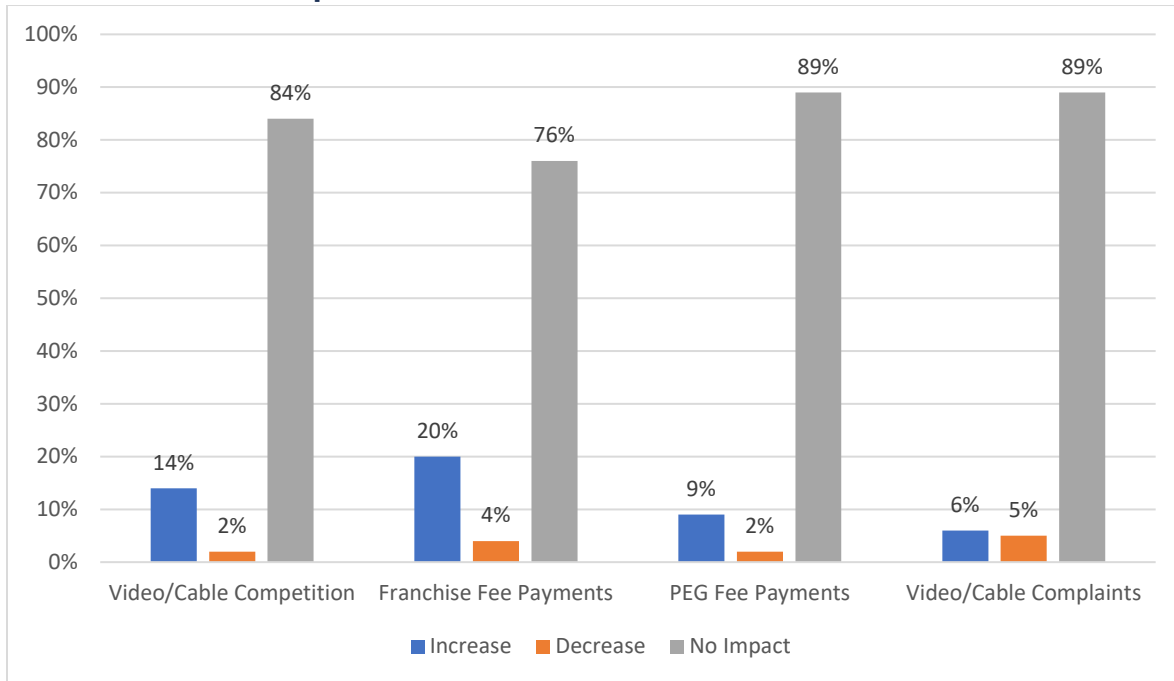
Municipalities were surveyed on any impact they have witnessed within their community since the Act took effect. Like previous years, the impacts that were highlighted are: Video/Cable Competition, Franchise Fee Payments, Public, Education and Government (PEG) Fee Payments, and Video/Cable Complaints. Figure 3 displays community responses relative to the four categories since the Act became effective:

¹¹ Pursuant to 2006 PA 480, neither the Commission, nor the franchise entity, has regulatory authority over rates or other control over a provider. The Commission does not regulate video/cable rates.

¹² "Other" complaints received included: poor installation practices, down and unburied cable lines, property damages, and service not available in the area.

Figure 3

Impact on Communities Since Act Became Effective



Source: MPSC Franchise Entity Survey

Again, like previous years, a high percentage of communities that responded reported no impact in each of the four categories.¹³

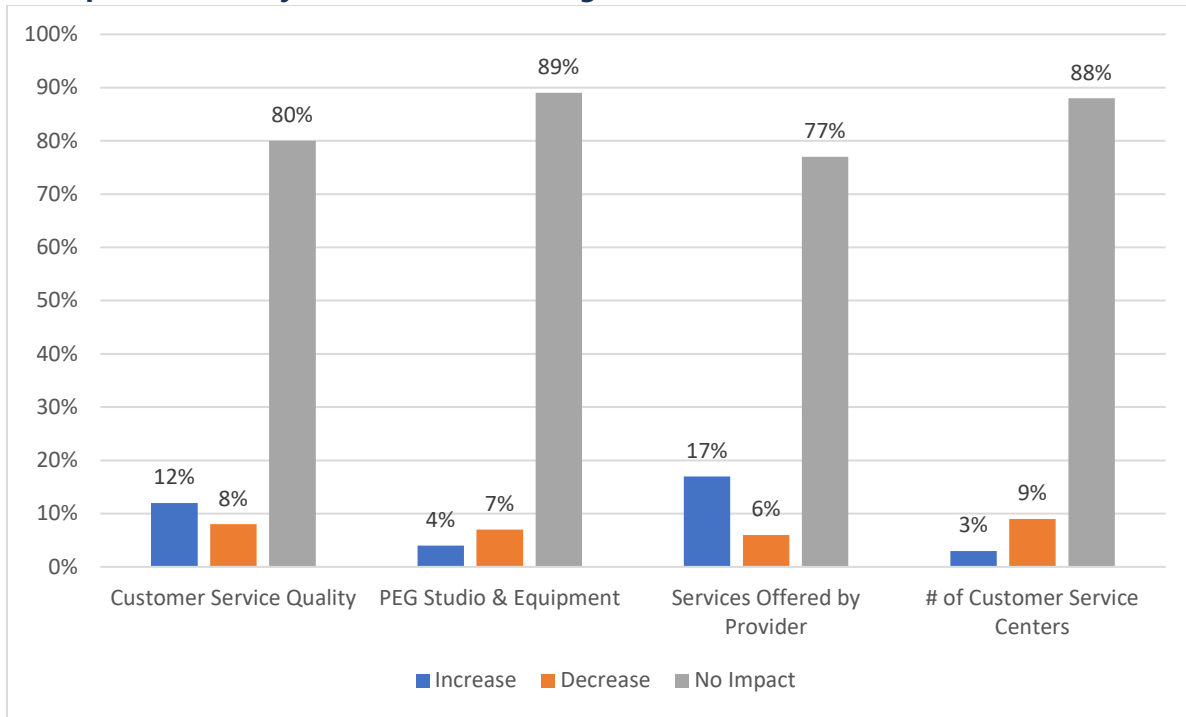
Changes in Quality of Service and/or Service Offerings of Providers

As in previous years, the Commission asked the municipalities to report any changes they perceived during 2018 regarding Customer Service Quality, PEG Studio and Equipment, Services Offered by Providers, and the Number of Customer Service Centers. Figure 4 reflects those responses from the municipalities:

¹³ It is important to keep in mind that those communities that responded last year are not necessarily the same communities that responded this year. Therefore, it is important not to make a direct comparison and assume that this is representative of the entire state.

Figure 4

Impact on Quality of Service & Offerings in Communities Since Act Became Effective



Source: MPSC Franchise Entity Survey

For 2018, a large percentage of municipalities reported “no impact” in each of the four categories since the Act took effect.

Municipalities also provided feedback regarding whether a PEG channel is available. Based on the responses received, 33 percent of municipalities indicated their community has a designated PEG channel.

Franchise Entities’ Suggestions or Comments

Franchise entities were provided the opportunity to offer any comments, recommendations, and/or suggestions¹⁴. The following summarized comments were received by the Commission:

For some of the franchise entities who filed comments in the survey, access to service is a problem, due to their location and/or sparse population. These franchise entities stated that their residents desire cable and internet service, but video/cable providers have cited high costs as the reason

¹⁴ These recommendations and suggestions are the sole opinion of some of the franchise entities and do not necessarily reflect the views of the Commission. These recommendations and comments are the views of only those franchise entities who provided comment, and do not necessarily reflect the same opinion of other franchise entities throughout Michigan.

for not building into the community. One franchise entity commented that their residents complain that they cannot receive cable service because of low population density. A second franchise entity commented that the MPSC should require video/cable providers with a Uniform Video Services Local Franchise Agreement to have a legitimate plan to implement video/cable service to all areas of a franchised community. The franchise entity stated that children in the community are assigned laptops and given homework requiring internet access – only to find out they cannot do the work at home because they live a mile away or more from the main population of town. One township commented that they do not have cable or internet service in approximately 70% of the township.

A few franchise entities commented that lack of competition is still a concern in their community. One indicated they've been trying for years to get a second video/cable provider in the area with no success. Some franchise entities offered that PA 480 has increased competition for some, not all, residents while having no effect on cost and decreasing customer service. A few rural franchise entities indicated that video/cable provider choices are extremely limited, which can often mean limited service and coverage. The quality of this limited service is often poor as well. One franchise entity inquired how to get a video/cable provider, as they have a fiber line running down one of their highways. A second commented that they don't have any franchise agreements for video/cable service; their residents have satellite and the service is extremely poor. Another rural township commented that they would like Charter to increase availability to residents or have another provider come forward to help their residents.

Some of the smaller, rural franchise entities that responded to the survey commented that they do not feel the survey pertains to them. One commented that they personally do not use the video/cable services, nor does the township, and another requested the MPSC stop sending them the survey. A few other franchise entities noted that they don't receive video/cable complaints, and for that reason they are unaware of any video/cable issues in their community. Others commented that they are new to the franchise entity and are unsure they can provide accurate historical data.

A couple of franchise entities noted comments regarding the Uniform Video Services Local Franchise Agreement. One franchise entity commented that Michigan needs to get rid of the Agreement and go back to municipalities having the ability to negotiate with providers. A second franchise entity commented that the Agreement should be rescinded so that the community can control build-outs, as they have one thousand homes without service.

One franchise entity commented that they hope the MPSC can help protect and preserve their franchise and PEG fees from upcoming FCC rules.

Providers' Responses to the Commission Survey

In 2018, the Commission continued to use its electronic survey to gather responses from providers. The survey notification letter was sent by mail and e-mail on November 30, 2018 to all

providers of video/cable service in Michigan.¹⁵ The survey was also available on the Commission's webpage beginning November 30, 2018. Accounting for any closures and/or mergers of companies and with the addition of new providers, there are now a total of 39 video/cable providers offering service in Michigan, an increase of 1 from 2017.¹⁶

Video/Cable Subscribers

During 2018, there were a total of 1,999,072¹⁷ video/cable customers reported for Michigan. This is a decrease of 42,954 customers compared to the number reported in 2017 - a trend that appears to be consistent with the national trend as consumers shift away from subscribed video services to video streaming services over the internet. Figure 5 shows the evolution in video/cable subscribership since 2014:

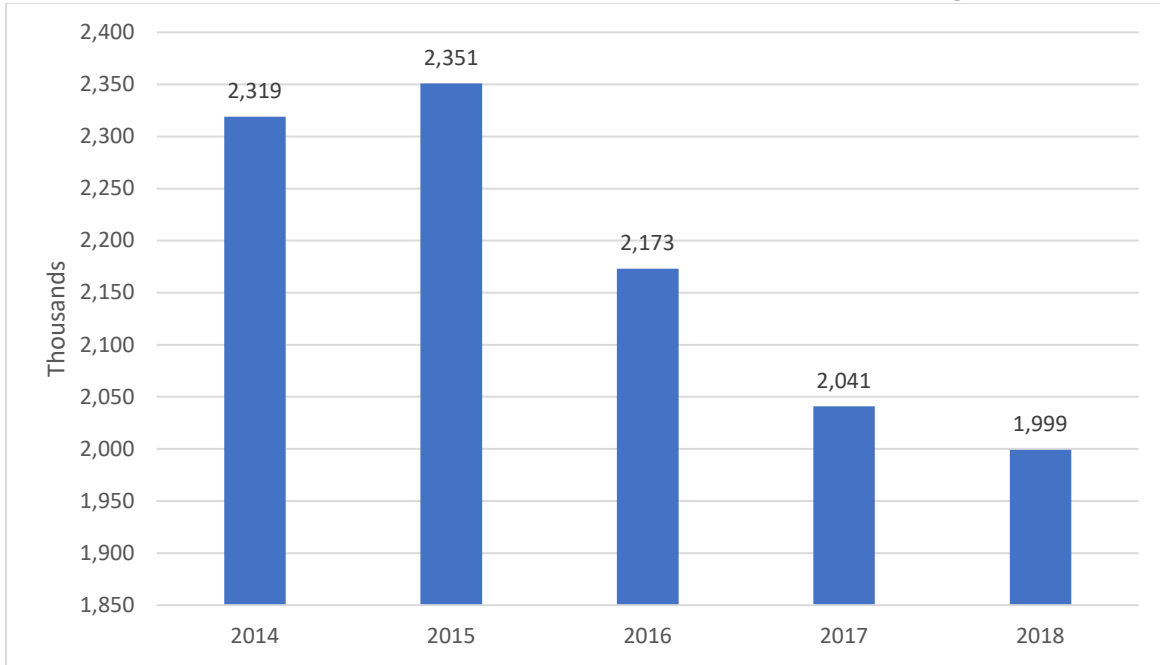
¹⁵ Two video/cable providers, Martell Cable Service, Inc. and Negaunee Cable Company, failed to provide responses to the Commission. Commission Staff will be pursuing this issue further and make appropriate recommendations to the Commission if necessary.

¹⁶ LakeNet LLC, Hiawatha Communications, Inc., and Baraga Telephone Company are new video/cable providers in the state of Michigan. Lighthouse.net was purchased by CCI Systems d/b/a Packerland Broadband in 2018. In previous years, the Commission considered Wide Open West Michigan, LLC and Wide Open West Mid-Michigan as two different video/cable providers in their provider count. This year, the two video/cable providers are being considered as one video/cable provider.

¹⁷ This number does not include satellite providers. Satellite providers are not required to have franchise agreements with franchise entities and are not required to report to the Commission.

Figure 5

Total Number of Video/Cable Subscribers in Michigan

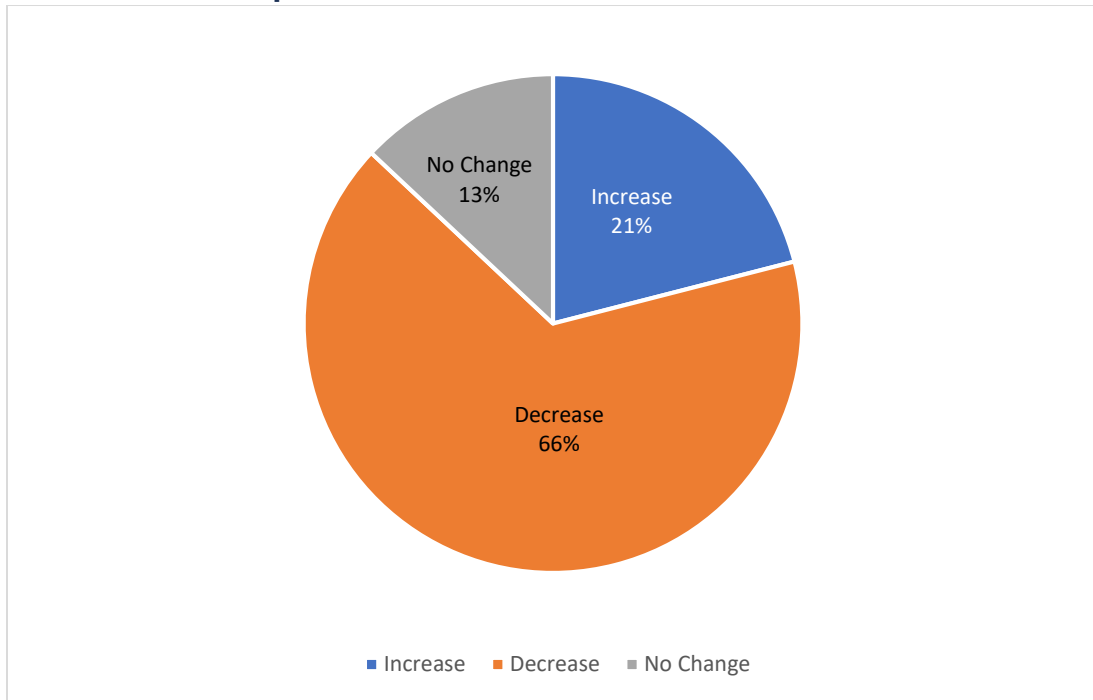


Source: MPSC Provider Survey

In addition to the overall number of subscribers, Figure 6 shows the cumulative breakdown of the providers' customer bases in 2018:

Figure 6

Impact on Providers' Customer Base (2018)



Source: MPSC Provider Survey

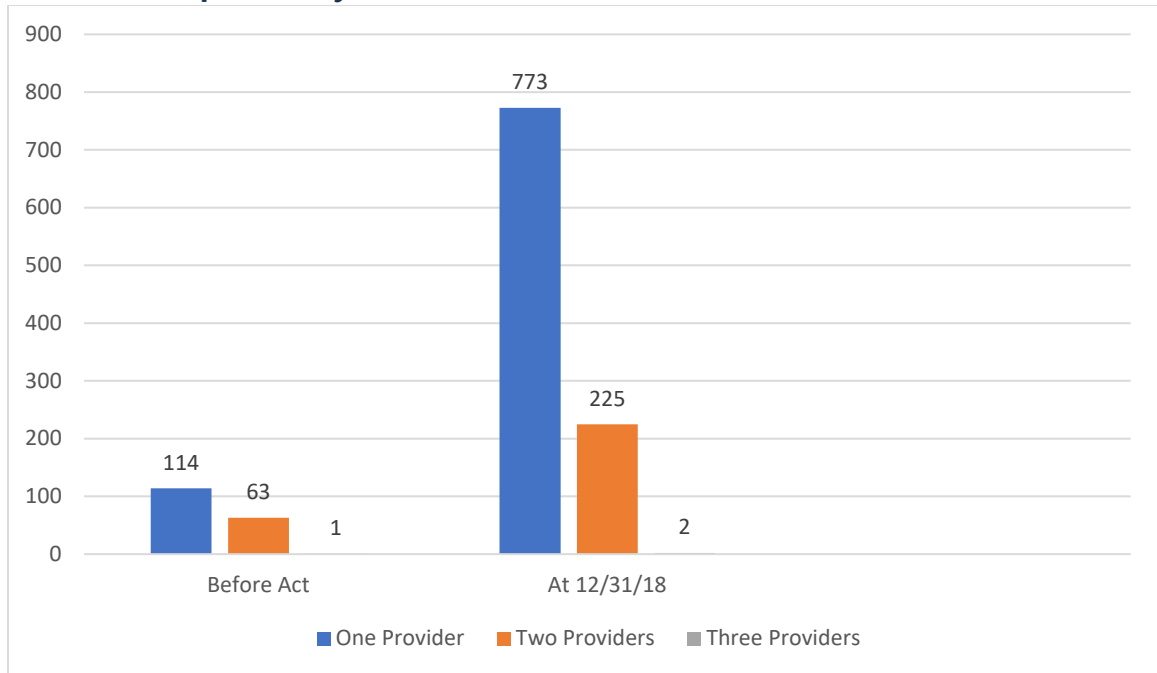
Video/Cable Competition

Overall, there are currently 2,104 franchise agreements in existence in Michigan (both individual franchise agreements entered into before the Act that have not yet expired, and the Uniform Video Service Local Franchise Agreements as required by the Act). When compared to 2017, this represents an increase of forty-four (44) franchise agreements.

Consistent with previous years, the Commission asked providers to submit information regarding the competition encountered in their franchise areas. Providers submitted information on the number of competing providers existing in their franchise areas before and since the Act took effect. Like previous years, providers have reported a continued increase of competitors entering their franchise areas. Figure 7 shows this comparison:

Figure 7

Number of Competitors by Franchise Area Before Act (1/1/07) and At (12/31/18)



Source: MPSC Provider Survey

Disputes

Two providers reported having informal or formal disputes with a franchise entity regarding their Uniform Video Services Local Franchise Agreement. Both disputes involved PEG fees, with one franchise entity requesting a PEG channel from the provider.

Investment in Michigan

Like previous years, the Commission requested information from providers regarding how many dollars they have invested in Michigan.¹⁸ Eighteen (18) of the 39 video/cable providers reported investing over 3 million dollars in the Michigan video/cable market during 2018 and over \$1.2 billion since the Act took effect.

Video/Cable Providers' Improvements/Enhancements in 2018

Video/Cable providers were also given the opportunity to provide information regarding improvements/enhancements to customer service, technical upgrades, or any other

¹⁸ The information that was submitted by the providers was done so on a voluntary basis.

improvements made in 2018.¹⁹ Video/Cable providers offered the following information regarding improvements and/or enhancements they have made in 2018 regarding customer service, technical upgrades, and service offerings:

AT&T reports their U-verse TV service delivers both real-time video programming and on-demand and interactive content that IPTV makes possible. This brand is extended across screens with Uverse.com and the U-verse App for smart phones and tablets. U-verse service includes access to more than 266 IPTV national HD channels, the ability to record up to four television shows at once with Total Home DVR, the ability to stream shows virtually anywhere, and the deployment of PEG, which continues with communities who have requested it.

Charter stated that its flagship broadband speed is now 100 megabits per second (Mbps) in virtually every market they serve. In addition to 100 Mbps, Charter offers 400 Mbps residential speeds, and in the fourth quarter of 2018, Charter launched Gigabit residential service as well. The company also launched Spectrum Mobile Service.

The City of Norway has improved on-line services and quality of service with technical upgrades to their system. The Coldwater Board of Public Utilities launched Skitter TV, an IPTV solution, to their customers. Northside TV Corporation installed equipment for High Definition TV reception for their customers. Sunrise Communications added fiber and increased internet speeds; they also transitioned more TV channels to digital. TVC, Inc. started offering upgraded set top boxes, and increased their internet speed. Westphalia Broadband added a 24/7 call center to assist customers and improved their picture quality through advanced compression technology. Other providers commented that they have improved the reliability of their video/cable service, along with three additional video services, increased bandwidth to internet subscribers, and are also continuing to add more fiber lines to their network.

Recommendations

This section provides the Commission's recommendations for legislative action pursuant to Section 12 (2) of the Act. The Commission offers the following three additional areas for consideration.

First, the Commission recommends that the Legislature extend the due date of the Commission's Annual Report from February 1 of each year, to March 1 of each year. The current due date makes it difficult for respondents to provide timely and accurate year-end information to the Commission. This narrow timeline to receive information from respondents and thoroughly

¹⁹ This information voluntarily submitted to the Commission should not be construed as verified by the Commission, nor should it be construed as the Commission supporting video/cable services of any particular provider.

analyze that information so that the Commission can provide a report to the Legislature by February 1 forces the Commission to rely on estimates in some areas instead of actual numbers.

Second, the Commission recommends language be added to the Act similar to the language currently found in Section 211(a) of the Michigan Telecommunications Act, which requires the provider to register the following information with the Commission: the name of the provider; a description of the services provided; the address and telephone number of the provider's principal office; the address and telephone number of the provider's registered agent authorized to receive service in this state; and any other information the Commission determines is necessary. Having this information would ensure the Commission has accurate contact information available to it for complaints, as well as for future information and data collection pursuant to the Act.

Third, the Commission recommends that if a company changes its name, goes out of business, or is merged into another company, it be required to notify the Commission of this change. Providers do not submit their Franchise Agreements to the Commission – the Franchise Agreements are submitted to the individual franchise entities. As such, this information is not available to the Commission. The Commission will continue to monitor the status of video/cable services competition in Michigan and inform the Legislature of any further recommendations for needed legislation.

Conclusion

The Commission, adhering to its responsibilities as set forth in Section 12(2) of the Act, provides the Governor and Legislature with this report that includes information related to the Commission's role, activities, and responsibilities, as well as summarizing the information that has been collected from franchise entities and providers, and the Commission's legislative recommendations.

As in past years, since the Act took effect, there are now hundreds of franchise areas that have at least 2 video/cable providers in those areas. Video/cable providers continue to invest millions in the video/cable market in Michigan, and enhance equipment, infrastructure, and service offerings to customers. The Commission will continue to educate and inform customers of the dispute resolution process and will continue to address complaints regarding video/cable services in Michigan.

