



Status of Competition for Video Services in Michigan

In compliance with Public Act 480 of 2006

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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 33 video and cable television providers offering service to Michigan customers, a slight reduction from the 36 providers offering service in 2020, 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 2021 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 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 fifteenth 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 2021. This report also includes information relating to recommendations for legislative changes and the Commission's conclusion on the status of video/cable competition for 2021.

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 2021 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. 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.

Lastly, the Act also requires providers to submit to the Commission any information requested by the Commission necessary for the preparation of the annual report required under Section 12 of the Act.

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. As in previous years, Staff mailed information regarding the Commission's Video/Cable Consumer Tips to over 1,700 municipalities 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. Commission Staff also shared this information with the Michigan Municipal League and the Michigan Townships Association to distribute to their members.

¹ The Agreement, as well as the Act, can be located at: https://www.michigan.gov/mpsc/0,9535,7-395-93309_93439_93464_94117_94119---,00.html

Updates and enhancements are continually being made to the Commission’s video franchise webpage.² 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 Map.³ 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.⁴

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 Tips,⁵ 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 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.

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 893 video/cable customer complaints and inquiries from January 1, 2021 to December 31, 2021, a 3 percent increase from 2020. Figure 1 below shows the number of

² MPSC Video/Cable webpage:

https://www.michigan.gov/mpsc/0,9535,7-395-93308_93325_93425_94040_94044---,00.html

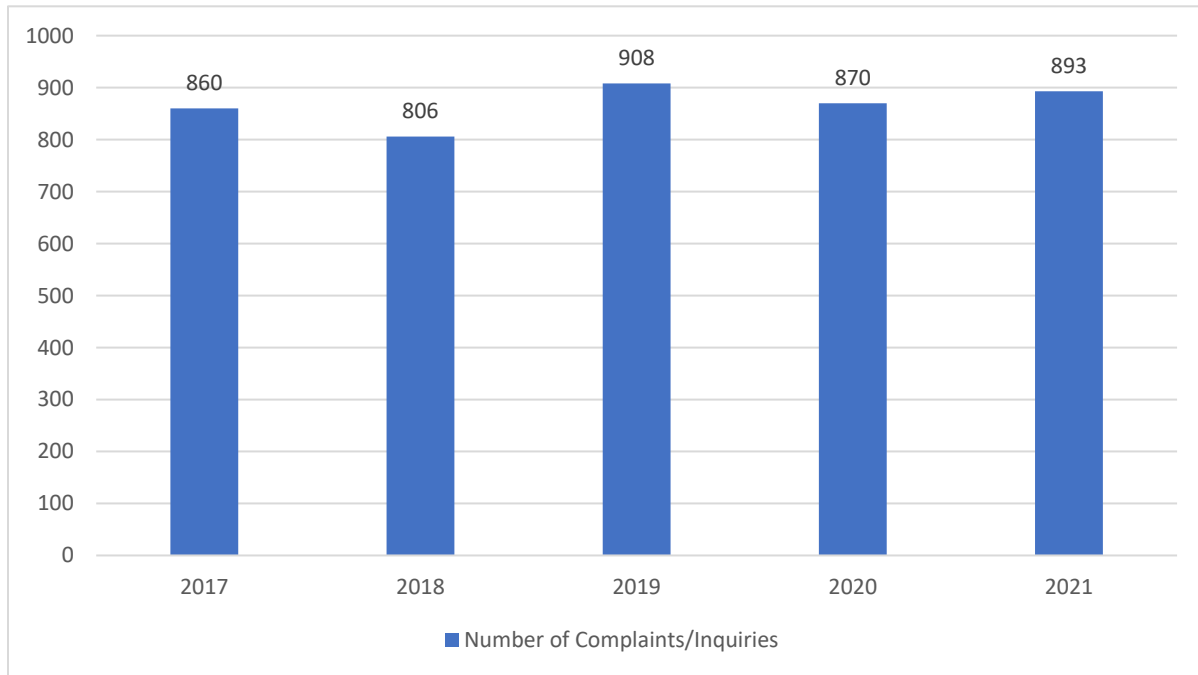
³ https://www.michigan.gov/mpsc/0,9535,7-395-93309_93439_93464_94143-502822--,00.html

⁴ 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.

⁵ https://www.michigan.gov/mpsc/0,9535,7-395-93308_93327_93335_94463_94468---,00.html

video/cable complaints and inquiries filed at the Commission over the past five years (2017 – 2021):⁶

Figure 1
Total Number of Video/Cable Complaints & Inquiries Reported to the Commission (2017-2021)



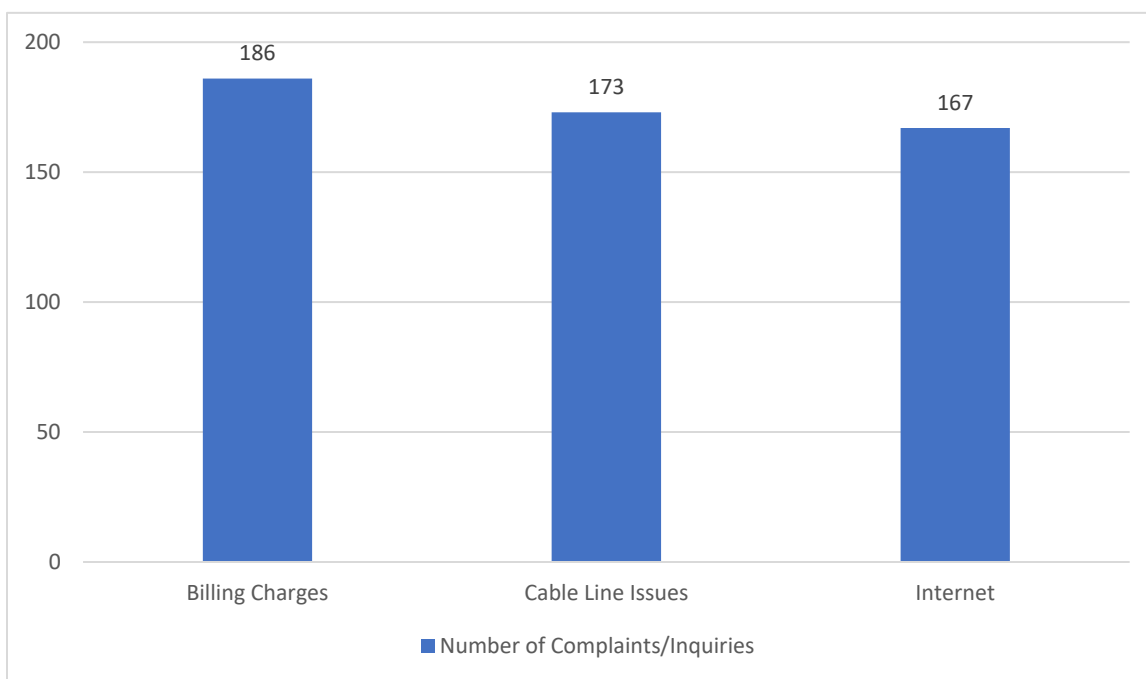
Source: MPSC Complaint Data

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 2021:

⁶ The total reported number in Figure 1 only represents cable/video television specific complaints. MPSC Staff also received 329 cable complaints that were combined with telecommunications issues as well. Since these complaints involved more than just cable/video, these totals were not included in Figure 1.

Figure 2
Most Common Video/Cable Complaints & Inquires



Source: MPSC Complaint Data

The numbers above show a slight change from the complaints and inquiries made in 2020, including a decrease in billing charge issues (down from 203 to 186) and an increase in cable line issues (up from 131 to 173). Internet complaints were in the top three categories of complaints with 167 complaints. Of the 33 cable providers operating in Michigan, the Commission received video/cable complaints and inquiries pertaining to 13 different cable providers. The three providers with the most complaints filed with the Commission in 2021 were Comcast (48 percent), Wide Open West Michigan (WOW!) (16 percent) and AT&T (15 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 was one formal customer complaint (U-21124) filed in 2021, which was not found to be prima facie.

Franchise Entity vs. Video/Cable Provider Complaints

During 2021, the Commission did not receive any complaints filed on behalf of a franchise entity against a video/cable provider. Commission Staff continue to assist both franchise entities and providers in resolving any issues or concerns that may be occurring between the parties.

2021 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

Similar to previous years, the Commission posted the survey form on its website for franchise entities to complete. The online survey was available October 18 – November 12, 2021.

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. Commission Staff mailed over 1,700 letters to municipalities informing them of the survey. Commission Staff also asked the Michigan Municipal League and the Michigan Townships Association to email the letter and information to their members. The notification letters provided municipalities with information regarding the location and availability of the survey and encouraged communities to respond. Two Video Franchise Consumer Tip Sheets were also included, 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.

Commission Staff received 487 responses, which was a 400% increase from the previous 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 the 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, 89 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 48 percent of the respondents in this year's survey stating they are aware of Public Act 4 of 2009. 54 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 rates,⁷ service equipment issues/outages, customer service, and billing issues. Although less frequently, municipalities also received various other complaints.⁸ In 2021, 2 indicated that they had a dispute with a provider regarding a franchise agreement. The disputes were regarding franchise fees and no service in the area.

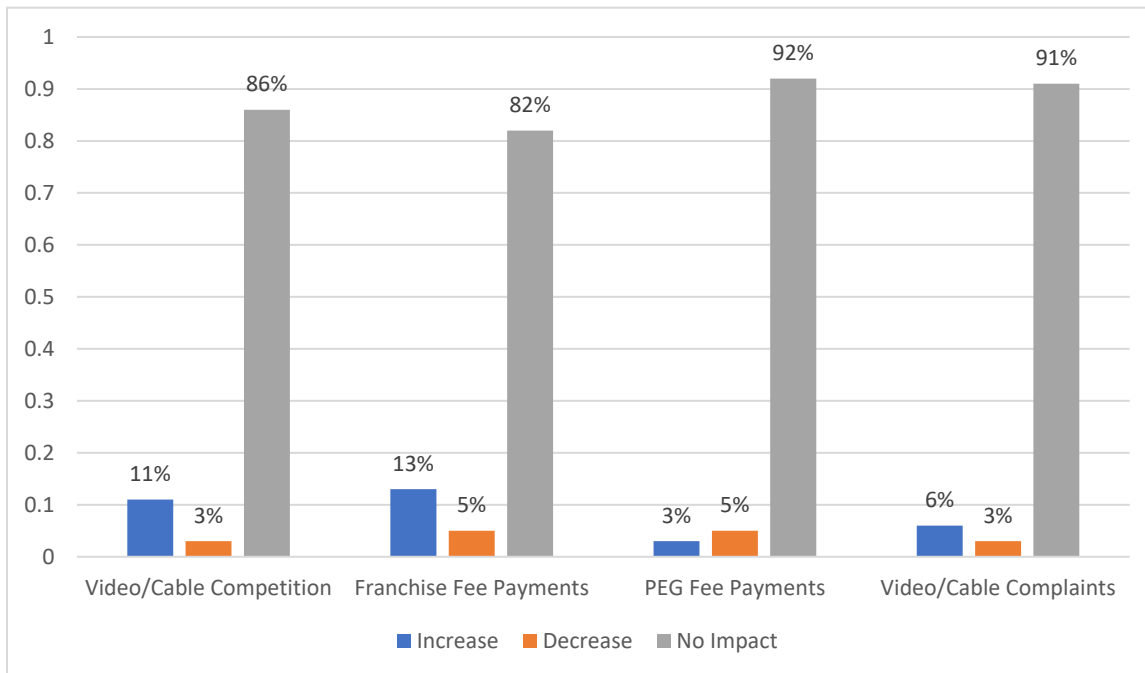
⁷ Pursuant to 2006 PA 480, neither the Commission, nor the franchise entity, has regulatory authority over rates or other control over a provider. The Commission does not regulate video/cable rates.

⁸ "Other" complaints received included: access, availability, choice, competition, cost of service, no service, service expansion, internet, and cable line issues.

Impact of the Video Franchise Act on Communities

Municipalities were surveyed regarding any impact they have witnessed within their community since the Act took effect. Similar to 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:

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.⁹

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

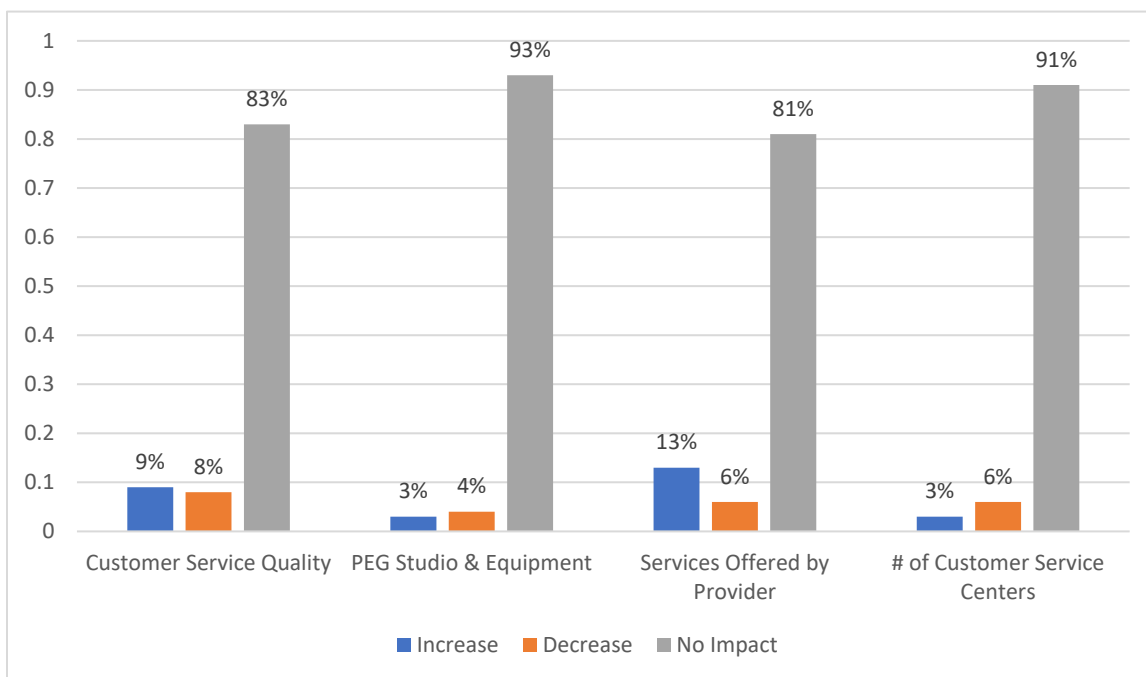
As in previous years, the Commission asked the municipalities to report any changes they perceived during 2021 regarding Customer Service Quality, PEG Studio and Equipment, Services

⁹ 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.

Offered by Providers, and the Number of Customer Service Centers. Figure 4 reflects those responses from the municipalities:

Figure 4

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



Source: MPSC Franchise Entity Survey

For 2021, 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, 27 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 suggestions.¹⁰ The following summarized comments, organized by topic area, were received by the Commission:

¹⁰ 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.

Access:

Access to cable and internet service is a significant concern. Several franchise entities mentioned having no or very limited cable and internet service while others state they have very poor internet service. Many entities mentioned they would like to see more cable and internet options for their residents, improved cable and internet service, and expansion, especially in rural areas.

Competition:

One franchise entity stated that what they hear the most is people wanting more options/more competition. A few franchise entities commented that PA 480 has increased competition for some but not all residents, while having no effect on cost and decreasing customer service.

Customer Service:

One franchise entity stated that additional customer service centers were needed, while another stated that they had received several complaints by citizens who would like a local service center reopened.

Cost:

One franchise entity stated that the cost of cable is "outrageous." Another franchise entity felt that cable costs should be regulated.

Expansion:

Several franchise entities mentioned expansion of service to include more or all the community including into subdivisions. In some communities, a provider may only be providing service to 2% of the residents. One entity felt that a provider should be mandated to provide service to an entire township, not just portion of a township.

Franchise and PEG Fees:

One franchise entity stated they have seen a decrease in franchise fees, while another entity is having trouble with their PEG channel working correctly.

Miscellaneous Comments:

One franchise entity stated that PA 480 needs to be completely rescinded. They have seen many degradations in services since it has taken effect and they have little to no recourse to force providers to service more areas in their community and to lower their exorbitant pricing. One franchise entity stated that while their area is growing, the growth is not enough for the provider to spend the money to service their residents. One franchise stated it was nice to hear from the Commission.

Providers' Responses to the Commission Survey

In 2021, the Commission continued to use its electronic survey to gather responses from providers. The survey notification letter was sent by e-mail on November 29, 2021 to all providers of video/cable service in Michigan. The survey was also available on the Commission's webpage beginning November 29, 2020. Accounting for any closures and/or mergers of companies and

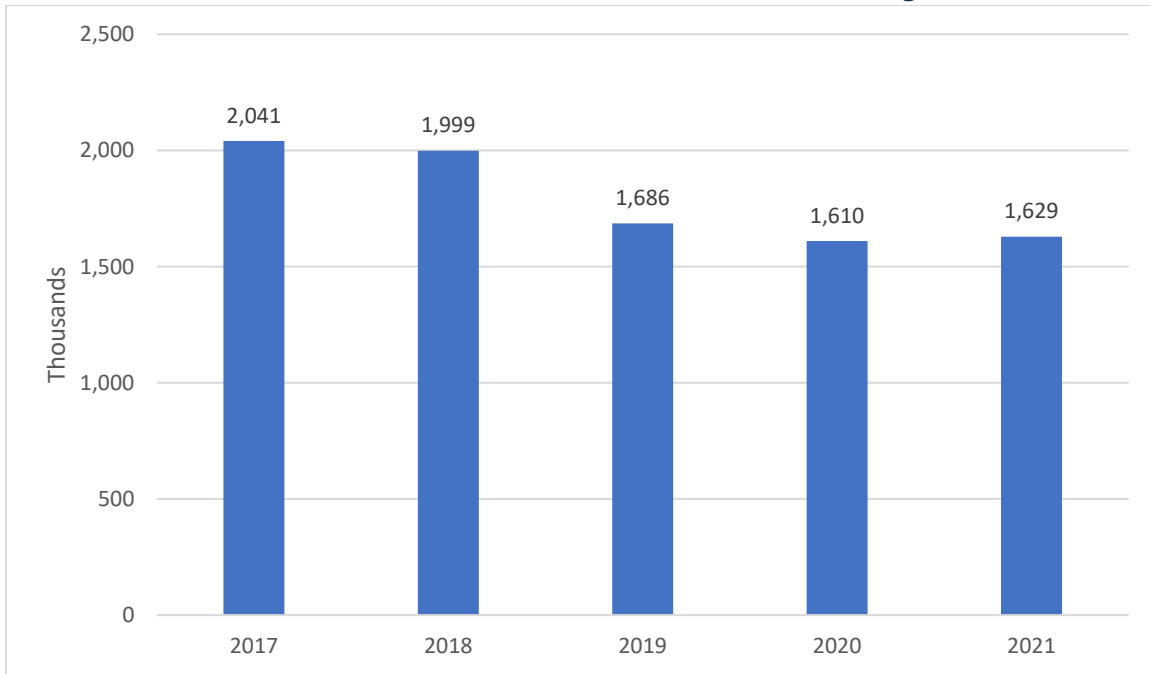
with the addition of new providers, there are now a total of 33 video/cable providers offering service in Michigan, a decrease of 3 from 2020.¹¹

Video/Cable Subscribers

During 2021, there were a total of 1,628,620¹² video/cable customers reported for Michigan. This is an increase of 18,341 customers compared to the number reported in 2020.¹³ Figure 5 shows the evolution in video/cable subscribership since 2017:

Figure 5

Total Number of Video/Cable Subscribers in Michigan



Source: MPSC Provider Survey

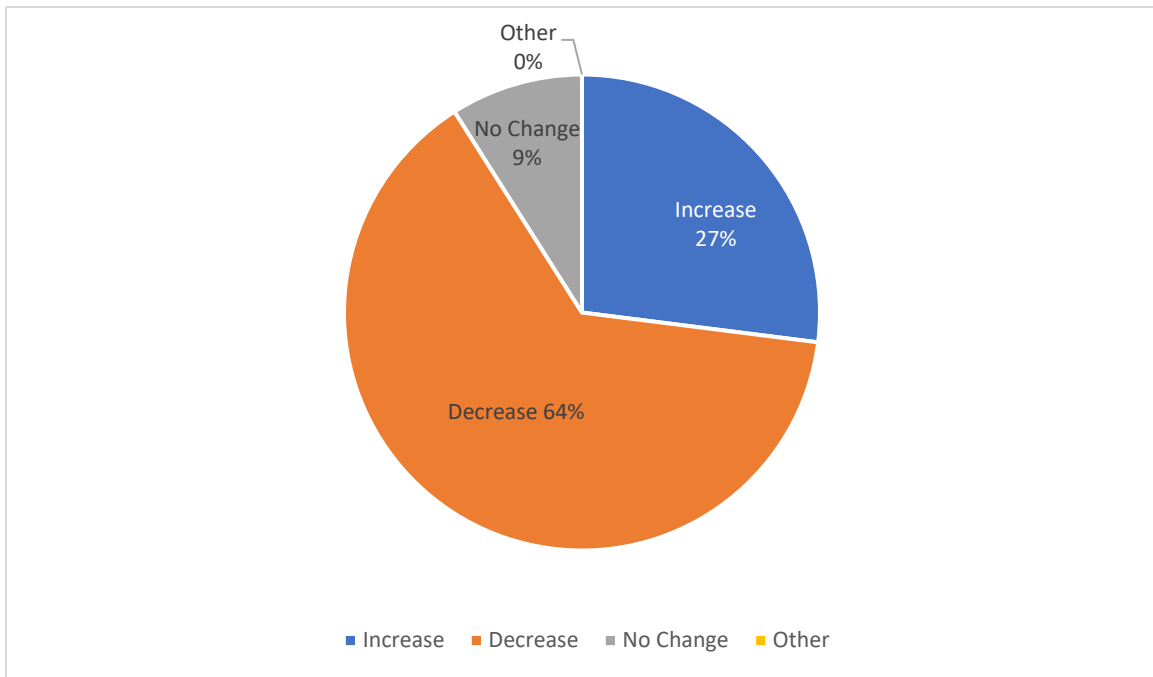
In addition to the overall number of subscribers, Figure 6 shows the cumulative breakdown of the providers' customer bases in 2021:

¹¹ Lewiston Communications was acquired by Astrea in January 2021. Michigan Cable Partners, Inc. and Town and Country Cable dba Golden Communications were bought by Charter Communications in April 2021.

¹² 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.

¹³ After years of decrease, this is the first increase of video/cable customers since 2015. It is unclear if the COVID-19 pandemic may have had an impact on the increase in customers as a result of more households staying home.

Figure 6
Impact on Providers' Customer Base (2021)



Source: MPSC Provider Survey

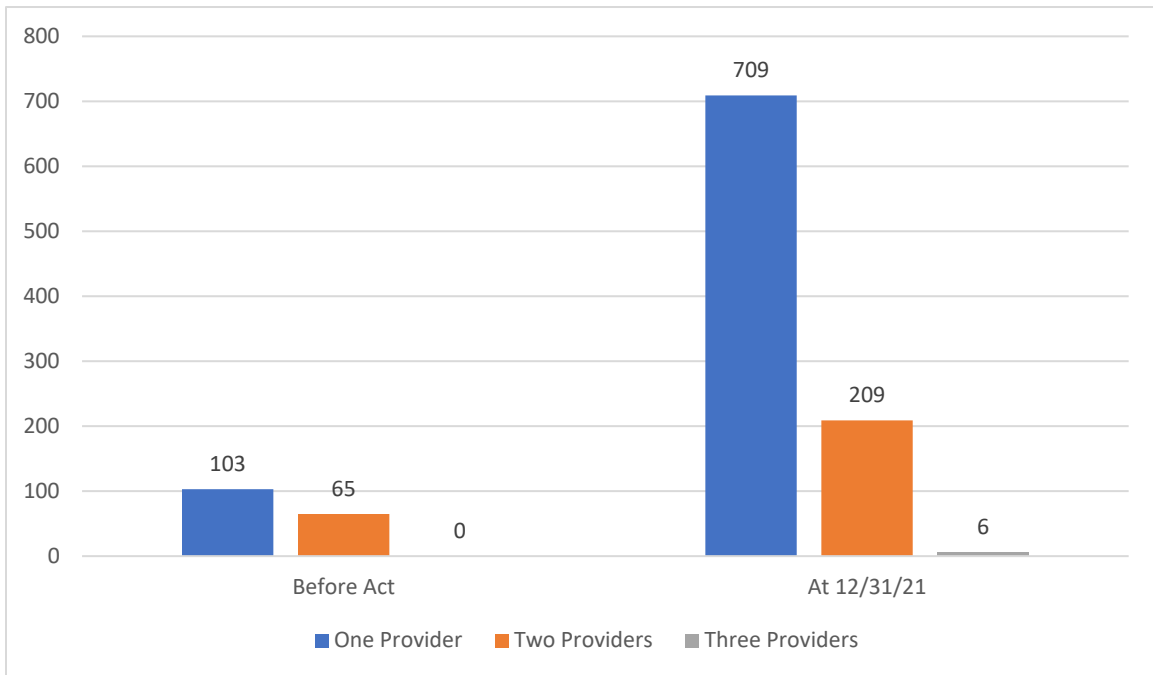
Video/Cable Competition

Overall, there are currently 1,973 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 2020, this number has decreased slightly.

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 (12/31/21)



Source: MPSC Provider Survey

Disputes

In 2021, no providers reported having any disputes with franchise entities.

Investment in Michigan

Similar to previous years, the Commission requested information from providers regarding how many dollars they have invested into the Michigan market.¹⁴ Fourteen (14) of the 33 video/cable providers reported investing over \$5.1 million dollars into the Michigan video/cable market during 2021.

Video/Cable Providers' Improvements/Enhancements in 2021

Video/Cable providers were also given the opportunity to provide information regarding improvements/enhancements to customer service, technical upgrades, or any other improvements made in 2021.¹⁵ Video/Cable providers offered the following information regarding

¹⁴ The information that was submitted by the providers was done so on a voluntary basis.

¹⁵ 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.

improvements and/or enhancements they have made in 2021 regarding customer service, technical upgrades, service offerings, etc.:

ATI Networks, Inc. has expanded their offering in direct access fiber, Hosted PBX VoIP and home security and home automation services. They have also upgraded equipment for high-speed internet. The City of Norway has upgraded their high-speed internet and broadband. Northside TV Corporation purchased new equipment to provide digital TV signals for the C-Band movement required by the FCC.

Westphalia Broadband, Inc. continues to add new channels to their line-up and fiber to homes for increased bandwidth. They also continue to educate their customer service representatives to better service their customers. Vogtmann Engineering, Inc. added additional upstream cards for their internet service.

Other providers commented that they have improved their customer service, and upgraded service to customers by adding new channels, fiber to the home, and more streaming options.

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 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 summarizes 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. 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.