



The National Regulatory Research Institute

State Analysis of Competition in Telecommunications Markets: Results of an NRRI Survey



**STATE ANALYSIS OF COMPETITION IN TELECOMMUNICATIONS MARKETS:
RESULTS OF AN NRRI SURVEY**

Ed Rosenberg, Ph.D.
Senior Institute Economist
and
Chang Hee Lee
Graduate Research Associate

The National Regulatory Research Institute
at The Ohio State University
1080 Carmack Road
Columbus, Ohio 43210-1002
Phone: 614/292-9404
Fax: 614/292-7196
www.nrri.ohio-state.edu

November 2003

This report was prepared by the National Regulatory Research Institute (NRRI) with funding provided by participating member commissions of the National Association of Regulatory Utility Commissioners (NARUC). The views and opinions of the authors do not necessarily express or reflect the views, opinions or policies of the NRRI, NARUC or NARUC member commissions.

EXECUTIVE SUMMARY

State commissions are crucial to making a reality of the national policy goal in the Telecommunications Act of 1996 (the Act) to promote competition in local markets. However, there has been no comprehensive study of state regulatory commissions' assessments of the status and effects of competition in telecommunications markets. To fill this gap, the NRRRI conducted a survey during the period of December 2002 through February 2003 to collect information on state evaluation or analysis of competition in telecommunications markets at the state level. The survey was sent to all 50 states and the District of Columbia; 46 state commissions participated in the survey—a 90 percent response rate. This report shows how the majority of the states assess the status of telecommunications competition within their jurisdictions.

The survey results indicate that, by and large, state commissions have been actively monitoring the development of competition in telecommunications markets since passage of the Act:

- The majority of the responding state commissions reported that they have conducted some form of formal competition analyses for the intrastate telecommunications markets (local service, intraLATA toll service, and intrastate, interLATA service markets). Other states may be doing informal analysis or monitoring competition. Almost half the states conducted competition analyses on a regular basis (e.g., annually).
- According to the state commissions' assessments, competition in local service markets seems to be in an early stage of development, whereas competition in the long distance markets has developed considerably so far, although it may not be mature yet. Most state commissions found the local service markets either "slightly competitive" or "not competitive" rather than "fully competitive" or "moderately competitive"; in contrast, the majority of the responding states that had analyzed long distance markets found them either "fully competitive" or "moderately competitive."

TABLE OF CONTENTS

	Page
List of Figures	vii
List of Tables	viii
Foreword	ix
Acknowledgments	xi

Section

INTRODUCTION	1
ANALYSIS OF THE SURVEY RESULTS	3
State Analysis of Telecommunications Competition since the Telecommunications Act of 1996.....	3
Frequency of Competition Analysis	4
Conduct of Competition Analysis	10
Initiation of Competition Analysis	13
Market Segments Analyzed.....	17
Types of Alternative Providers/Technologies Considered in Competition Analysis	19
Sources/Types of Data Used for Competition Analysis	22
Criteria for Assessing Competition	25
Assessment of the Status of Competition	27
Actions Taken after Competition Analysis	32
STATE COMPETITION ANALYSES: CASE STUDIES.....	37
Florida	37
Illinois	38
New York	41
Analysis of Competition in New York	42
Oregon	43
SUMMARY.....	45

Appendix

1 SURVEY QUESTIONNAIRE	49
2 ONLINE RESOURCES RELATING TO STATE TELECOMMUNICATIONS COMPETITION ANALYSES	55

TABLE OF CONTENTS - *continued*

	Page
Addendum	
RESPONSE FROM THE DISTRICT OF COLUMBIA PUBLIC SERVICE COMMISSION.....	61

LIST OF FIGURES

	Page
Figure	
1 Number of States Analyzing Telecommunications Competition since the Telecommunications Act of 1996	3
2 Frequency of Competition Analysis	5
3 Who Conducted Competition Analysis?.....	11
4 Impetus for Initiation of State Competition Analysis	14
5 Market Segments Considered in State Competition Analysis.....	17
6 Types of Alternative Providers/Technologies Considered in Competition Analysis	21
7 Sources/Types of Data Used for Competition Analysis	23
8 Linkage between Data Sources and Assessment Criteria	25
9 Criteria for Assessing Competition	26
10 Assessment of the Status of Competition	29
11 Number of States that Took Action to Promote Competition after Competition Analysis	33

LIST OF TABLES

	Page
Table	
1 State Analysis of Telecommunications Competition	4
2 Frequency of Competition Analysis	6
3 Conduct of State Competition Analysis	12
4 Initiation of State Competition Analysis	15
5 Market Segments Considered in State Competition Analysis	18
6 Types of Alternative Providers or Technologies Considered in Competition Analysis Other than Wireline CLECs	22
7 Sources/Types of Data Used for Competition Analysis	24
8 Criteria for Assessing Competition	27
9 Assessment of the Status of Competition	30
10 Actions Taken after Competition Analysis to Promote Competition.....	34

FOREWORD

“Competition” is probably one of the most frequently heard words since enactment of the Telecommunications Act of 1996, which requires state commissions to play a key role in bringing competition to telecommunications markets. This report shows that state commissions have been active in monitoring market developments and assessing competition in intrastate telecommunications markets. It is hoped that the information collected here will help readers better understand state commissions’ activities relating to telecommunications competition and serve as a resource for state commissions’ competition analyses.

Raymond W. Lawton, Ph.D.
Director, NRRI
Columbus, Ohio
November 2003

ACKNOWLEDGMENTS

The authors wish to express their gratitude to the individuals at state commissions who responded to our survey and provided us with relevant information. This report would not have been possible without their generous help. In appreciation for their help, the list of respondents to the survey is provided below. We would also like to thank Vivian Witkind Davis and Lilia Perez-Chavolla at the NRRRI for their help and contributions to the report, especially their assistance with the case studies. Finally, we are grateful to Carmell Brown at the NRRRI for her skillful formatting and efforts to make this report more attractive and readable.

<u>State</u>	<u>Respondents</u>
Alabama Public Service Commission	Larry Smith
Regulatory Commission of Alaska	Lorraine Kenyon
Arizona Corporation Commission	Richard Boyles
Arkansas Public Service Commission	Art Stuenkel
California Public Utilities Commission	Jerry Kerschman
Colorado Public Utilities Commission	Neil Langland
Connecticut Department of Public Utility Control	Patty Reilly
Delaware Public Service Commission	Connie McDowell
District of Columbia Public Service Commission	Phylicia Bowman
Florida Public Service Commission	Suzanne Ollila
Georgia Public Service Commission	Leon Bowles
	Tim Hopkins
Hawaii Public Utilities Commission	Lisa Kikuta
Idaho Public Utilities Commission	Joe Cusick
Illinois Commerce Commission	Jim Zolnierek
Indiana Utility Regulatory Commission	Joel Fishkin
Iowa Utilities Board	John Ridgway
Kansas Corporation Commission	Gerald Lammers
Kentucky Public Service Commission	Larry Harley
Louisiana Public Service Commission	Arnold Chauviere
	Vanessa LaFleur
Maine Public Utilities Commission	Joel Shifman
Maryland Public Service Commission	Faina Kashtelyan
Massachusetts Department of Telecommunications and Energy	April Mulqueen
Michigan Public Service Commission	Robin Ancona
Minnesota Public Utilities Commission	Mark Oberlander

Mississippi Public Service Commission	Vicki Helfrich
Missouri Public Service Commission	Natelle Dietrich
Montana Public Service Commission	Michael Lee
Nebraska Public Service Commission	Chris Post
Public Utilities Commission of Nevada	Jeanne Yapple
	Yasuji Otsuka
New Hampshire Public Utilities Commission	Kate Bailey
New Jersey Board of Public Utilities	John DeLuca
New Mexico Public Regulation Commission	Michael Ripperger
New York State Public Service Commission	Carl Johnson
North Carolina Utilities Commission	Nat Carpenter
North Dakota Public Service Commission	Patrick Fahn
Public Utilities Commission of Ohio	Michael Dorrian
Oregon Public Utility Commission	Dave Booth
Pennsylvania Public Utility Commission	Elizabeth Barnes
Rhode Island Public Utilities Commission	Brian Kent
South Carolina Public Service Commission	James McDaniel
South Dakota Public Utilities Commission	Harlan Best
Tennessee Regulatory Authority	Joe Werner
Texas Public Utility Commission	John Costello
Utah Public Service Commission	Bart Croxford
Virginia State Corporation Commission	Sheree King
	Penny Sedgley
Wisconsin Public Service Commission	Duane Wilson
Wyoming Public Service Commission	Michael Korber

INTRODUCTION

This year marks the seventh anniversary of the Telecommunications Act of 1996 (“the 1996 Act” or “the Act”), which was signed into law on Feb. 8, 1996, to bring competition to the telecommunications industry and benefit consumers through lower prices, higher quality services and the rapid deployment of new telecommunications technologies.¹ However, it seems that there may not be general agreement as to whether these policy goals of the 1996 Act have been achieved. Also, there has been no comprehensive study of state regulatory commissions’ assessment of the status and effects of competition in telecommunications markets. Although it is not explicitly stated in the 1996 Act, many would agree that the Act’s objective of promoting competition placed more emphasis on local telecommunications markets than on long distance services markets. Thus, the states’ role is very important in making the national policy goals a reality. This brings us to the natural question: *What is the state commissions’ assessment of the status of competition in the telecommunications markets within their jurisdictions?*

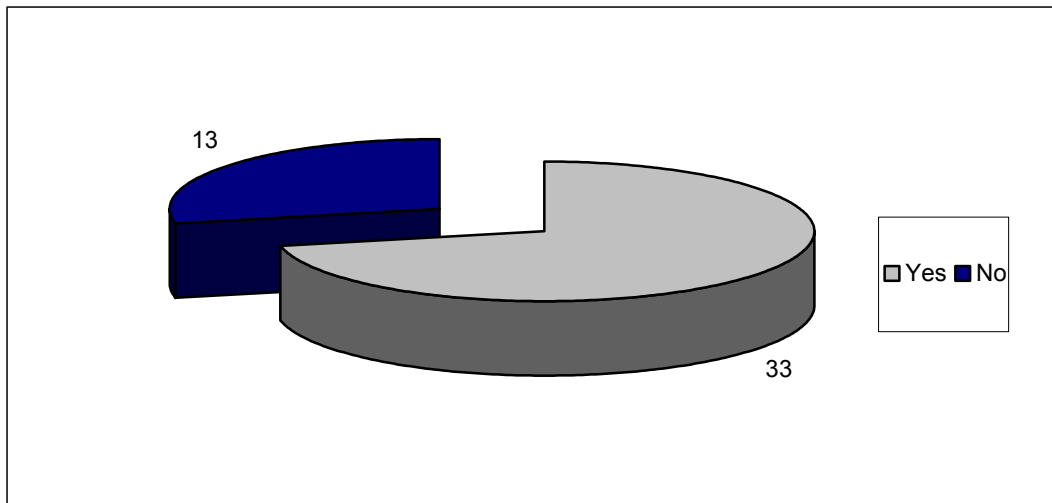
To address this question, the National Regulatory Research Institute (NRRI) conducted a survey to collect information on state evaluation or analysis of competition in telecommunications markets at the state level. We were particularly interested in state commissions’ experiences, methods and results of analyses of competition in telecommunications markets. In December 2002 the survey was sent to all 50 states and the District of Columbia; responses were collected through February 2003. Forty-six state commissions participated in the survey, a 90 percent response rate. Thus, although we do not have a complete account of all the states, this report shows how the majority of the states assess the status of telecommunications competition within their jurisdictions. In the sections that follow, we discuss the survey results in detail. In the penultimate section of the report, we provide brief case studies of a few selected states. The report ends with a summary of the findings.

¹ See the preamble of the Telecommunications Act of 1996, Pub. L. 104-104, 110 Stat. 56 (Feb. 8, 1996).

ANALYSIS OF THE SURVEY RESULTS

State Analysis of Telecommunications Competition since the Telecommunications Act of 1996

When asked whether they had conducted analyses or evaluations of the status and effects of competition in intrastate telecommunications services markets (local, intraLATA toll and intrastate, interLATA markets) since passage of the Act, 33 of 46 responding states, approximately 72 percent, indicated either that they have conducted such analyses or, for Arizona and Connecticut, that such analyses were ongoing at the time (see Figure 1 and Table 1). Among the states that had not done competition analysis, two states (Maine and Maryland) reported that they were in the process of collecting the data for analysis. The number of states with experiences in competition analyses² after the enactment of the 1996 Act seems to imply that the majority of state commissions are actively monitoring the development of competition in the local and long distance telecommunications markets within their jurisdictions.



Source: NRRI Survey, of states commissions on telecommunications competition, winter 2003.

Fig. 1. Number of states analyzing telecommunications competition since the Telecommunications Act of 1996.

² The term “competition analysis” in the survey and this report assumes some “formality” in the analysis. Therefore, the list of states that have not conducted competition analysis, shown in Table 1, does not necessarily mean there was no analysis or monitoring of competition at all in those states.

TABLE 1
State Analysis of Telecommunications Competition

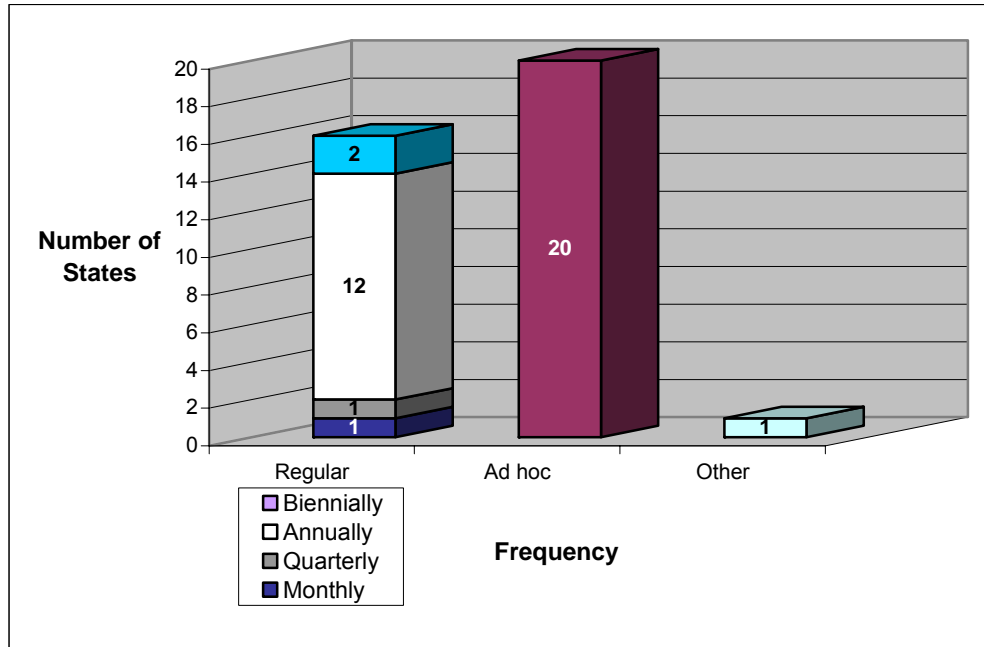
States that have conducted competition analysis since the 1996 Act: AL, AZ (ongoing), AR, CA, CT (ongoing), FL, GA, HI, ID, IL, IN, KS, KY, LA, MA, MI, MO, MT, NV, NH, NJ, NM, NY, NC, OH, OR, PA, TN, TX, UT, VA, WI, WY [33]	
States that have not conducted competition analysis since the 1996 Act: AK, CO, DE, IA, ME, MD, MN, MS, NE, ND, RI, SC, SD [13]	
State	Comment
CT	Competition in Connecticut is currently being evaluated in Docket No. 02-04-22, <i>DPUC Evaluation of the Transition of the Connecticut Telecommunication Market to Competition</i> .
ME	Currently collecting data to analyze intraLATA toll market competition
MD	The commission is still in the process of collecting the information from the companies and has not evaluated or analyzed the responses and data.
MS	In its Section 271 proceeding, Docket 97-UA-0321, by order dated Oct. 19, 1997, the commission requested that all CLECs file a monthly questionnaire regarding their activity in the state. The questionnaire consisted of information concerning the progress of the company's interconnection agreement with BellSouth as well as the number of residential and business customers served and the method used to serve these customers (i.e., resale, company's facilities, UNEs, or a combination of any of the above). This data is no longer being collected, and a written analysis or evaluation was never necessary.

Source: NRRI Survey, winter 2003.

Frequency of Competition Analysis

States were asked when they have conducted competition analyses in telecommunications markets within their jurisdictions and whether such analyses are conducted on a regular basis. Among the 33 states that reported they had conducted competition analyses, 15 states, approximately 45 percent, indicated that they have conducted analyses or evaluations of the status and effects of competition in intrastate telecommunications markets on a regular basis (see Figure 2 and Table 2).

Specifically, 12 states (including Virginia for the long distance market) conduct such analyses annually; two states (Tennessee and Texas) have a biennial time frame; one state (Virginia) has a quarterly time frame for analysis of the local market; and one state (Georgia) has a monthly time frame.



Note: 1. One state (Virginia) is counted three times—twice in the first category (“regular”) and once in the second category (“ad hoc”).
 2. Two states (California and Illinois) are counted twice—once in each of the first (“regular”) and second categories (“ad hoc”). See Table 2 below for details.

Source: NRRI Survey, winter 2003.

Fig. 2. Frequency of competition analysis.

In 20 states, including three states in which regular competition analyses have been conducted, ad hoc analyses of competition were conducted. There is one case that could be classified in between regular and ad hoc. In Missouri, the state commission is required by law to investigate the competitiveness of a certain incumbent local exchange carrier’s (ILEC) exchanges in which a competitor provides service within five years of the competitive service offering. Additionally, from time to time, but no less than every five years, the Missouri Public Service Commission is required to review the state of competition in those exchanges previously determined to be competitive.

The survey results indicate that the majority of the responding states are actively monitoring the development of competition in intrastate telecommunications markets. However, compared to the states where ad hoc analyses were done, a relatively small number of states have conducted competition analysis on a regular basis.

TABLE 2
Frequency of Competition Analysis

Frequency of Analysis		State
Regular [15]**	Monthly	GA [1]
	Quarterly	VA* (for CLECs) [1]
	Annually	CA*, FL, IL*, IN, MI, NH, NY, OH, OR, UT, VA* (for interexchange carriers (IXCs)), WY [12]
	Biennially	TN, TX [2]
Ad hoc		AL, AZ, AR, CA*, CT, HI, ID, IL*, KS, KY, LA, MA, MT, NV, NJ, NM, NC, PA, VA*, WI [20]
Other		MO [1]
<p>Note: 1. *Indicates the states that have conducted both regular and ad hoc competition analyses. 2. **Shows the number of states that have conducted regular competition analyses, counting Virginia one time.</p>		
State	Date of Analysis	Frequency of Analysis
AL	May 2002	Ad hoc
AZ	2002 (ongoing)	Ad hoc
AR	December 2000; May 2001	Ad hoc
CA	June 2002: Annual analysis of the status of telecommunications competition in California directed by California Public Utilities Code Section 316.5	Analysis of June 2002: Regular — Annually (at least two more analyses are anticipated.)
	September - December 2002: Analysis of local competition in SBC California's service area in response to its Telecommunications Act of 1996 Section 271 filing	Analyses of September – December 2002 and December 2002: Ad hoc — one-time efforts
	December 2002: Analysis directed by California Public Utilities Code Section 709.2 of the impact of interstate interLATA competition on intrastate, interLATA competition in California. This analysis was necessitated by SBC's request to commence interstate interLATA service and was completed in December 2002.	
CT	An analysis is currently being conducted in Docket No. 02-04-22, <i>DPUC Evaluation of the Transition of the Connecticut Telecommunication Market to Competition.</i>	Ad hoc

TABLE 2 - continued

State	Date of Analysis	Frequency of Analysis
FL	A report to the legislature on telecom competition is due by December 1 of each year. The requirement predates the 1996 Telecom Act.	Regular — at least annually
GA	Monthly since 1998	Regular — monthly
HI	October 2002	Ad hoc
ID	May 2000	Ad hoc
IL	<p><i>Annual Report on Telecommunications Markets in Illinois:</i> The commission reports annually to the legislature competitive information compiled from the responses to the commission’s annual competition data request at the end of each year.</p> <p>November 1998 – June 2001: ICC Docket No. 98-0860 in which the commission was investigating specific competitive tariffs to determine the proper classification of the tariffs (i.e., whether the products and services therein were competitive or non-competitive). The legislature eventually declared the products and services at issue competitive. The docket was initiated on Nov. 30, 1998, and was ended by legislative action effective Jun. 30, 2001.</p> <p>October 2001 – Current (Ongoing): ICC Docket No. 01-0662 initiated on Oct. 24, 2001 in which the commission is investigating SBC Illinois’ compliance with the provisions of Section 271 of the Act.</p> <p>The commission has also conducted competitive analyses in conjunction with the merger of Ameritech and SBC (Docket No. 98-0555 – initiated on Jul. 24, 1998 with ICC order on Sept. 23, 1999) and the merger of GTE and Bell Atlantic (Docket No. 98-0866, began in late 1998 and concluded in 2000)</p>	<p>Annual Report: Regular</p> <p>Analyses of November 1998 – June 2001, October 2001, Docket No. 98-0555 and 98-0866: Ad hoc</p>
IN	Each year the IURC surveys all the ILECs and CLECs for year end data. We like to have the data compiled by May or June to be used in our report to the General Assembly.	Regular — annually

TABLE 2 – continued

State	Date of Analysis	Frequency of Analysis
KS	<p>January 2000 to the legislature per a provision in the State Telecommunications Act</p> <p>March 2002 at the request of a legislative committee</p>	Ad hoc
KY	<p>Section 271 Proceeding: generally 2000 – 2001</p> <p>UNE Pricing Proceeding: generally 2000 – 2001</p> <p>SGAT Proceeding: generally 2000 – 2001</p>	Ad hoc
LA	Docket U-22252 Subdocket E, opened Apr. 20, 2001; order issued Sept. 21, 2002	Ad hoc
MA	May 2002	Ad hoc
MI	<p>The commission conducted three separate market analysis surveys for the years ended 1999, 2000 and 2001 and a mid-year 2002 survey to assess the level of local competition in Michigan. These reports were issued in the spring of 2000, 2001 and 2002, respectively. We also prepared a report in 2000 and 2001 on the status of competition for our legislature which included local and toll.</p>	Regular — annually over the last three years
MO	<p>Investigation began around April 2001. An evidentiary hearing was held in September 2001. The commission’s report and order was issued Dec. 27, 2001.</p>	<p>Under Missouri law (Section 392.245.5, Missouri Revised Statutes):</p> <ul style="list-style-type: none"> • An investigation must be completed within five years of a competitor offering service in an ILEC exchange or ILEC is automatically classified as competitive. • The commission should from time to time, but no less than every five years, review the state of competition in those exchanges where it previously found the existence of competition.

TABLE 2 – continued

State	Date of Analysis	Frequency of Analysis
MT	Section 271 report on Qwest’s compliance with Track A requirements: December 2001	Ad hoc
	Section 271 report on Qwest’s compliance with the public interest requirement: July 2002	
NV	Fall of 2001	Ad hoc
NH	January 2003	Regular — Staff plans to analyze the data annually beginning with 2001 data.
NJ	1998	Ad hoc
NM	Oct. 8, 2002, the commission’s final order in Case 3269, Qwest’s compliance with outstanding Section 271 requirements: SGAT compliance, Track A, and public interest.	Ad hoc
NY	Annually since 1994; exact dates are not available.	Regular — annually
NC	Mid-year 2001	Ad hoc
OH	Annual company-specific competition reports have been provided by SBC and Verizon since 1998. Both companies became subject to this reporting requirement by way of their merger proceedings.	Regular — annually
OR	The commission publishes an annual report entitled <i>Local Telecommunications Competition Survey</i> . The first report was issued in 1999. The commission also determines level of competition in response to petitions from telecommunications utilities to price list or rate-deregulate individual services. Orders are available on the commission’s web site under dockets designated UD for price listing and UX for rate deregulation.	Regular — annually (local competition survey)
PA	June 2001 (Section 271 proceeding)	Ad hoc
TN	December of 1996, 1998 and 2000. Presently working on 2002 analysis.	Regular — every two years
TX	January of each odd year	Regular — every two years
UT	November 2002	Regular — annually

TABLE 2 – continued

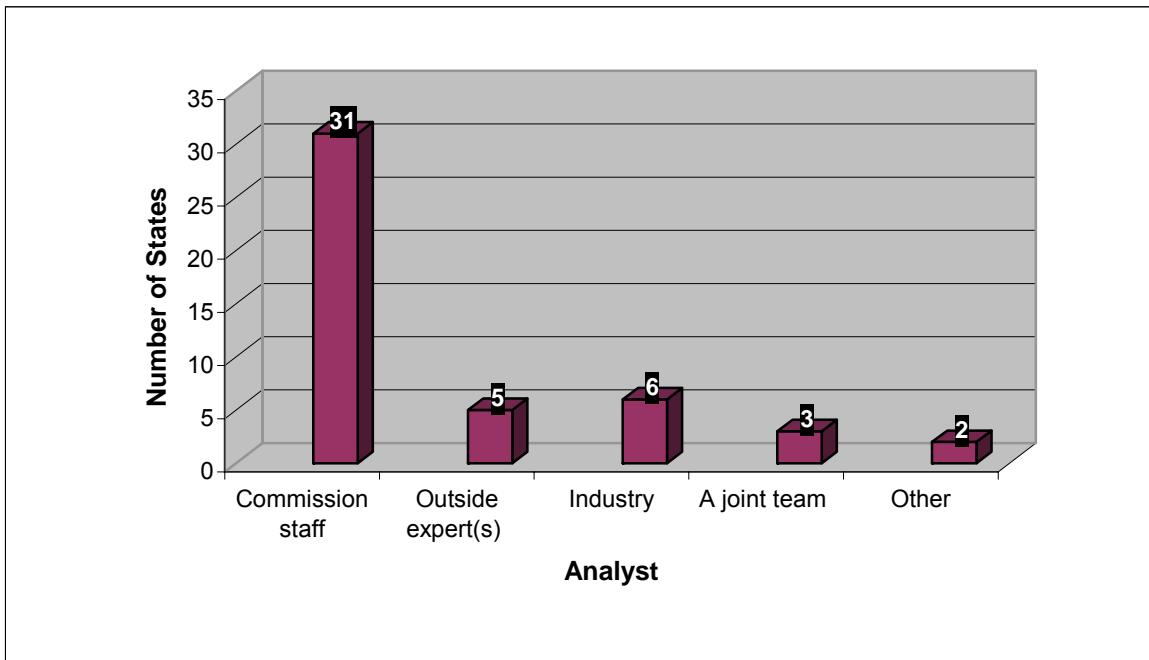
State	Date of Analysis	Frequency of Analysis
VA	<p>Monitoring is required of CLECs each quarter and IXCs each year (includes number of lines, customers, and intrastate revenues). The Division of Economics and Finance compiles the results accordingly.</p> <p>In 2002, the Division of Communications, through the Virginia Commonwealth University, conducted a quality of service and service satisfaction survey of 800 residential customers and 800 business customers. This was a one-time survey to be used by the Division of Communications to help revise or draft commission rules.</p> <p>Additionally, the commission looked at competitive information in Verizon Virginia’s Section 271 application, Case No. PUC-2002-00046 in 2002.</p>	<p>Monitoring: Regular — quarterly for CLECs — annually for IXCs</p> <p>Quality of service survey and Section 271 proceeding: Ad hoc — one-time efforts</p>
WI	September – November 2001. 2002 analysis is currently ongoing	Ad hoc
WY	<p>Intrastate toll markets (both intra- and interLATA): 1998 – 1999</p> <p>Local competition analysis and evaluation as part of the Qwest Section 271 proceeding in Wyoming: 2000 - 2002</p>	Regular — annually as part of preparing an annual telecommunications report due to the legislature

Source: NRRI Survey, winter 2003.

Conduct of Competition Analysis

The majority of analyses or evaluations of competition in telecommunications markets reported in this survey were done by state commission staff (31 states), as shown in Figure 3 and Table 3. This is not surprising given the fact that state commission staff plays a key role in monitoring market developments in the telecommunications industry within their jurisdictions.

However, there are also other players in competition analyses at the state level. Six states indicated that the industry (individual companies or an association) took part in the analyses. In five states, outside experts such as consultants either participated in the analysis process or conducted the analysis on behalf of the state. Three states (Illinois, Wisconsin and Wyoming) reported that a joint team of commission staff, outside experts and the industry had conducted competition analyses.



Note: Multiple choices were allowed.
Source: NRRI Survey, winter 2003.

Fig. 3. Who conducted competition analysis?

TABLE 3
Conduct of State Competition Analysis

Conduct of Competition Analysis	State
Commission staff	AL, AZ, AR*, CA*, CT, FL, HI, ID, IL*, IN, KS, KY, LA, MA, MI, MO, MT*, NV, NH, NJ*, NM*, NY, NC, OH*, OR, PA, TN, TX, VA*, WI*, WY* [31]
Outside expert(s) at the request of the commission (e.g., independent consultancy or market analysis organizations, college professors, etc.)	CA*, MT*, NM*, VA*, WY* [5]
Industry (individual company or association) at the request of the commission	CA*, GA, NJ*, NM*, OH*, WY* [6]
A joint team of above groups	IL*, WI*, WY* [3]
Other	AR* (industry participants in the Section 271 proceeding), UT (Utah Division of Public Utilities, which is the investigative arm of the commission) [2]
Note: 1. Multiple choices were allowed. 2. The asterisk (*) indicates the states that chose multiple categories.	
State	Comment
AR	Evidence of the level of competition was presented by the commission general staff and by industry participants as part of Southwestern Bell's Section 271 proceedings.
CA	The June 2002 analysis (see Table 2, above) was—and the similar future annual analyses will be—conducted by commission staff alone. The analyses of September–December 2002 and December 2002 (see Table 2) were conducted as a formal commission proceeding. Commission staff, competing telephone companies and other interests provided our commission's decision-makers input, and formal commission decisions were issued containing results. In the case of the September–December 2002 analysis, commission staff worked with consultants and competitors to perform certain parts of its analytical work. For example, SBC's operational support system was tested by a hired consultant to determine how well it provides functionality to the incumbent's local service competitors.

TABLE 3 – continued

State	Comment
IL	<p>The competitive evaluation found in the <i>Annual Report on Telecommunications Markets in Illinois</i> (see Table 2, above) is a product of staff with direction from the commission.</p> <p>Other analyses (see Table 2): Industry, staff, and other interested parties all provided competitive evaluations in the above mentioned docketed cases.</p>
MT	<p>Some analysis began with parties to Section 271 but ended up with staff analysis.</p>
OH	<p>Commission staff has prepared an informal, internal statewide competition report based on available FCC data. An updated, publicly available version of the report is expected to be issued sometime this year.</p>
VA	<p>In the case of monitoring (see Table 2, above), commission staff prepares the report on the monitoring information.</p> <p>The customer survey (see Table 2) was conducted by the Virginia Commonwealth University based on a set of questions approved by the Division of Communications.</p> <p>The Hearing Examiner and commission staff worked on the evaluation and analysis of Verizon Virginia's Section 271 filing.</p>
WI	<p>A broad committee was established, but it only approved the surveys. Actual analysis of confidential data was completed by commission staff.</p>
WY	<p>Toll markets competition analysis (see Table 2, above): Commission staff and industry as part of a Qwest application filed with the Wyoming PSC.</p> <p>Local competition (see Table 2): Joint team at various times during the Qwest multi-state Section 271 proceeding and Wyoming-specific Section 271 proceeding.</p>

Source: NRRRI Survey, winter 2003.

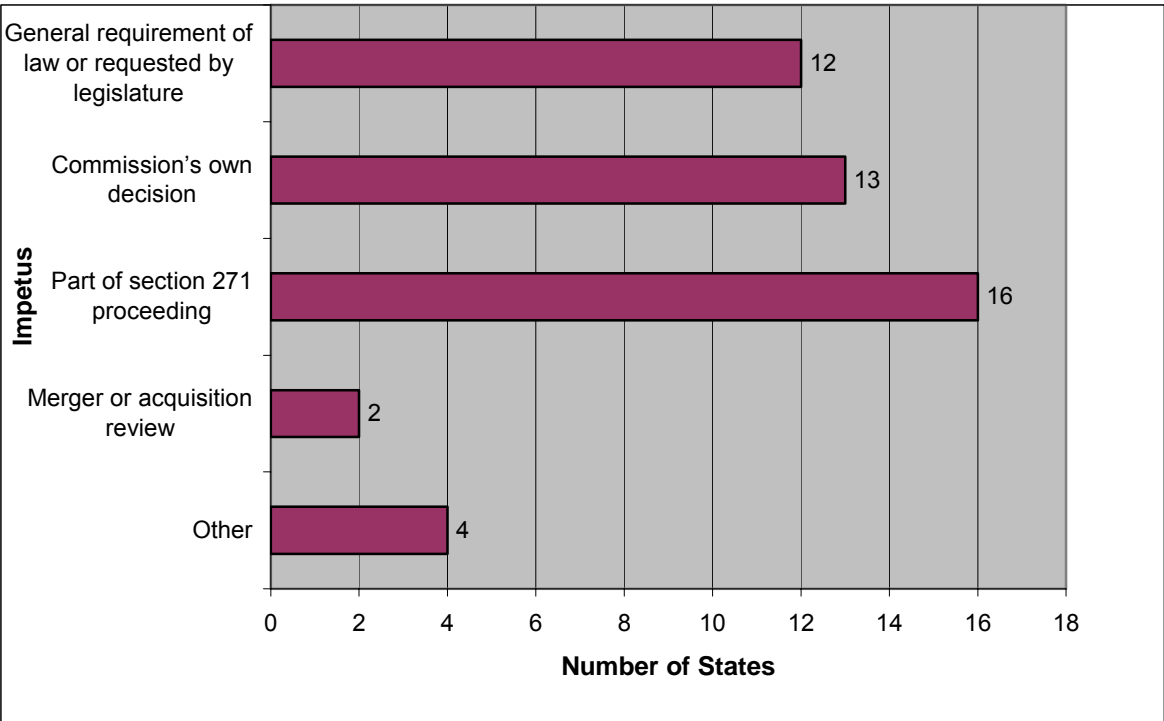
Initiation of Competition Analysis

States were asked how telecommunications competition analyses were initiated in their jurisdictions. As shown in Figure 4 and Table 4, more than one third of the responding states (16 states) reported that their competition analyses were conducted as part of the Section 271 proceeding prescribed in the 1996 Act.³

³ Some of the analyses were in states that had conducted more than one analysis.

Other than those cases related to a Section 271 proceeding, most of the competition analyses were initiated by commissions' own decisions (13 states), or by general requirements of state laws or requests from state legislatures (12 states). An observation can also be made by looking at both the responses provided in Table 2, above, and the responses given in Table 4: for the most part, regular reviews or analyses of competition tend to be initiated by legal requirements, legislative requests or by commissions' own decisions.

Two states (Illinois and Ohio) responded that competition analyses were initiated as part of a merger or acquisition review process. Others reported that competition analyses were initiated either by telephone companies' petitions to the state commissions (Hawaii, Idaho and Massachusetts) or by another state agency (Virginia).



Note: Multiple choices were allowed.
 Source: NRRI, survey of 46 state commissions, winter 2003

Fig. 4. Impetus for initiation of state competition analysis.

Table 4
Initiation of State Competition Analysis

Initiating Reason for Competition Analysis	State
General requirement of law or requested by legislature	CA*, FL*, GA, IL*, IN*, KS, MO, OR*, TN*, TX, UT, WY* [12]
Commission's own decision	CT, FL*, IN*, MI*, NH, NJ, NY, NC, OR*, PA*, TN*, VA*, WI* [13]
Part of Section 271 proceeding	AL, AZ, AR, CA*, IL*, KY, LA, MI*, MT, NV, NM, PA*, TN*, VA, WI*, WY* [16]
Merger or acquisition review	IL*, OH [2]
Other	HI, ID, MA, VA* [4]
Note: 1. Multiple choices were allowed. 2. The asterisk (*) indicates the states that checked multiple reasons.	
State	Comment
CA	The analyses of June 2002 and Dec. 2002 were directed by California Public Utilities Code provisions enacted by the legislature. The analysis of Sept. – Dec. 2002 was conducted as part of Section 271 proceeding.
FL	The commission's report is published annually, as required by law. The commission's Office of Market Monitoring and Strategic Analysis will begin a dialogue with the industry in the first quarter of 2003 to determine how to evaluate the telecommunications market.
HI	The October 2002 analysis was conducted in response to Verizon Hawaii's petition to reclassify intraLATA toll as a fully competitive service.
ID	Initiated by a deregulation filing by Qwest in the Burley, Idaho exchange based on competition
IL	The <i>Annual Report on Telecommunications Markets in Illinois</i> was initiated based on legislative directives in the Illinois Public Utilities Act. Docket No. 98-0860 was initiated following commission processes and procedures implementing legislative direction on product and service classification. Docket No. 01-0662 was initiated based on Section 271 of the 1996 Act. Docket Nos. 98-0555 and 98-0866 were initiated based on requests for merger approval.

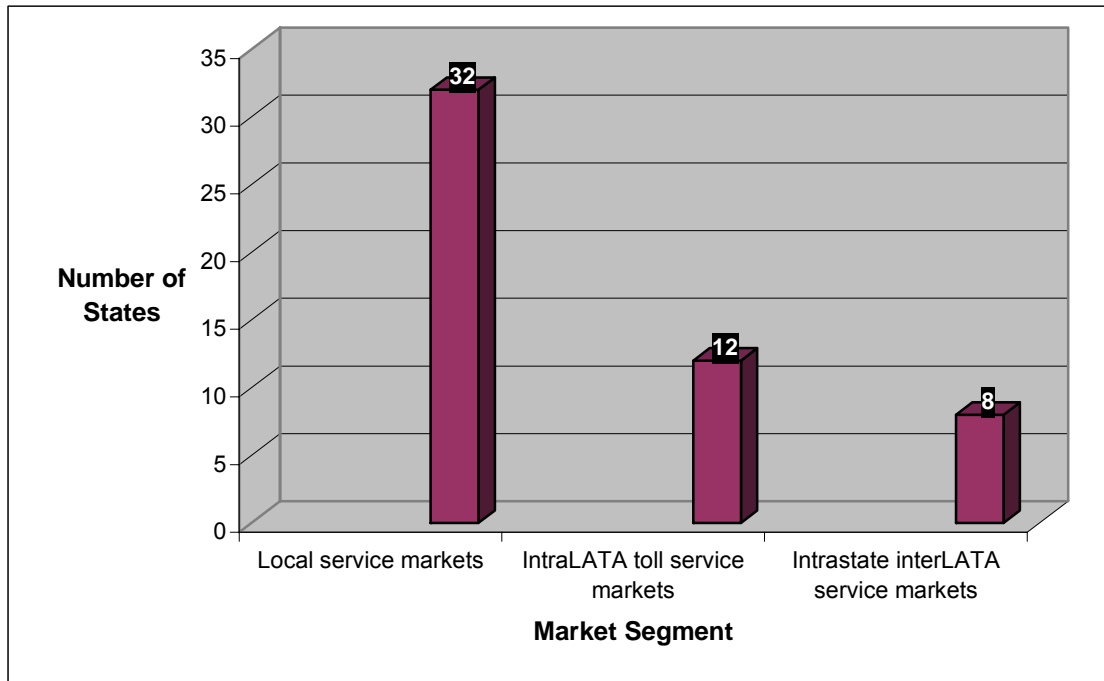
TABLE 4 – continued

State	Comment
IN	Indiana law states that the commission must report on the state of competition every year. Staff thought a survey on competition would help fulfill the commission’s mandate to the state legislature. The law was passed in 1993 but the commission started competition analysis with 1997 data.
KS	The January 2000 analysis was initiated by a provision in the State Telecommunications Act. The March 2002 analysis was initiated based on the request of a legislative committee.
MA	Competition analysis was conducted as part of Verizon’s petition for alternative regulation.
NM	Analyses of the various parties submitted into the record in Case 3269 during several rounds of hearings regarding Qwest’s fulfillment of Section 271 Track A requirements.
OH	The SBC and Verizon competition reports have been submitted annually to the PUCO since 1998.
PA	In addition to the Section 271 requirements, the commission's MFS III order directed our Bureau of Fixed Utility Services to monitor market penetration by tracking the number of CLEC and ILEC access lines and the number of minutes of use (MOU) exchanged between Verizon's central office facilities and the CLEC's central office facilities.
VA	Monitoring was required by commission rule. The quality of service survey was initiated by the Division of Communications. Case No. PUC-2002-00046 was initiated based on the Verizon Virginia’s Section 271 application.
WI	The 2001 analysis was the result of commission’s own decision. The second survey to follow-up with more current data was for Section 271 proceeding and legislative committee request for information.
WY	The toll competition analysis was done in response to a Qwest application filed with the commission to have its toll services deemed competitive pursuant to provisions of Wyoming law (W.S. § 37-15-101 through 37-15-502). The local competition analysis was an important element of the Qwest Section 271 proceeding in Wyoming.

Source: NRRI Survey, winter 2003.

Market Segments Analyzed

As shown in Figure 5 and Table 5, state commissions have focused their efforts on monitoring the development of competition in the local service segment of the telecommunications industry. Of the 33 states that reported they had conducted or were in the process of analysis, all but one responded that the local service market was the target for competition analysis. This may be explained by the fact that we asked state commissions to provide information on competition analyses that have been conducted since passage of the Act, hence excluding any analyses done prior to passage of the Act. Unlike other telecommunications service markets—e.g., the intraLATA toll service market which many state commissions had opened competition prior to 1996—the 1996 Act opened local telecommunications markets to competition by removing barriers to entry. Therefore, it is not surprising that most state efforts in monitoring market developments since the 1996 Act focused on local competition.



Source: NRRI Survey, winter 2003.

Fig. 5. Market segments considered in state competition analysis.

TABLE 5
Market Segments Considered in State Competition Analysis

Market Segment	State
Local service markets	AL, AZ, AR, CA, CT, FL, GA, ID, IL, IN, KS, KY, LA, MA (business market only), MI, MO, MT, NV, NH, NJ, NM, NY, NC, OH, OR, PA, TN, TX, UT, VA, WI, WY [32]
IntraLATA toll service markets	CA, FL, HI, IL, MO, MT, NH, NY, TN, TX, VA, WY [12]
Intrastate, interLATA service markets	CA, FL, IL, MT, NY, TX, VA, WY [8]
State	Comment
CA	<p>The June 2002 analysis covered all three market segments in California.</p> <p>The analysis of September–December 2002 focused on the part of the local service market served by SBC California.</p> <p>The December 2002 analysis addressed the part of the interexchange market in California that could be impacted by SBC’s provision of both local and long distance service.</p>
FL	<p>The FPSC report to the legislature deals with local competition. However, in various proceedings over the years, the commission has determined that the intraLATA and interLATA intrastate toll markets are competitive.</p>
IL	<p>The <i>Annual Report on Telecommunications Markets in Illinois</i> examines local service markets.</p> <p>The analyses in the other dockets (see Table 2, above) look to various extents at toll competition.</p>
NY	<p>Initial study in 1994 examined local, intrastate toll (both inter- and intraLATA) and wireless. Current (2002) report examines only the local wireline market.</p>
OH	<p>The aforementioned reports (see Table 2, above) address only local voice-grade and broadband services; toll markets were not addressed.</p>

TABLE 5 – continued

State	Comment
PA	<p>The legislature (through the enactment of Chapter 30) determined that sufficient competition exists in the interLATA market and mandated that all toll services provided by IXCs are deemed competitive and not subject to regulation, with certain minor exceptions.</p> <p>Chapter 30 also requires the commission to thoroughly evaluate requests by incumbent local telephone companies to have their intraLATA toll services deregulated. As such, Section 3005(a)(1) requires that the commission make findings such as presence and viability of other competitors, including market shares, the availability of like or substitute services or other activities in the relevant geographic area. To the best of our knowledge, intraLATA toll services have been deemed competitive, thus effectively deregulated, in Verizon PA's, Verizon North's and United of PA's service territories.</p>
VA	<p>The monitoring (see Table 2, above) is required by the CLECs and IXCs.</p> <p>The quality of service survey (see Table 2, above) and the Section 271 review (see Table 2, above) related only to local service.</p>

Source: NRRRI Survey, winter 2003.

Several state commissions, though not as many as in the case of local service markets, did conduct competition analyses in other telecommunications markets under their jurisdiction: 12 states analyzed intraLATA toll service markets and eight states studied intrastate, interLATA service markets.

Types of Alternative Providers/Technologies Considered in Competition Analysis

Besides the narrow concept of wireline-based competitive service providers (i.e., CLECs) in the local service markets), several other alternative technologies or providers seem to increasingly influence the competitive landscape in the telephone service industry. These alternative technologies include, but are not limited to, wireless services (both mobile and fixed), cable telephony and Voice over Internet Protocol (VoIP).

Among these alternative technologies, cable telephony, which refers to the provision of telephone service over cable lines,⁴ was considered most often in the responding states—15 states of 33 states that conducted competition analyses. Although the adoption rate may be slower than originally expected when the Act was enacted, cable telephony growth is increasing.

Wireless service is also considered in many responding states in their competition analyses, as more consumers begin to rely on it for their local and long distance communications needs. While it is still unlikely that wireless service will supplant wireline service as a main means of communications any time soon, an FCC report points to growing evidence that consumers are substituting wireless service for traditional wireline communications.⁵ According to a USA TODAY/CNN/Gallup poll, about 18 percent of cellular phone users consider cellular phones as their primary phones.⁶ One study predicted that more than 23 million wireline access lines will have been displaced by wireless in the 12 years from 1995 to 2006, with 13 million lines being displaced from 2002 to 2006.⁷ In response to the rapidly changing market conditions, 14 state commissions, as shown in Figure 6 and Table 6, appear to watch this development closely to determine the status of competition in telephone markets by taking wireless services into account in their competition analyses.

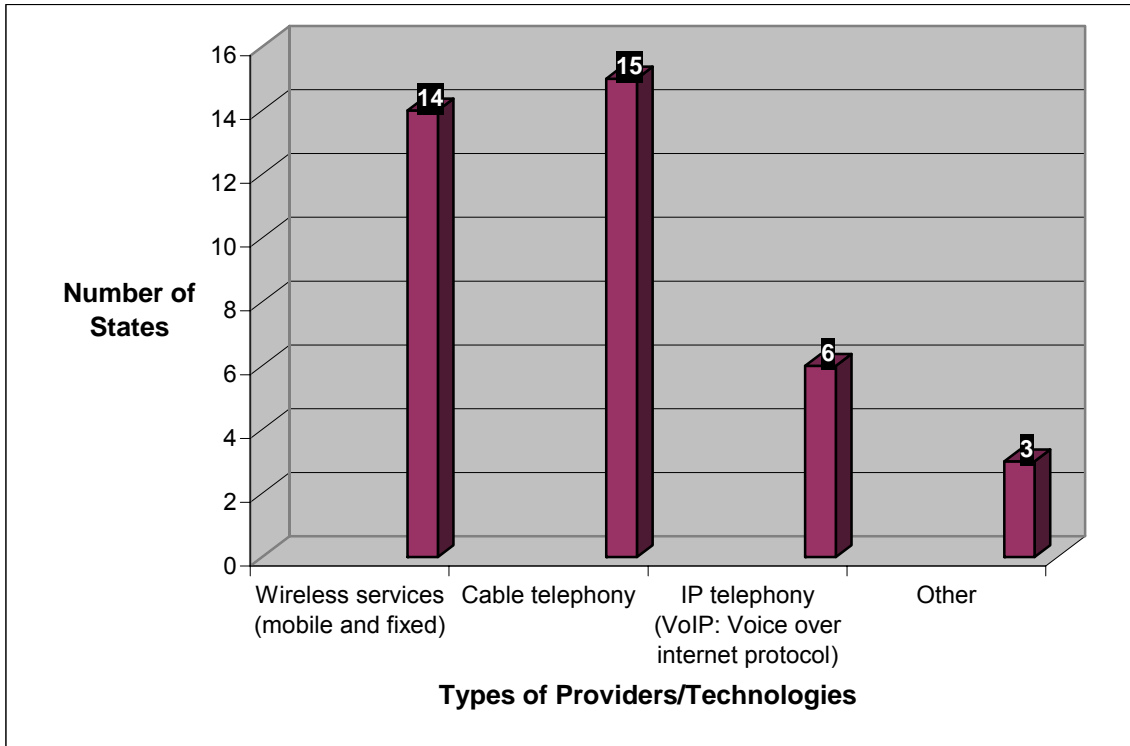
Six states also considered Internet Telephony, often referred to as VoIP, in their competition analyses. Two states (California and Connecticut) reported that they considered broadband services, and one state (Idaho) responded that it considered competition from an adjacent rural cooperative telephone company.

⁴ Cable telephony can also be provided using technology based on Internet Protocol (IP). Currently, however, cable telephony is mainly delivered based on traditional circuit-switched technology.

⁵ FCC, *Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, Seventh Report*, FCC 02-179, released on July 3, 2002, 32.

⁶ Michelle Kessler, "18 percent See Cell Phones as Their Main Phones," *USA TODAY*, Feb. 1, 2002.

⁷ International Data Corp. (IDC), *Continued Wireless Growth Forecasted To Displace Over 23 Million Access Lines Through 2006*, According to IDC, Press Release, Oct. 30, 2002.



Source: NRRRI Survey, winter 2003.

Fig. 6. Types of alternative providers/technologies considered in competition analysis.

TABLE 6
Types of Alternative Providers/Technologies Considered in
Competition Analysis Other than Wireline CLECs

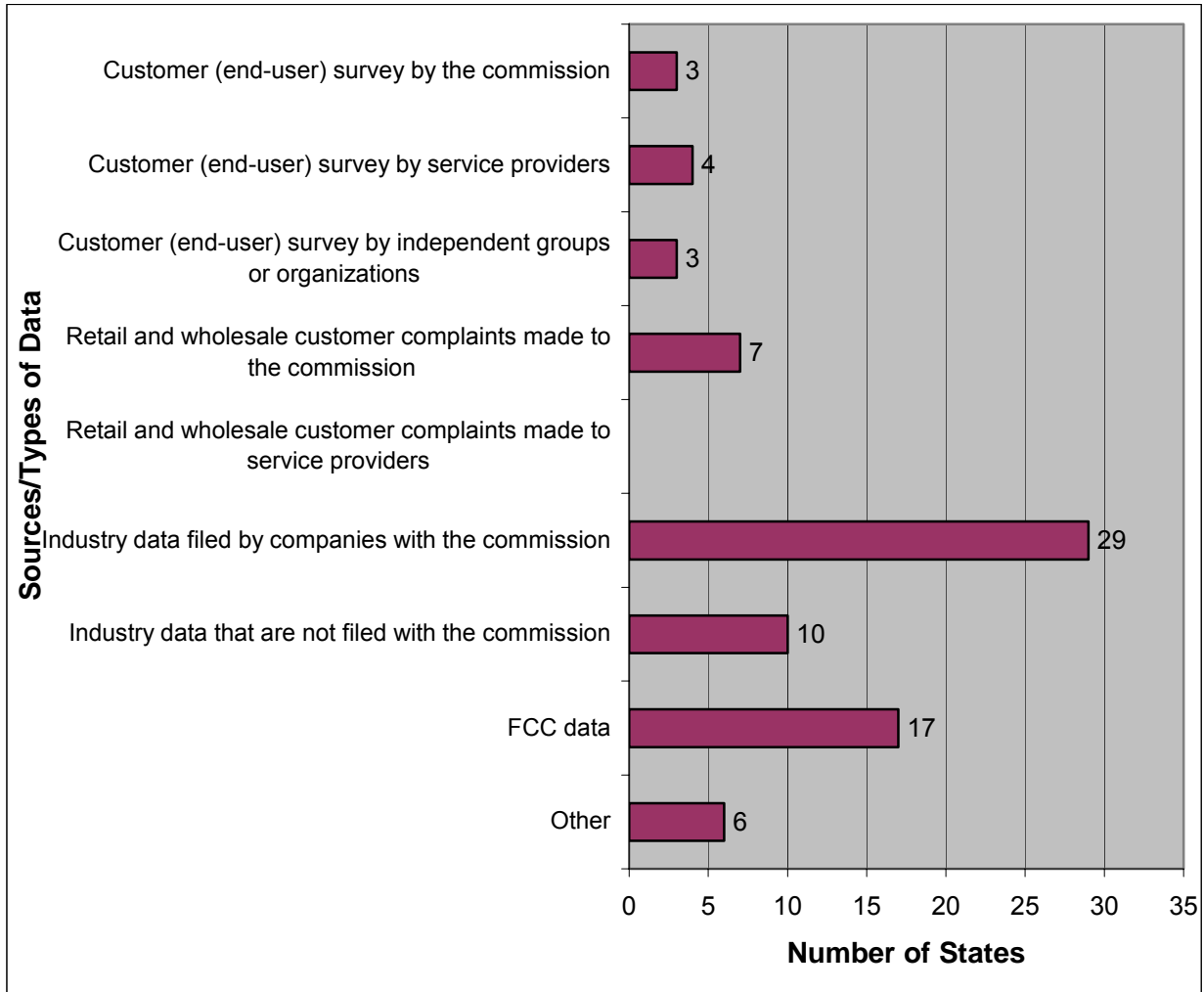
Types of Providers/ Technologies	State
Wireless services (mobile and fixed)	CA, CT, FL, HI, IL, IN, KS, MO, NM, OH, TN, TX, UT, WI [14]
Cable telephony	AZ, CA, CT, FL, IL, IN, KS, MO, NH, NY, OH, TX, UT, VA, WI [15]
IP telephony VoIP	CT, FL, MO, OH, TX, UT [6]
Other	CA (advanced broadband services), CT (broadband), ID (competition from an adjacent rural cooperative telephone company) [3]
CA	Wireless, cable telephony, and advanced broadband services were all at least touched upon in the June 2002 analysis mentioned in Table 2.
IL	Provision of these technologies was addressed in the various docketed cases. Some limited information on wireless provision was included in the <i>Annual Report on Telecommunications Markets in Illinois</i> .
IN	Our last report did touch on alternatives to traditional wireline competition, although no data was obtained by the IURC. We reported data from other sources.
NY	Cable telephony would be considered a CLEC in New York.

Source: NRRI Survey, winter 2003.

Sources/Types of Data Used for Competition Analysis

Industry data filed by companies with the state commissions was the most commonly used data source in the responding states. Specifically, 29 states of the 33 states where competition analyses have been conducted, or approximately 88 percent, reported that they relied on industry data submitted by the telecommunications companies in analyzing the status and effects of competition in intrastate telecommunications markets (see Figure 7 and Table 7).

The second most common used data source was FCC data, used by 17 states. Industry data that are not filed with the state commissions were also used by 10 states



Source: NRRI Survey, winter 2003.

Fig. 7. Sources/types of data used for competition analysis.

in their analyses. In seven states, retail and wholesale customer complaints made to the state commissions were also used.

Other sources or types of data used in the state analyses include, but are not limited to, customer (end-user) surveys by service providers (four states), customer (end-user) surveys by the commission (three states), and customer (end-user) surveys by independent groups or organizations (three states).

State commissions' selection of data sources for their competition analyses may influence the criteria or indicators by which they analyze the status of competition in the telecommunications markets. We discuss this issue in the following section.

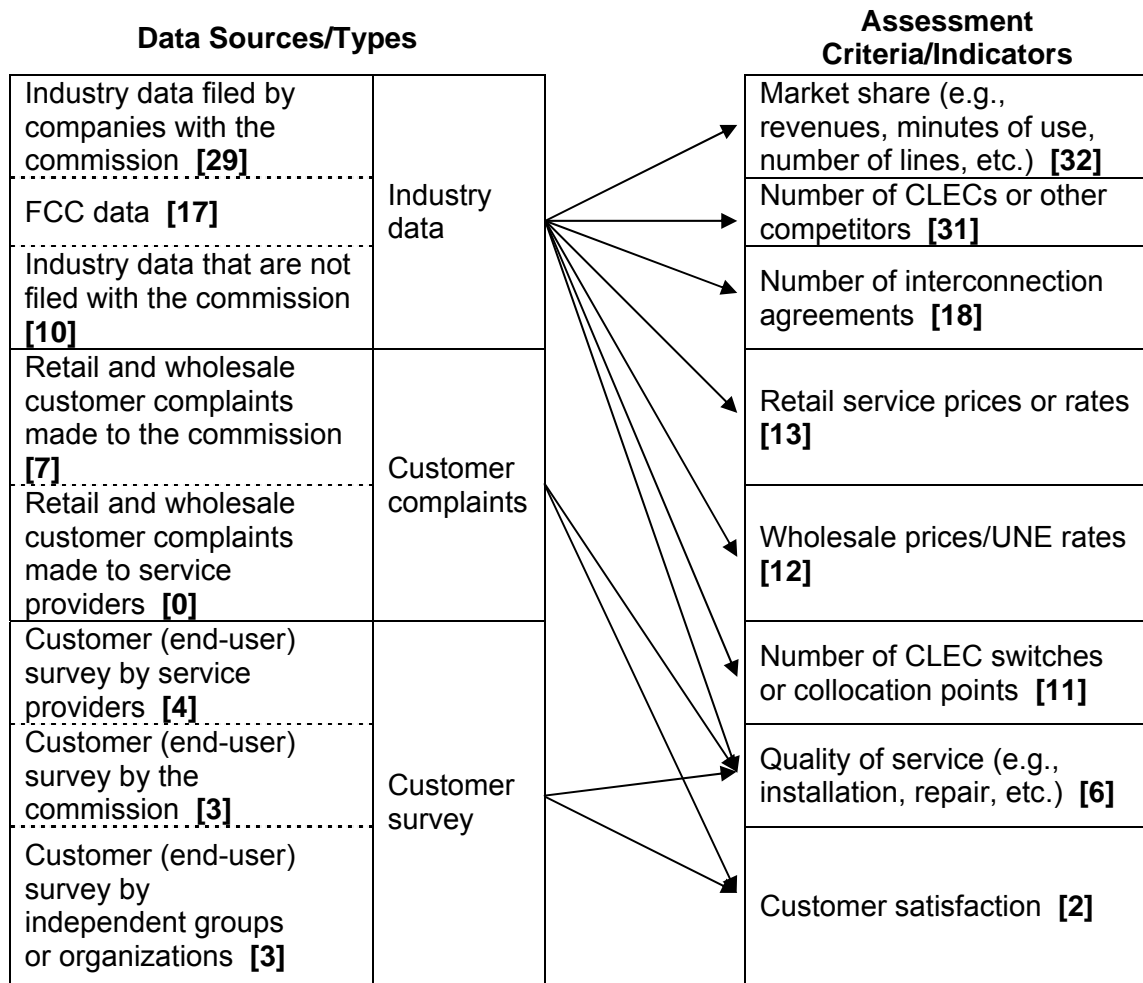
TABLE 7
Sources/Types of Data Used for Competition Analysis

Sources/Types of Data		State
Customer (end-user) survey by the commission		MT, UT, WY [3]
Customer (end-user) survey by service providers		AR, LA, NM, TX [4]
Customer (end-user) survey by independent groups or organizations		FL, VA, WY [3]
Retail and wholesale customer complaints made to the commission		CA, FL, KY, TN, TX, UT, VA [7]
Retail and wholesale customer complaints made to service providers		
Industry data filed by companies with the commission		AL, AR, CA, CT, FL, GA, HI, IL, IN, KS, KY, MA, MI, MO, MT, NH, NJ, NM, NY, NC, OH, OR, PA, TN, TX, UT, VA, WI, WY [29]
Industry data that are not filed with the commission		CA, CT, FL, IL, IN, KS (wireless), MO, TN, TX, WI [10]
FCC data		AL, CA, CT, FL, IL, IN, KS (wireless), KY, LA, MI, MO, NJ, OH, TN, TX, WI, WY [17]
Other		AZ (data request to service providers), HI (tariffs), ID (physical check for overbuilt facilities), MO (general newspaper articles, tariffs, telephone directories), NV (telecommunications service [wireline] provider by the commission staff), VA (Third party testing for Section 271 and information provided quarterly or yearly to the Division of Economics and Finance) [6]
State	Comment	
IL	The <i>Annual Report on Telecommunications Markets in Illinois</i> used the two sources identified above. The docketed cases drew to a limited extent from most of the above sources but focused on industry data not filed with the commission.	
IN	In the past, we have reviewed customer complaints in our report to the state legislature.	

Source: NRRI Survey, winter 2003.

Criteria for Assessing Competition

As noted above, the criteria or indicators that the states used to assess competition in the intrastate telecommunications markets appear to be correlated with the data sources the states rely on. That is, measures that most states applied to their competition analyses, such as market share or the number of CLECs or other competitors, can be obtained from the data filed by companies with the state commissions, which was the most common data source, as shown in Figure 7 and Table 7, above. This potential link between data sources and criteria or indicators for assessing competition can be depicted graphically as follows.

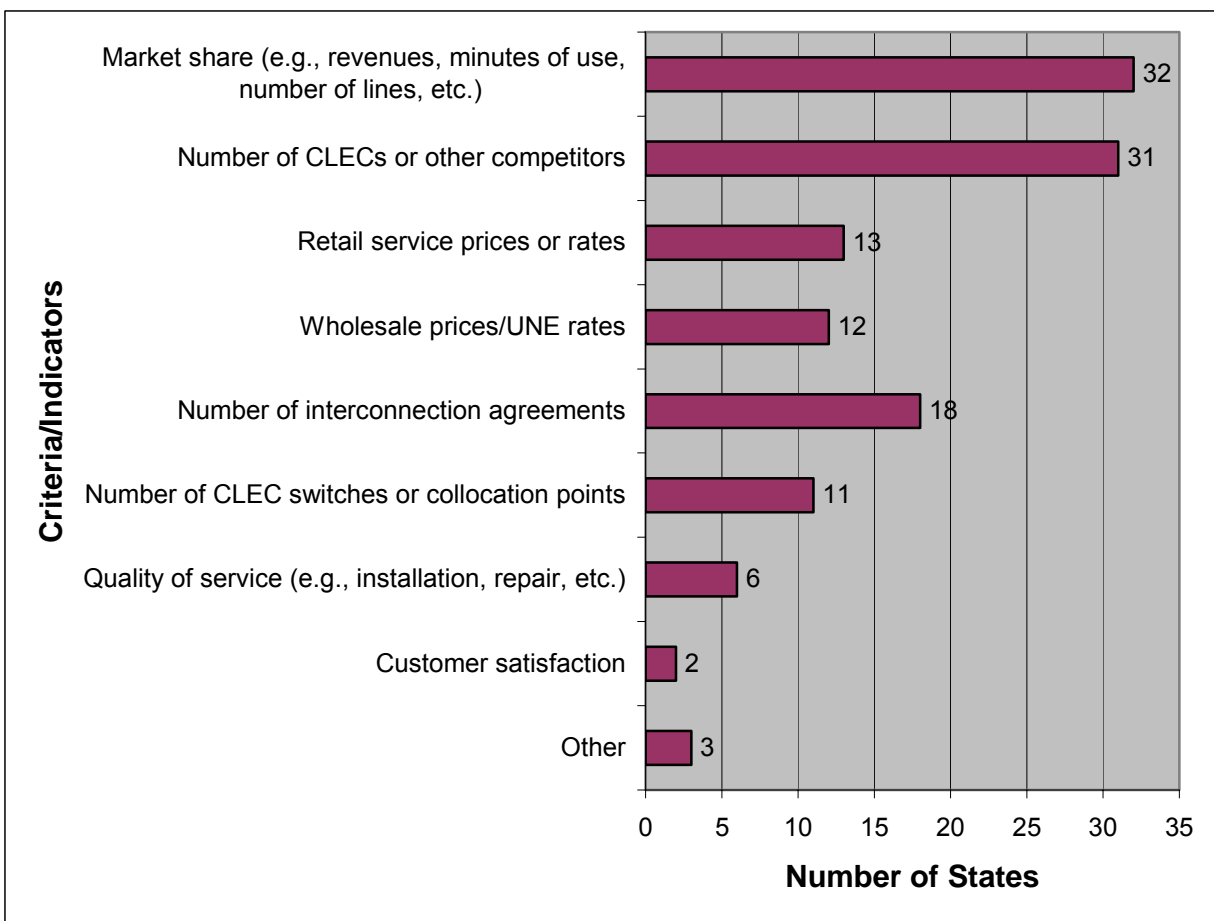


Note: Numbers in square brackets are the number of states for each category.
 Source: Authors' construct.

Fig. 8. Linkage between data sources and assessment criteria.

From Figure 8, we observe that most of the criteria or indicators used by states come from industry data—either filed by companies with the state commissions or the FCC or obtained otherwise by the state commissions. It appears that the use of data from customer complaints or customer surveys is less common. Therefore, measures such as quality of service or customer satisfaction that can be derived from these data sources may not be given much weight in assessing telecommunications competition.

Among the criteria for assessing competition, market share measured in different ways (32 states) and the number of CLECs or other competitors (31 states) were most commonly used by the responding states (see Figure 9 and Table 8). However, some states did use measures from the consumers’ perspective such as quality of service (6 states) or customer satisfaction (two states).



Source: NRRI Survey, winter 2003.

Fig. 9. Criteria for assessing competition.

TABLE 8
Criteria for Assessing Competition

Criteria / Indicators	State
Market share (e.g., revenues, minutes of use, number of lines, etc.)	AL, AZ, AR, CA, CT, FL, GA, HI, ID, IL, IN, KS, KY, LA, MA, MI, MO, MT, NV, NH, NJ, NM, NY, OH, OR, PA, TN, TX, UT, VA, WI, WY [32]
Number of CLECs or other competitors	AL, AZ, AR, CA, CT, FL, * HI, IL, IN, KS, KY, LA, MA, MI, MO, MT, NV, NH, NJ, NM, NY, NC, OH, OR, PA, TN, TX, UT, VA, WI, WY [31]
Retail service prices or rates	AL, CA, CT, FL, HI, ID, IL, LA, MT, NM, NY, TX, WY [13]
Wholesale prices/UNE rates	AL, CA, CT, FL, IL, IN, LA, MT, NM, PA, TX, WY [12]
Number of interconnection agreements	AL, CA, CT, IL, IN, KY, LA, MI, NJ, NM, NY, NC, OH, PA, TN, TX, UT, WY [18]
Number of CLEC switches or collocation points	AL, CA, CT, FL, ID, IL, LA, MO, NH, NY, WY [11]
Quality of service (e.g., installation, repair, etc.)	CA, CT, IL, TX, VA, WY [6]
Customer satisfaction	CA, VA [2]
Other	MA (contestability), MO (type of competitor, i.e., resale, prepaid provider, UNE provider, facilities-based), NJ (OSS, cost of collocation) [3]
State	Comment
IL	The <i>Annual Report on Telecommunications Markets in Illinois</i> looked at market share by lines and the number of CLECs. The docketed cases looked at these factors along with the other checked factors.

Note: *Florida listed the “number of CLECs actually providing service” as a separate criterion in addition to the “number of CLECs or other competitors,” noting that some CLECs do not provide service after getting certificates. For the purpose of this report, however, the former was consolidated into the latter.

Source: NRRRI Survey, winter 2003.

Assessment of the Status of Competition

With regard to the status of competition in intrastate telecommunications markets, states’ assessments of each segment of the markets provide a snapshot of the market developments since passage of the 1996 Act. Specifically, there is only one state (Louisiana) that found the local service market “fully competitive” in its competition

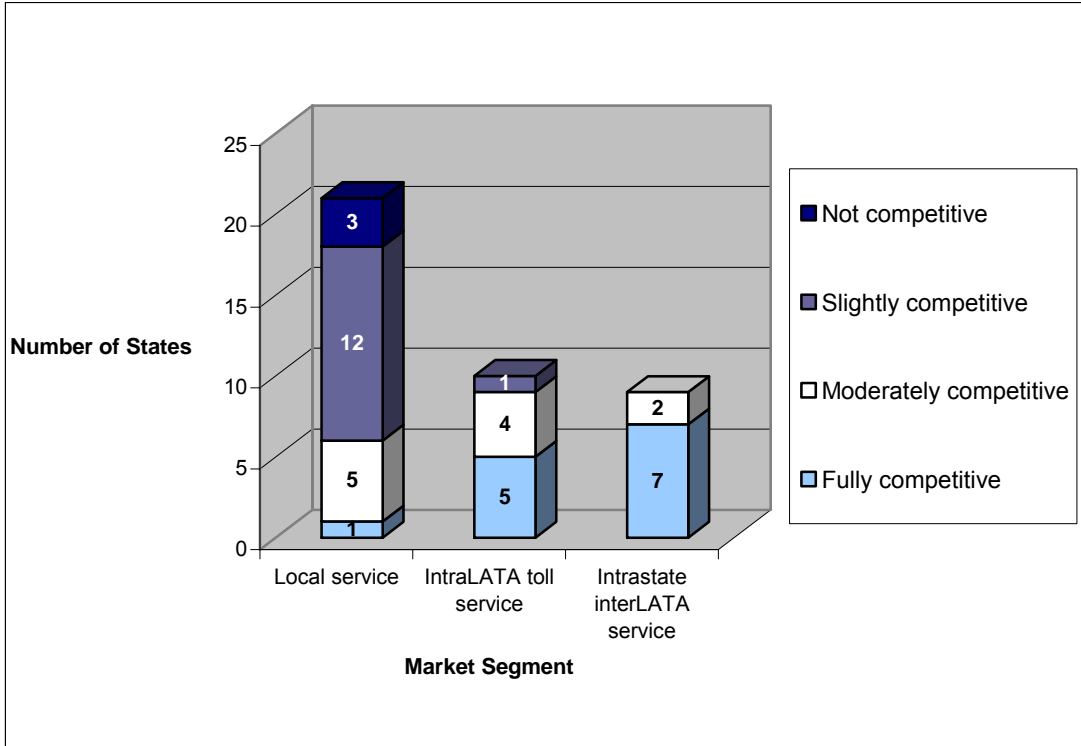
analysis.⁸ The majority of the responding states that took local service markets as the target for competition analysis reached assessments of “slightly competitive” (12 states) or “not competitive” (three states). (See Figure 10 and Table 9.)

In the case of the intraLATA toll service markets, half the 10 states that provided their assessments of the markets concluded that the intraLATA toll service markets were “fully competitive”; the rest found the markets “moderately competitive” (four states) or “slightly competitive” (one state).

Concerning the intrastate, interLATA service markets, results imply that many states deem this segment as either “fully competitive” (seven states) or at least “moderately competitive” (two states), though the number of states that provided their assessments for the intrastate, interLATA market is not large enough to reach a definitive conclusion.

These survey results indicate that at this time full- or large-scale local service competition has yet to develop in most states. However, competition in the intrastate long distance telecommunications markets is more fully developed.

⁸ Note, however, that the competition analysis done by the Louisiana Public Service Commission was part of BellSouth’s Section 271 proceeding. It seems appropriate to regard the response of the Louisiana commission in this context.



Note: Among the 33 states that conducted competition analyses, 11 states indicated either that they did not reach specific conclusions about the overall status of competition or that analysis was in process at the time.
 Source: NRRRI Survey, winter 2003

Fig. 10. Assessment of the status of competition

TABLE 9
Assessment of the Status of Competition

Market\Status	Fully competitive	Moderately competitive	Slightly competitive	Not competitive
Local service	LA [1]	FL, MI, PA, TX, WI [5]	AL, AR, GA, ID, KY, NH, NC, OH, TN, UT, VA, WY [12]	MT, NJ, NM (residential) [3]
IntraLATA toll service	FL, MI, NH, UT, WY [5]	AL, NC, TX, VA [4]	TN [1]	
Intrastate, interLATA service	AL, FL, HI, MI, UT, VA, WY [7]	NC, TX [2]		
No specific conclusion about the overall status of competition or analysis in process: AZ, CA, CT, IL, IN, KS, MA, MO, NV, NY, OR [11]				
State	Comment			
AZ	Data collected during the Section 271 proceeding was used to reach a conclusion as to whether the market was open to competition.			
CA	<p>The June 2002 analysis (see Table 2, above) was intended primarily to educate state legislators about California’s telecommunications markets, so its focus was on developing “key findings” about competition in these markets rather than on reaching specific conclusions.</p> <p>From the analyses of September–December 2002 and December 2002 (see Table 2, above), the California commission concluded that</p> <ul style="list-style-type: none"> • Technical and quantitative data shows that local telephone service competition exists in SBC California’s service area, but it has yet to find its way into the residence of the majority of California’s ratepayers. • It was necessary to implement some competitive safeguards to assure adequate local and intrastate interexchange service competition continues in California after the FCC has granted SBC its Section 271 authority. 			
CT	Docket No. 02-04-22 is in process; no decision has been issued at this time.			
IL	<p>The <i>Annual Report on Telecommunications Markets in Illinois</i> reported information on the status of competition, but for the most part no subjective classification of the type above was made.</p> <p>Docket 98-0860 was concluded by a declaration by the legislature that Ameritech business service markets are competitive. In the other dockets, either no conclusion was reached or no subjective classification was made.</p>			

TABLE 9 – continued

State	Comment
IN	<p>“Competition is developing in specific pockets in Indiana such as the business markets in urban areas of the largest ILECs.” See <i>Report to the Regulatory Flexibility Committee of the Indiana General Assembly</i> (October 2002).</p> <p>“In summary, residential wireline competition at the end of 2001 was at a very low level in Indiana.” See <i>Report to the Regulatory Flexibility Committee of the Indiana General Assembly</i> (October 2002).</p>
KS	<p>Report was factual; determinations regarding classifications of the status of competition were not required.</p>
MA	<p>The department found that the local business market was sufficiently competitive for Verizon's retail business services to be granted alternative regulatory treatment.</p>
MO	<p>The investigation was for all Southwestern Bell services offered in all Southwestern Bell exchanges. The commission found the following competitive:</p> <ul style="list-style-type: none"> • Kansas City and St. Louis exchanges—Core business switched services, business-line related services, directory assistance services for business customers, busy line verification and busy line interrupt for business customers, high capacity exchange access services • Harvester and St. Charles exchanges—Residential access line services, residential access line-related services, optional metropolitan calling area residential service, directory assistance services for residential customers, busy line verification and busy line interrupt for residential customers • SS7 services in all exchanges • Line information database services in all exchanges <p>The following services became competitive by operation of law: private line services; intraLATA toll service; special access; wide area telephone service (WATS) and 800 services; and station-to-station, person-to-person and calling card operator services</p>
MT	<p>The commission’s public interest report concludes that a price squeeze exists in the intraLATA toll service and intrastate, interLATA service markets.</p>
NV	<p>Nevada has two metropolitan areas served by two different nonrural ILECs: (1) the Las Vegas area served by Sprint of Nevada; and (2) the Reno/Sparks/Carson City area served by SBC-Nevada Bell. Sprint of Nevada faces more competition in the Las Vegas area than SBC-Nevada Bell does in the Reno/Sparks/Carson City area.</p>

TABLE 9 – continued

State	Comment
NH	The analysis is a staff analysis using available data. The commission has made no formal determination that the market is competitive nor has it determined the degree of competition in each market.
NY	These reports do not make qualitative judgment, as to degree of competitiveness.
NC	Regarding the intraLATA toll service market, the commission ruled that Verizon’s point-to-point message toll service (MTS) was “sufficiently competitive” to allow more flexible rate constraints to apply under price regulation (Docket No. P-19, Sub 277).
OR	The commission does not make a determination as part of the annual survey.

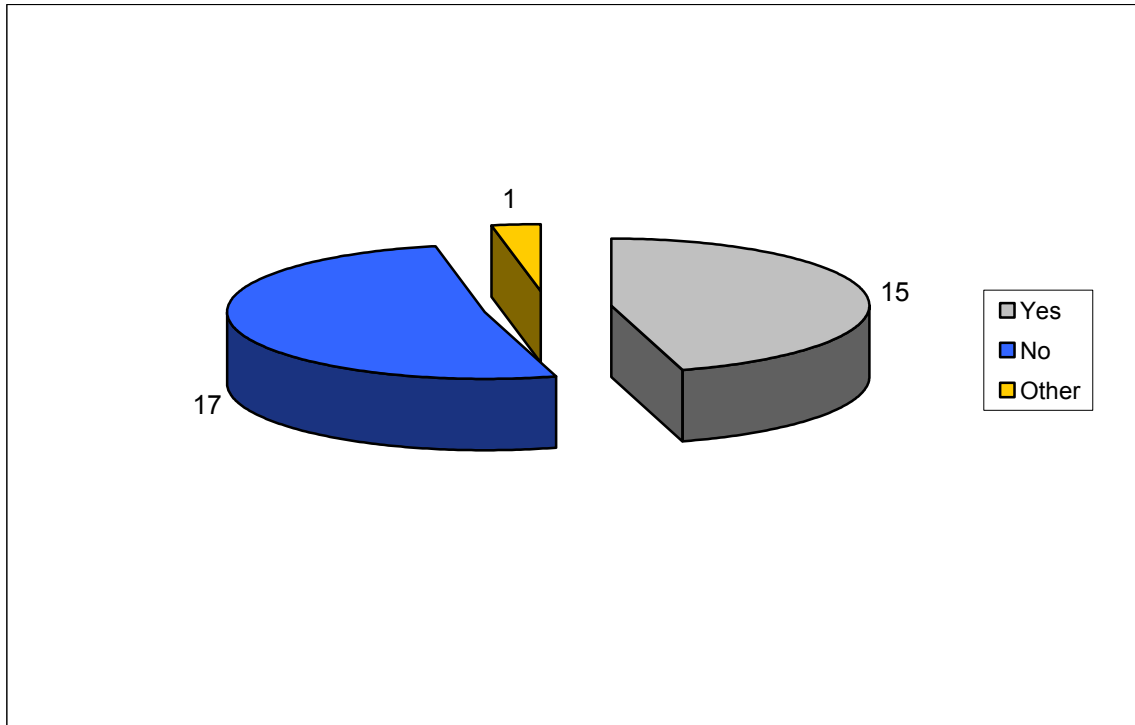
Source: NRRI Survey, winter 2003.

Actions Taken after Competition Analysis

From a consumer’s point of view, it is important for state regulators to control market power abuses, either potential or existing, and thereby promote competition in all segments of the telecommunications markets as prescribed by the Act. In so doing, monitoring the development of competition in telecommunications markets and the utilization of the results of competition analyses by the state regulatory commissions are important tools to achieve the public interest.

State commissions were asked whether they took any actions after their competition analyses in order to promote competition in telecommunications markets within their jurisdictions. Of the 33 responding states where competition analyses have been conducted, almost half (15 states) reported that they took actions or measures to promote competition in the markets after the analyses.⁹ Seventeen states responded that they did not take actions as a result of the analyses, and one state (Connecticut) did not complete the analysis at the time (see Figure 11 and Table 10). It should be noted, however, that as some of the responding states indicated the state public utility commissions are likely to exercise their authorities continuously to take measures or actions to promote competition, even though those actions may not be the direct or specific results of the competition analyses.

⁹ Some states (e.g., New Mexico) indicated that their actions were not taken as a direct result of the competition analyses. This may also be the case in some other states even though it was not specified in their responses.



Source: NRRI Survey, winter 2003.

Fig. 11. Number of states that took action to promote competition after competition analysis

TABLE 10
Actions Taken after Competition Analysis to Promote Competition

Actions Taken after Analysis	State
Yes	AR, CA, HI, IL, KY, MA, MT, NJ, NM, NC, OH, PA, TN, VA, WY [15]
No	AL, AZ, FL, GA, ID, IN, KS, LA, MI, MO, NV, NH, NY, OR, TX, UT, WI [17]
Other	CT (analysis is not complete) [1]
State	Comment
AR	The commission did attempt to encourage the lowering of interconnection rates to promote competition.
CA	<p>As a result of the analyses of Sept. – Dec. 2002 and Dec. 2002 (see Table 2, above), the commission decided to:</p> <ul style="list-style-type: none"> • Implement a performance incentive plan for SBC to follow to help assure it is providing competitive local exchange carriers non-discriminatory access to the SBC local service infrastructure. • Implement an industry-developed and commission-administered expedited dispute resolution process for resolving future operational problems that may arise between SBC and competing local exchange carriers. • Require SBC to file with the commission for its consideration a study detailing the costs of separating itself into two parts and divesting the segment covering wholesale network operations. • Begin examining 1) the efficacy, feasibility and criteria for selecting a competitively neutral third-party Preferred Interexchange Carrier (PIC) administrator for California (SBC currently performs this function), and 2) the desirability of continuing PIC and LPIC distinctions. • Monitor SBC’s efforts to market its local and long distance services jointly in California.
HI	The commission granted Verizon Hawaii’s petition to reclassify intraLATA toll service from partially competitive to fully competitive.
IL	A number of competitive conditions were required of the carriers seeking merger approval.
IN	We have noted the lack of competition in our cost docket for SBC and in the arbitration between SBC and AT&T. We have also referred to our competition data in SBC’s structural separation case.
KS	No commission actions were taken in direct response to the competition report.

TABLE 10 – continued

State	Comment
KY	In the commission's review of its price cap plan in 2000, BellSouth was required to expand its investment in broadband by providing services to many of its medium-sized central offices.
MA	The department granted alternative regulatory treatment for Verizon's local business services. As of the date of this response, the department is still reviewing Verizon's compliance filing.
MT	The commission found Qwest had met the Track A requirements. The commission conditioned its recommended approval of Section 271 entry upon filing of a revenue requirements and rate design case.
NJ	<p>Set-up of a technical working group to work-out problems with OSS system</p> <p>Set-up of a technical working group to work-out UNE issue</p> <ul style="list-style-type: none"> • The UNE pricing issue was eventually remanded to the Board by a state appeals court. • The Board issued an order with revised rates in November 2001.
NM	Not as a result of the analysis. The commission has stated that the promotion of competition is part of its policy and has streamlined rules to make entry into the New Mexico market easier for different types of carriers prior to a Section 271 final order.
NY	No actions were taken specifically as a result of the analysis of competition. The commission, however, continually takes actions to promote competition.
NC	The commission continued to carefully evaluate issues related to competition in the local and long distance markets.
OH	Competition within Ohio has been promoted by the commission via, among other things, unbundled network element platform (UNE-P) and line sharing proceedings.
PA	The commission continues to take action to promote competition in telecommunications markets through further commission-ordered reductions in access charges and through the Pennsylvania Universal Service Fund. The commission oversees Verizon North and Verizon PA's merger compliance as well.
TN	It is the mission of the authority to facilitate the development of competition. Therefore, the status of competition is considered in virtually every telecommunication decision rendered by the authority.

TABLE 10 – continued

State	Comment
VA	The Hearing Examiner assigned to Verizon Virginia’s Section 271 case issued a report that the company met or was in compliance with the conditions set forth in Section 271 (c) of the 1996 Telecommunications Act. The customer survey results are being used in the revision or drafting of commission’s service quality rules.
WY	<p>Local competition: As part of the Section 271 proceeding there are mechanisms in place (Qwest performance assurance plan, etc.) to ensure that Qwest’s local market in Wyoming remains open to competition. Also, the commission recommended to the FCC that Qwest be granted Section 271 relief for Wyoming; this should promote additional competition in the interLATA toll market.</p> <p>Toll competition: the commission granted Qwest substantial pricing flexibility for the Wyoming toll market; this should promote competition and lower prices.</p>

Source: NRRI Survey, winter 2003.

STATE COMPETITION ANALYSES: CASE STUDIES

The following case studies describe the method and results of competition analyses done by four states. These case studies are from states that vary in population, are from different sections of the country, and took several analytical approaches.

Florida

The Florida Public Service Commission's (Florida PSC) report, *Telecommunications Markets in Florida*,¹⁰ was prepared to satisfy statutory requirements. It provides an overview and analysis of local telecommunications competition in Florida and includes discussion of factors influencing competitive market entry, ongoing changes in the economy and the subsequent effects on the telecommunications industry, and information on telecommunications activities at both the state and federal level. The report considered overall statewide conditions as well as competitive conditions at the exchange level and considers wireline competition as well as intermodal competition. The analysis used both data provided by the FCC and data reported to the Florida PSC by providers. In addition to analyzing Florida-specific data, the report compares the progress of local competition in Florida to several other populous states.

Among the findings of the report were that only 19 of Florida's 277 local exchanges were without a CLEC provider. It was also found that CLECs had a 13 percent market share (up from the previous year's 8 percent) and had made impressive gains in the business market (increasing their share to 26 percent of business access lines from the previous year's 16 percent). In addition, CLECs had 7 percent of the residential market share (up from the previous year's 4 percent). It was also noted that total access lines had declined by 2 percent from the previous year, which was attributed to customers discontinuing land lines in favor of wireless or broadband service. In addition, it was found that local competition was generally stronger in states where the Bell Operating Company (BOC) had received interLATA authority from the

¹⁰ Florida PSC, *Annual Report on Competition as of June 30, 2002*, available at <http://www.psc.state.fl.us/general/publications/reports/comptelemkt2002final.pdf>.

FCC. Indeed, the report found that CLEC penetration surged in the months immediately prior to and following inter-LATA approval. Other factors included the margin between UNE-P rates and end user rates for local service, with CLEC penetration being positively correlated with larger margins. Moreover, CLEC market share tended to be higher in states with smaller differences in UNE-P rates between the zones. The effect of a weak economy and numerous CLEC bankruptcies was also considered. It was found that CLECs still faced a difficult situation, not the least of which was customer loyalty to the ILECs. Indeed, subscribers responding to a monthly survey sponsored by the Florida PSC indicated a strong and stable reluctance towards shifting service from an ILEC to a CLEC even if they knew about alternative providers.

Facilities-based competition was not yet widespread, coming primarily from cable companies, wireless providers and a handful of other wireline providers that mainly target the high-demand business. Although these providers have the potential to give residential consumers facilities-based options, significant market share gains from such providers were not expected overnight.

In its report, the Florida PSC noted its continual efforts to encourage local competition at fair prices while preserving service quality. It specifically cited endorsing BellSouth's application to provide in-region, interLATA services, establishing permanent performance metrics and enforcement mechanisms for BellSouth, setting rates for unbundled network elements (UNEs) and settling or arbitrating disputes between CLECs and ILECs. Also noted was the Florida Telecommunications Competitive Interests Forum, which the Florida PSC established to facilitate development of a competitive local telephone market in Florida by providing a collaborative means of addressing operational and logistical issues outside the formal, litigious arenas.

Illinois

The Illinois Commerce Commission (ICC) monitors and analyzes the status of competition in the state's telecommunications markets under the authority of Section 13-407 of the Illinois Public Utilities Act (PUA), which requires the ICC to monitor patterns of entry and exit, as well as changes in these patterns over time, in three markets: wireline local voice service provided over the public switched telephone network (plain old telephone service, or POTS), mobile wireless services and high-

speed telecommunications services.¹¹ The latter includes high-speed services over asynchronous digital subscriber line (ADSL) technology, cable modem and other technologies, such as symmetric digital subscriber line, traditional T1 wireline, fiber optic cable to the customer's premises, satellite and fixed wireless technologies.

As part of its mandate, the ICC is also required to provide to the Illinois General Assembly an annual report of the status of competition in the state. The first Annual Report, submitted in October 2002, summarized information provided to the FCC on trends observed in the three telecommunications markets mentioned above for ILECs and CLECs serving the state. The most recent report summarized information as of Dec. 31, 2002.¹² The most relevant results are summarized below.

As of Dec. 31, 2002, Illinois had over 8.7 million total retail POTS lines. Of these lines, 81 percent was being served by the 49 ILECs in the state, while 45 CLECs provided the remaining 19 percent or approximately 1.7 million lines. Attracted by the densely populated Chicago metropolitan market, CLECs have increased their overall participation in the Illinois POTS market in the last few years, from a 5.2 percent market share in December 1999 to a 16.7 percent share in June 2002. The CLEC Illinois market share has been consistently above the national average.

Based on information provided by the ICC in its 2003 Annual Report, there were three interesting trends in the Illinois POTS market in 2002. First, the number of POTS lines in Illinois decreased by over 300,000 compared to year-end 2001, which seems to follow a nationwide trend. According to the ICC, this decrease is explained in part by increasing in wireless substitution of POTS service, use of broadband services for internet access, as well as by the recent economic downturn in Illinois and inconsistencies in previous data reports.

The second trend refers to changes in the CLECs' method of entry. Compared to 2001, there was a sharp increase in 2002 in the number of CLEC POTS lines provisioned entirely over facilities leased from ILECs or other providers via UNE-P. As of December 2002, 645,000 CLEC lines (38 percent of the total CLEC retail POTS lines) were being provisioned using UNE-P, compared to 22 percent at year-end 2001.

¹¹ 220 ILCS 5/13-517 defines high-speed telecommunications as data transmission services provided to subscribers at speeds in excess of 200 kilobits per second (kbps) in at least one direction.

¹² ICC, *Annual Report on Telecommunications Markets in Illinois, May 28, 2003*. Available at <http://www.icc.state.il.us/tc/docs/030530garpttcmkt2003.pdf>.

This trend was complemented by a decrease in the number of CLECs that relied solely on their own facilities to provide POTS services; by year-end 2002, 26 percent of the CLEC lines used full-facilities based provisioning compared to 33 percent in 2001.

In general, UNE-P was the most common provisioning method for CLECs in Illinois (7.4 percent of the total POTS lines), followed by CLECs' own facilities (5 percent of total POTS lines), UNE-Loop (4.1 percent of total POTS lines in the state), and resale (3 percent of total lines).¹³

The final trend in this market refers to a change in the ratio of residential to business customers served by CLECs. In 2002, 55 percent of CLEC lines served residential customers and customers in less densely populated areas, compared to 45 percent in 2001. The ICC points out that this change in the mix of CLECs' residential and business customers seems to be the result of the CLECs' increased use of UNE-P.

Even though CLECs have increased their participation in less populated areas of the state, most of their lines are still concentrated in the Chicago LATA, corresponding to 86 percent of Illinois' total CLEC lines.¹⁴ As for method of entry, CLECs have tended to rely exclusively on lines leased from ILECs to serve medium and low density LATAs.¹⁵ The ICC considers that this trend is a predictable response of the CLECs to economic and market conditions in the state.

In 2002, Illinois reported over 550,000 high-speed lines, showing a growth rate that surpassed the national average. ADSL was the technology that experienced the highest growth rate in number of lines served compared to 2001, with over 80,000 lines added in 2002. In contrast, during this same period, the cable modem providers in the state saw their market share drop from 48 to 44 percent. There was also a decline in the market share of other technologies, decreasing from 26 to 21 percent since December of 2001.

Importantly, the ICC points out that the percentage of high-speed provisioning in the state is below the national average, relative to the distribution of local exchange lines and population in the state.

¹³ Even when the lowest number of CLEC lines in Illinois is served using resale, this method is the most prevalent in the state in terms of the number of CLECs using it (30 companies as of December 2002).

¹⁴ In contrast, the Chicago LATA represents only 69 percent of the total ILEC POTS lines in the state.

¹⁵ As of December 2002, the number of CLEC lines provided solely over CLEC's own facilities represented a very small percentage of the lines outside the Chicago LATA. Most of these lines were located in the Davenport and St. Louis LATAs.

As of June 2002, Illinois reported more than 5.4 million mobile wireless subscribers. Contrary to the nationwide trend, Illinois experienced a four percent decline in wireless subscribership between December 2001 and June 2002. The ICC does not provide an explanation for this trend.

In general, CLECs have made significant inroads in Illinois, consistently increasing their market share of POTS in the state, particularly in the Chicago metropolitan area.

New York

In December 1999, New York was the first state in which a BOC—Bell Atlantic at the time, now Verizon—obtained the FCC’s approval to offer in-region, interLATA long distance service. If we take this as an indication of relatively early development of competition in the local exchange market compared to other states, analysis of the experience of New York in monitoring and assessing the development of local competition might be helpful for other states in dealing with their own market conditions.

On May 20, 1997, the New York State Public Service Commission (New York PSC) issued an order¹⁶ requiring most of the telephone companies operating in the state to file annual Telecommunications Competition Monitoring Reports (TCMRs). The main purposes of the requirement were to (1) monitor the extent to which competition has developed in various markets in New York; (2) assess the competitive effectiveness of the markets in meeting its fundamental objectives; (3) evaluate the impact on consumers of changing market conditions; and (4) assist in the determination of future regulatory modifications or enhancements.¹⁷ Under the terms of the 1997 order, by March 31 of each year telephone companies are required to file TCMRs covering the immediately preceding calendar year.¹⁸

In February 2000, the commission issued another order that modified the 1997 order in two aspects.¹⁹ First, it reduced the amount of information to be filed in

¹⁶ New York PSC, *Order Adopting Telecommunications Competition Monitoring Report*, Case 96-C-0647, Issued and effective May 20, 1997.

¹⁷ New York PSC, *Order Adopting Modified Telecommunications Competition Monitoring Report*, Case 96-C-0647, Issued and effective Feb. 18, 2000.

¹⁸ The 1998 filing was an exception by the order, which required TCMRs to cover the period July 1 through Dec. 31, 1997.

¹⁹ New York PSC, *Order Adopting Modified Telecommunications Competition Monitoring Report*.

telephone companies' TCMRs. Second, the revised order eliminated the filing requirements for long distance carriers and long distance resellers, requiring filings only from local exchange carriers and local service resellers.²⁰ This measure was based on the commission's judgment that there was no longer a need to monitor the transition to competition in the long distance telephone industry in the state, based on universally available equal access, and no significant other regulatory or technical barriers to long distance competition.²¹

Analysis of Competition in New York

The New York PSC has published annual reports on the development of local competition in the state since 1998.²² The Competitive Analysis Report is based primarily on annual data collected through the TCMRs. The commission's annual competition report is not specifically required by law. Rather, it is an effort of the commission to monitor the development of competition in the local exchange service market. Although the initial competition analysis by the commission in 1994 covered local, intrastate toll (both intra- and interLATA), and wireless service, the current report examines only the local wireline service market.

With respect to the indicators or criteria for analyzing local competition, the commission collected data on a number of indicators, including the number of CLECs, ILEC and CLEC lines and revenues (statewide and by region), percentages of ILEC and CLEC business and residential lines, percentages of facilities-based (including UNE) CLEC lines and CLEC lines served via resale, and service quality (average monthly customer trouble reports).²³

The commission's Competitive Analysis Report shows the general development of local competition relying on data focused primarily on CLECs' penetration of the

²⁰ ILECs are exempt from the filing requirements, unless their competitors serve more than 2 percent of the access lines in their service territories.

²¹ New York PSC, *Order Adopting Modified Telecommunications Competition Monitoring Report* at 6.

²² According to its response to the NRRI survey, New York has been analyzing telecommunications competition annually since 1994. However, the current form of Competitive Analysis Report since the Act was first published in 1998. As of Aug. 25, 2003, five annual reports (covering 1998 through 2002) had been issued.

²³ See New York PSC, *Analysis of Local Exchange Service Competition in New York State—Reflecting Company Reported Data and Statistics as of Dec. 31, 2001, 2002*. Available at <http://www.dps.state.ny.us/telecom/telanalysis.htm>

market as compared to the ILECs. The most recent New York Competitive Analysis Report shows that local competition in the state has generally grown since passage of the Act. For example, in 1997, CLECs had two percent of lines statewide compared with 24 percent in 2001; in 1998, CLECs had six percent of revenues statewide compared with 20 percent in 2001. However, the number of CLECs serving more than 1,000 local exchange lines peaked at 54 in 1999 and fell to 46 in 2001.

The increasing competition in the residential local market is also shown in the breakdown of CLEC lines by customer class. That is, the ratio between CLEC business and residential lines changed from 84:16 in 1998 to 50:50 in 2001. In addition, the New York PSC changed the TCMR format in 2000 to differentiate between true, facilities-based competition and UNE-P, resale-based competition. The report shows that facilities-based competition is increasing compared to competition derived from UNE-P or resale. For example, in 1998, CLEC lines were 45 percent resale and 55 percent facilities-based or UNE lines. The corresponding figures for 2001 are 14 percent resale and 86 percent facilities based or UNEs. The 86 percent figure is split 47 percent UNE-P and 39 percent facilities-based.

The commission's report traces the development of local competition; no specific conclusion or qualitative judgment about the degree of competition is made. However, the Competitive Analysis Report examines service quality, measured by customer trouble reports, and finds that service quality of local exchange service has generally improved since 1996.

Oregon

The Oregon Public Utility Commission conducts an annual survey of certificated local exchange carriers to assess the status of local telephone competition. The *Local Telecommunications Competition Survey: Year 2002 Report*²⁴ published Dec. 29, 2002, by the commission's Economic Research and Financial Analysis Division includes the results for 2001 from all 34 ILECs in the state and 167 out of 216 CLECs, for an overall response rate of 80 percent. The information collected includes local exchange service revenues, number of switched lines for business customers and number of switched

²⁴ Available at <http://www.puc.state.or.us/telecomm/lucs.pdf>.

lines for residential customers. Every category includes total numbers and totals for all ILECs and all CLECs, as well as market share for ILECs and CLECs. The report also includes data on the change in total, ILEC and CLEC switched lines and the growth rate from the year before, the number of CLECs with certificates, the number of CLECs doing business as a percent of the total number of CLECs and the total number of private line circuits as well as, for private lines, lower capacity circuits as a percent of total circuits and higher capacity circuits as a percent of the total.

From the survey responses, the commission concluded that competitive entry in Oregon's telecommunications market was still small, especially in the residential sector. Using percentage of local switched telephone lines as a measure of market share, the 2002 report found CLEC market share at the end of 2001 was 9 percent (up from 6 percent in 2000). The 2 percent CLEC residential market share was the same as the year before. However, CLECs' share of business customers' switched local exchange lines grew by more than 50 percent — to 22 percent versus the 14 percent reported in 2000.

SUMMARY

This survey was intended to obtain information on state public utility commissions' analyses of competition in intrastate telecommunications markets. The survey results show that, by and large, state commissions have been actively monitoring the development of competition in telecommunications markets since passage of the Act, which prescribed the path to more competitive market structures for all segments of the telecommunications market. The main results of the survey can be summarized as follows:

Most states have conducted competition analysis.

- The majority of the responding state commissions (33 of 46 states, or 72 percent) reported that they have conducted some form of competition analysis for the intrastate telecommunications markets that included local service, intraLATA toll service and intrastate, interLATA service markets. It should be noted, however, that other states are likely to do informal analyses and market monitoring. Of the 33 states, nearly half (15 of 33 states) conducted competition analyses regularly or periodically, (such as, annually.
- In those states where competition analyses were conducted regularly, the most common case was an annual review or analysis (12 of 15 states), followed by a biennial analysis (2 of 15 states), a quarterly analysis (1 of 15 states), and a monthly analysis (1 of 15 states).²⁵

Analysis is most commonly done by commission staff.

- With regard to the actual conduct of competition analysis at the state level, the survey results show that commission staff is the most likely group that assumes the task of analysis (31 of 33 states). There were also other participants in state competition analyses of telecommunications markets, including industry sources (five states), outside experts (six states), and a joint team of commission staff, industry and outside experts (three states), though the number of these cases was small.

²⁵ Virginia is counted in both annual (for long distance) and quarterly (for local service) analyses.

Analyzing was called for under Section 271 of the Act, by commission decisions, by requirements of state laws, by requests from state legislatures and other reasons.

- According to the survey results, many state competition analyses were conducted as part of the proceeding required by Section 271 of the 1996 Act (16 states). Other than those cases, competition analyses at the state level tend to be initiated either by commissions' own decisions (13 states) or by requirements of state laws or requests from the state legislatures (12 states). Further, these competition analyses initiated by state laws/legislative requests or commissions' own decisions are likely to be regular reviews or analyses of competition. Other initiating reasons for competition analysis include merger or acquisition review (two states) and petitions made by companies to the state commissions (three states).

Target markets for competition analysis at the state level include local service markets, intraLATA toll service markets, and intrastate, interLATA service markets.

- However, it is the local market upon which most state competition analyses focused (32 of 33 states). This should not be too surprising given that the 1996 Act itself placed more emphasis on local competition than other segments of the market, and that many states introduced competition to toll markets even before the 1996 Act. Still, several states analyzed competition in toll markets, with 12 states analyzing intraLATA toll markets and eight states analyzing intrastate, interLATA markets.

Cable and wireless telephony were frequently considered as competitors to wireline services.

- Regarding alternative types of providers or technologies considered in competition analysis other than wireline CLECs, cable telephony (15 states) and wireless service (14 states) were commonly considered in many states, while VoIP was considered in somewhat fewer states (six states).

Most states used industry data in analyzing competition.

- With respect to data for competition analysis, most of the responding states in which competition analyses were conducted utilized industry data filed by

companies with the state commissions (29 of 33 states). This result is followed in frequency by the FCC data (17 states), industry data that are not filed by companies with the state commissions (10 states) and retail and wholesale customer complaints made to the state commissions (seven states). Customer surveys were used less often (customer survey by service providers, four states; customer survey by the commission, three states; customer survey by independent groups or organizations, three states).

The most common indicators of competition are market share and number of competitors.

- Given the sources of data used for state competition analyses, it is not surprising that many state analyses of telecommunications competition applied criteria or indicators derived mostly from such industry data, combining those three categories (data filed by companies with the state commissions, FCC data and data not filed with the state commissions). These criteria or indicators for assessment of competition include market share (32 of 33 states), the number of CLECs or other competitors (31 states), the number of interconnection agreements (18 states), retail service prices (13 states), wholesale prices/UNE rates (12 states) and the number of CLEC switches or collocation points (11 states). As a result, criteria or indicators derived from customer-related aspects of the market, such as quality of service or customer satisfaction, were used in somewhat fewer states (quality of service, six states; customer satisfaction, two states).

Local competition is in an early state of development.

- Concerning the status of competition in intrastate telecommunications markets, most state commissions that reached conclusions about the status of competition found the local markets either “slightly competitive” or “not competitive” (15 of 21 states) rather than “fully competitive” or “moderately competitive” (6 of 21 states); in contrast, the majority of the responding states for intrastate long-distance markets found them either “fully competitive” or “moderately competitive” (9 of 10 states for intraLATA markets, nine of nine states for intrastate, interLATA markets), with one state (Tennessee) finding its intraLATA toll market to be “slightly competitive.” The results reveal that

competition in the local service markets is in an early stage of development, whereas competition in the long distance markets has developed considerably so far, although it may not be mature yet.

Fifteen states took action to promote competition following the competition analysis.

- After the competition analyses, 15 states took actions or measures aimed at promoting competition, though some of these actions may not have been a direct result of the analyses. Seventeen states reported that they did not take any actions as a direct or specific result of their competition analyses. It is likely, however, that the state public utility commissions take necessary actions to promote competition in telecommunications markets without making some direct or indirect reference to the competition analyses.

APPENDIX 1
SURVEY QUESTIONNAIRE

**NRRI SURVEY OF STATE ANALYSIS
OF COMPETITION IN TELECOM MARKETS**

1. Has your commission, either by itself or otherwise, evaluated or analyzed the status and effects of competition in intrastate (local, intraLATA toll, and intrastate, interLATA) telecommunications services markets since the passage of the Act? (Any kind or form of analysis can be considered; for example, surveys, statistical market data collection and analyses, regulatory proceeding documents, or reports to the legislature, etc.)

Yes _____ No _____

Note: If you marked "Yes," please continue to the next question. If you marked "No," you are finished with this survey.

2. If you marked "Yes" to question 1, please indicate the date (year and month) of each evaluation/analysis done in your jurisdiction.
3. Is competition analysis conducted regularly?

Yes _____ If so, how often? _____ No _____

4. Who actually conducted evaluations/analyses of competition in intrastate telecommunications markets? (Check all that apply)
- _____ a. Commission staff
 - _____ b. Outside expert(s) at the request of the commission (e.g., independent consultancy or market analysis organizations, college professors, etc.)
 - _____ c. Industry (individual company or association) at the request of the commission
 - _____ d. A joint team of above groups
 - _____ e. Other (Please explain):

Note: If you checked multiple answers, please explain below which evaluation/analysis was done by which group.

5. How was the competition analysis initiated? (Check all that apply)
- _____ a. General requirement of law or requested by legislature
 - _____ b. Commission's own decision
 - _____ c. Part of Section 271 proceeding
 - _____ d. Merger or acquisition review
 - _____ e. Other (Please explain):

Note: If your commission has conducted analyses more than one time, please explain below.

6. Which segment of telecom service markets were included in your competition analysis? (Check all that apply)
- a. Local service markets
 - b. IntraLATA toll service markets
 - c. Intrastate, interLATA service markets

Note: If your commission has done several analyses and target markets for analysis varied, please provide details below.

7. Did the competition analysis consider the following types of providers or technologies in addition to wireline CLECs that may affect competition in local and toll service markets? (Check all that apply)
- a. Wireless services (mobile & fixed)
 - b. Cable telephony
 - c. IP telephony VoIP
 - d. Other (Please explain):
8. What are the sources of data used for the competition analysis? (Check all that apply)
- a. Customer (end user) survey by the commission
 - b. Customer (end user) survey by service providers
 - c. Customer (end user) survey by independent groups or organizations
 - d. Retail and wholesale customer complaints made to your commission
 - e. Retail and wholesale customer complaints made to service providers
 - f. Industry data filed by companies with the commission
 - g. Industry data that are not filed with the commission
 - h. FCC data
 - i. Other (Please explain):
9. What criteria or indicators were applied to evaluate or assess the status and effects of competition in telecommunications markets? (Check all that apply)
- a. Market share (e.g., revenues, minutes of use, number of lines, etc.)
 - b. Number of CLECs or other competitors
 - c. Retail service prices or rates
 - d. Wholesale prices/UNE rates
 - e. Number of interconnection agreements
 - f. Number of CLEC switches or collocation points
 - g. Quality of service (e.g., installation, repair, etc.)
 - h. Customer satisfaction
 - i. Other (Please explain):

10. What was the overall conclusion of the analysis or evaluation of competition in telecommunications markets within your jurisdiction? (Check a relevant box per each market segment)

Market\Conclusion	Fully competitive	Moderately competitive	Slightly competitive	Not competitive
Local service				
IntraLATA toll service				
Intrastate, interLATA service				

Note: If your conclusion does not neatly fall in the above categories, please provide information below.

11. Did your commission take any actions after the competition analysis/evaluation to promote competition in telecommunications markets within your jurisdiction?

Yes _____ No _____

If you answered "Yes" above, what actions were taken?

12. If you have the result(s) of competition analysis, please provide information on the web link or sources for the result(s) from which we can obtain the study result(s). If electronic access is not available, please send us a hard copy of the result(s) or report(s).

APPENDIX 2
ONLINE RESOURCES RELATING TO STATE
TELECOMMUNICATIONS COMPETITION ANALYSES

State	Report Title	Link
AL	Commission orders (BellSouth's Section 271 application)	http://www.psc.state.al.us/25835jul.pdf (July 2002) http://www.psc.state.al.us/25835sep02.pdf (September 2002)
AR	Second consultation report of the Arkansas Public Service Commission to the FCC pursuant to 47 USC Section 271(d)(2)(B)	http://170.94.29.3/pdfstorage/00-211-u_143_d_1313_20010521.PDF
CA	General access to telecom documents including: <ul style="list-style-type: none"> • The Status of Telecommunications Competition in California • Decision 02-09-050 (SBC's 271 application) (Appendix included) • Decision 02-12-081 <ul style="list-style-type: none"> ▪ Appendix A ▪ Appendix B 	http://www.cpuc.ca.gov/static/industry/telco/index.htm <ul style="list-style-type: none"> • http://www.cpuc.ca.gov/PUBLISHED/REPORT/16454.htm • http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/19433.PDF • http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/22352.PDF <ul style="list-style-type: none"> ▪ http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/22354.PDF ▪ http://www.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/22356.PDF
FL	Year 2002 Report on Competition in Telecommunications Markets in Florida	http://www.psc.state.fl.us/general/publications/reports/comptelemkt2002final.pdf
GA	Docket 5778-U Local Service Indicators Report	http://www.psc.state.ga.us/telecom/5778report/5778report.htm
IL	Annual Report on Telecommunications Markets in Illinois	http://www.icc.state.il.us/tc/docs/021028mktrpt.pdf
IN	Telephone Reports to the Regulatory Flexibility Committee of the Indiana General Assembly	http://www.in.gov/iurc/issues/reqflex/index.html

State	Report Title	Link
LA	Docket U-22252 Subdocket E (Section 271 order) Attachment (Staff's Final Recommendation)	http://www.lpsc.org/orderU-22252(E).pdf http://www.lpsc.org/HeadlinesTeleStaffFinalRecommendation(BST's271Application).pdf
MA	D.T.E. 01-31-Phase I	http://www.state.ma.us/dpu/telecom/01-31/58order.pdf
MI	2002 Report on Telecommunications Competition in Michigan Staff Report: Market Conditions Survey (2000 – 2002)	http://www.cis.state.mi.us/mpsc/comm/report_s/index.htm
MO	Report and order (Dec. 27, 2001)	http://168.166.4.147/orders/12271467.htm
MT	Access to Docket D2000.5.70 (Qwest Section 271 proceeding) including: <ul style="list-style-type: none"> • Final Report on Qwest's Compliance with the Track A Requirements of Section 271 • Final Report on Qwest's Compliance with the Public Interest Requirement 	http://www.psc.state.mt.us/tcom/tcom.htm <ul style="list-style-type: none"> • http://psc.state.mt.us/pdf/121801MTPSC_FINAL_TrackAREPORT.pdf • http://www.psc.state.mt.us/tcom/072602_5percent20FCC_percent20271_percent20FINAL.pdf
NE	Annual reports to the legislature	http://www.psc.state.ne.us/home/NPSC/communication/comm_annualreports.html
NM	NMPRC QWEST Corporation's Section 271 (final order)	http://www.nmprc.state.nm.us/qwestsect271.htm
NY	Analysis of Local Exchange Service Competition in New York State	http://www.dps.state.ny.us/telecom/telanalysis.htm

State	Report Title	Link
NC	Order P-19, Sub 277 (Sept. 13, 2001) Status of Telecommunications Service in a Changing Competitive Environment (October 2001)	http://ncuc.commerce.state.nc.us/cgi-bin/webviewr/senddoc.pgm?dispfmt=&itype=H&authoization=&parm2=CBAAAA55210B http://www.ncuc.commerce.state.nc.us/reports/01telest.pdf
OR	2001 Telecommunications Competition Survey	http://www.puc.state.or.us/telecomm/ltns.pdf
PA	PA PUC's Consultative Report - Verizon PA's Section 271 application	http://puc.paonline.com/Telephone/Section_271/Consultative_Rpt_V-271_App.pdf
TN	Status of Telecommunications Report (1997, 1999, 2001)	http://www.state.tn.us/tra/trareports.htm
TX	Scope of Competition in Telecommunications Markets of Texas (1989-2003) – biennial reports	2003 Report: <ul style="list-style-type: none">• http://www.puc.state.tx.us/telecomm/reports/scope/index.cfm 1989 – 2001 Reports: <ul style="list-style-type: none">• http://www.puc.state.tx.us/telecomm/reports/scope/archive.cfm
UT	The Status of Telecommunications Competition in Utah (2002) The State of Telecommunications Industry in Utah (1998 – 2001)	http://www.psc.state.ut.us/telecom/index.html
VA	PUC 020046 (Verizon Virginia's Section 271 application)	http://www.state.va.us/scc/caseinfo/puc/c020046.htm

State	Report Title	Link
WY	Docket 70000-TA-00-599 (Qwest's Section 271 application) PSC order on Qwest application to have its interexchange services deemed competitive in Wyoming	http://psc.state.wy.us/ http://psc.state.wy.us/htdocs/orders/70000-442-5484.htm

Note: URLs and other information were provided by the participating state commissions.

ADDENDUM*

**RESPONSE FROM THE DISTRICT OF COLUMBIA
PUBLIC SERVICE COMMISSION**

* This response was received after the publication of the report (NRRRI 03-07). Therefore, we provide the information from the D.C. Public Service Commission as an addendum for readers only in the electronic version of the report.

INFORMATION ON DISTRICT OF COLUMBIA ANALYSIS OF COMPETITION IN TELECOM MARKETS

Analysis of Telecommunications Competition and Its Frequency

The District of Columbia Public Service Commission (DCPSC) responded that it has analyzed the status of competition in the local telecommunications market since the passage of the Telecommunications Act of 1996. According to the DCPSC, a survey of certificated competitive local exchange carriers (CLECs) and Verizon is conducted annually in April. Other data are tracked on an ongoing monthly basis. The DCPSC reports the information on its website, as the updated information is available.

Conduct of Competition Analysis

The DCPSC reported that the task of competition analysis is conducted by its staff like most other state commissions. Competition analysis in the District of Columbia was initiated by the commission's own decision, and it focused on the local service market. In analyzing competition in the local service market, the DCPSC considered largely wireline CLECs as a main type of competing providers. However, it also collects and posts information on wireless, cable, and voice over Internet Protocol (VoIP) on its web site to show the choices available for consumers under telecommunications competition, although the DCPSC does not factor these services into its market share analyses.

Data Sources and Indicators for Competition Analysis

The DCPSC reported that it utilized three types of data sources for competition analysis in local the market. They are (1) annual survey of Verizon and all certificated CLECs conducted by the DCPSC; (2) retail and wholesale customer complaints made to the DCPSC; and (3) FCC data. In analyzing competition in the local telecommunications market, the DCPSC applied five main indicators:

1. market share in terms of revenues and the number of lines
2. the number of CLECs

3. retail service rates
4. the number of interconnection agreements
5. quality of service (customer complaints made to the commission)

In doing so, the DCPSC further broke down the indicators into several categories to monitor the development of competition in the local market. For example, the DCPSC examined the number of CLECs in several different ways: the total number of CLECs providing service; the number of CLECs providing service with classification of market entry types (resale, their own facilities, and both resale and their own facilities); the number of CLECs broken down by customer class (residential and business), etc.

Assessment of Competition and Post-Analysis Actions

Using the indicators listed above, the DCPSC reports the statistics of local competition. However, it does not make a qualitative judgment about the extent or degree of competition in the local telecommunications market. The DCPSC reported that it takes any necessary actions after competition analyses to promote local competition on an ongoing basis, although they are done not as a direct result of analyses.

Further Information on Competition-Related Data for the D.C.

The information on the results of telecommunications competition analyses and other related data in the District of Columbia can be found at its web site <http://www.dcpsc.org>, which includes the following information:

1. Customer information
 - a. Telecommunications choice
 - b. Rates and statistical information
2. Hot topics
 - a. Telecommunications overview in PowerPoint presentation