# Competition in Telecommunications Markets in Florida

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## LIST OF ACRONYMS

ALEC.....Alternative Local Exchange Company
AT&T.....AT&T Communications of the Southern States
ATM.....Asynchronous Transfer Mode
BEBR.....Bureau of Economic and Business Research
BellSouth.....BellSouth Telecommunications, Inc.
Commission.....Florida Public Service Commission
CTIA.....Cellular Telecommunications Industry Assoc.
DSL.....Digital Subscriber Line
FCC.....Federal Communications Commission
FCCA.....Florida Competitive Carriers Association
FPSC.....Florida Public Service Commission
FTIA.....Florida Telecommunications Industry Assoc.
GTEFL.....GTE Florida, Inc (now known as “Verizon”)
ISP.....Internet Service Provider
ILEC.....Incumbent Local Exchange Company
Joint Board.....Federal-State Joint Board
LATA.....Local Access and Transport Area
LEC.....Local Exchange Company
LERG.....Local Exchange Routing Guide
NANPA.....North American Numbering Plan Administrator
NXX.....End Office Code
NPA.....Area Code
OSS.....Operational Support System
PICC.....Presubscribed Interexchange Carrier Charge
SLC.....Subscriber Line Charge

Sprint.....Sprint-Florida, Inc.

UNE.....Unbundled Network Element

US.....Universal Service

# EXECUTIVE SUMMARY

This report is prepared to satisfy the statutory requirements of section 364.386, Florida Statutes. It contains a review of the major FPSC actions in the past year, discusses the status of local exchange competition within Florida's telecommunications markets, and reviews key federal rulings that affect telecommunications in Florida.

As of September 15, 2000, the Commission has received 11 petitions this year for arbitration of rates, terms and conditions for interconnection, unbundling, and resale. Since January 2000, the Commission has received 307 negotiated agreements between ALECs/ILECs for review and has approved 1,587 negotiated agreements since June, 1996.

As of June 30, 2000, 362 ALECs were certificated in Florida, 91 of which reported they were providing local service to 710,617 business and residential access lines.

Florida has experienced gains in competition since the 1999 report, although the incumbent LECs remain the dominant providers. Measured with respect to access lines served, ALECs have increased their total market share to 6.1 percent. The ALECs' percentage of business access lines increased from 12.2 percent to 14.2 percent; while their percentage of residential lines increased from 1.3 percent to 2.7 percent since 1999. Competitive entrants continue to expand their presence beyond the densely populated urban areas and into some of Florida's less densely populated markets.

Consumer complaints against the three major incumbent LECs that constituted a violation of Commission rules either dropped or held steady since 1999.

The Commission has received 13 ALEC complaints against LECs since last year's report. Of the total, eight have been resolved, three have been to hearing and

post-hearing motions are pending, and two are set for hearing.

# CHAPTER I: INTRODUCTION

The Florida Public Service Commission regulates the telecommunications industry under the auspices of Chapter 364, Florida Statutes. Among the Commission's obligations under this chapter is one to prepare and deliver a report on "the status of competition in the telecommunications industry" to the Governor and Legislature by December 1 of each year.

Under the provisions of Chapter 364.386, Florida Statutes, the annual report on the status of the telecommunications industry in Florida must address the following issues:

- The overall impact of local exchange telecommunications competition on the continued availability of universal service.

- The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.

- The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.

- The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunication services.

- What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.

- Any other information and recommendations which may be in the public interest.

Additionally, a 1997 amendment to Section 364.161(4), Florida Statutes, requires the inclusion of a summary of all complaints filed by alternative local exchange companies (ALECs) against incumbent local exchange companies (ILECs).

Information for this report was drawn from a number of sources. A data request was submitted to all certificated LECs and ALECs in Florida, a total of nearly 400 companies, specifically for the purpose of creating the underlying factual basis for a number of conclusions drawn in subsequent sections. Additional research was conducted by reviewing FPSC certification records, orders, and dockets. Reports from industry, trade associations and federal sources - including the Federal Communications Commission (FCC) and Government Accounting Office (GAO) - were used in the preparation of this report.

Chapter II outlines actions taken by the FPSC and by the Florida Legislature to promote a competitive environment. Chapter III assesses the status of competition in the local telecommunications markets in Florida, including a discussion of emerging market trends, and Chapter IV offers some conclusions based on available data. Appendices list the ALECs certificated in Florida as of September 25, 2000, and an update of federal activities that impact Florida markets.

# CHAPTER II: FLORIDA PUBLIC SERVICE COMMISSION ACTIONS

In this chapter, some of the major issues confronted by the Commission to foster a more competitive telecommunications environment are addressed, including number conservation, evaluation of BellSouth's operational support systems, pricing of unbundled network elements, collocation, and quality of service evaluations of Florida's three major incumbent local exchange companies

## AREA CODE RELIEF AND NUMBER CONSERVATION MEASURES

Florida and the nation face a burgeoning demand for telephone numbers as wireline and wireless competitors continue to enter the market place. The unprecedented demand for telephone numbers has taken Florida from three area codes in 1987 to thirteen currently. Of those thirteen, four (561, 954, 904, and 941) are expected to require relief measures by the year 2001.

In April 1999, the Commission petitioned the Federal Communications Commission for authority to implement number conservation measures to minimize consumer confusion and expense associated with the imposition of area code changes. The FCC gave the Commission interim approval on September 15, 1999, to take the following actions under specific conditions:

- Reclaim unused and reserved NXX codes. ("NXX" is an acronym that refers to the first three digits of a telephone number, also known as a prefix or central office code.)

- Institute thousand-block number pooling (1KNP) by all local-number-pooling capable carriers in Florida.

- Maintain rationing procedures for six months following adoption of an area code

relief plan.

- Set numbering allocation standards.

- Request number utilization data from all carriers.

- Implement NXX code sharing.

- Implement rate center consolidation.

At its February 29, 2000 meeting, the Commission voted to implement many of these measures in Florida. The Commission implemented thousand-block number pooling trials in three Metropolitan Statistical Areas (MSA) of Florida where residents were faced with impending area code changes: 561, which includes Palm Beach County; 904, which includes Nassau, Duval, Clay and St. Johns counties; and 954, which includes Broward County.

Specifically, the Commission ordered the immediate return of all unused and reserved NXX codes; the implementation of 1KNP; and the imposition of numbering allocation standards -- issuing NXX codes in blocks of 1,000 in place of the previous federal policy of issuing codes in blocks of 10,000.

Pursuant to the Commission's reclamation efforts, FPSC staff identified more than 200 codes, of which 55 have been reclaimed. In addition, the Commission established the pooling implementation schedule for the 954, 561, and 904 area codes, to begin January 22, 2001, February 5, 2001, and April 2, 2001, respectively.

In addition, the Commission expanded its mandate of thousand-block number management to all code holders in Florida, not just those in areas in jeopardy of being exhausted.

As a result, FPSC staff has started a review process of numbering resources. Staff has notified carriers of the changes and that on-site reviews to verify compliance with number conservation measures will be conducted.

Recognizing the scope and importance of number conservation issues, the FCC issued a Report and Order and Further Notice of Proposed Rule Making (FCC 00-104) to address these issues on a national basis.

At its September 29, 2000 special agenda conference, the Commission approved the implementation of two additional number pooling trials. These trials will take place in Daytona Beach (904 area code) and Fort Pierce and Port St. Lucie (561 area code) MSAs, and are scheduled to begin in the second quarter of 2001. At the same meeting, the Commission voted to conserve the available telephone numbers in the Keys and Miami-Dade regions by ordering the industry to implement rate center consolidation and code sharing. Because implementing rate center consolidation and code sharing will result in an increase in customers' monthly bills because of lost toll revenues to the industry, the Commission voted to ballot affected customers to determine if they are amenable to higher monthly bills in exchange for an expanded local calling area. Ballots for the Keys and Miami-Dade regions will be mailed January 8, 2001, and must be returned by February 15, 2001.

**SECTION 706 FIELD HEARING**

On October 8, 1999, the Federal-State Joint Conference on Advanced Telecommunications Services was convened by the Federal Communications Commission (FCC) to explore the implementation of Section 706 of the Telecommunications Act of 1996 (the Act). Section 706 of the Act directs the FCC and state commissions with regulatory jurisdiction over telecommunications services to encourage the deployment of advanced telecommunications capability to all Americans. The FCC defines advanced telecommunications services as: "high speed, switched,

broadband telecommunications capability that enables users to originate and receive high-quality voice, data, graphics and video telecommunications using any technology."

In furtherance of Section 706, the Joint Conference announced its intention to conduct a series of field hearings around the country. At the urging of the FPSC, Miami was selected as the site of the Southeast regional hearing held on June 9, 2000.

Attended by FPSC Commissioners, joint conference members and FCC Commissioner Gloria Tristani, the hearing focused on infrastructure, demographics and legislative initiatives in the Southeast. Prominent in those discussions were the advanced services initiatives enacted by the Florida Legislature. In 1999, the Legislature created an Internet Task Force to develop principles to guide state policy in the development and application of advanced communications networks and information technologies. The 2000 session of the Legislature adopted legislation encouraging the development of a network access point (NAP), which is defined as a carrier-neutral, public-private Internet exchange point. The legislation provides for a sales tax exemption for equipment used to deploy broadband technologies in connection with a network access point.

**COMPETITIVE CARRIERS' PETITION**

In December 1998, the Florida Competitive Carriers Association (FCCA), on behalf of various industry groups and competitive local exchange companies, filed a petition asking the FPSC to take actions that would result in enhanced local competition in BellSouth's service territory. The FPSC opened a docket (Docket No. 981834-TP) to address issues raised by the FCCA.

The petition sought the following FPSC actions:

- Establishment of a generic BellSouth UNE pricing docket to address issues

affecting local competition,

- Establishment of a Competitive Forum to address BellSouth operations issues,
- Establishment of third-party testing of BellSouth's OSS,
- Initiation of a rulemaking proceeding to establish expedited dispute resolution procedures applicable to all local exchange carriers.

Later in December 1998, BellSouth filed a Motion to Dismiss the FCCA's Petition with prejudice. In January 1999, the FCCA filed their Response in Opposition to BellSouth's Motion to Dismiss.

At the FPSC Agenda Conference on March 30, 1999, the Commission denied BellSouth's Motion to Dismiss. The Commission also denied the FCCA's request to initiate a rulemaking proceeding to establish expedited dispute resolution procedures for resolving interconnection agreement disputes, ruling such a proceeding would compromise the Commission's discretion. However, the Commission granted the remaining parts of the petition. Specifically, the Commission established a formal administrative hearing process to address UNE pricing, including UNE combinations and deaveraged pricing of unbundled loops. The Commission also directed that workshops on OSS issues be conducted concurrently, in an effort to resolve OSS operational issues.

These workshops were held on May 5-6, 1999, and initiated the Phase 1 development activities associated with the independent third party testing of BellSouth's Operational Support Systems (OSS). The Commission approved an OSS testing plan to evaluate numerous performance measures and benchmarks, including processes for pre-ordering, ordering, provisioning, billing and maintenance, and repair. The Commission selected the accounting firm of KPMG to conduct the actual evaluations. The Phase 2 portion of this process encompasses the actual testing, which is underway.

The Commission also established a formal administrative hearing track to address collocation and access to loop issues. On January 12-14, 2000, the Commission conducted a full administrative hearing. The primary topics of interest included:

- Guidelines for collocation applications and response intervals
- Collocation equipment and interconnection issues
- Space reservation and forecasting parameters.

At the FPSC Agenda Conference on April 18, 2000, the Commission approved the staff's post-hearing recommendation, setting forth various collocation guidelines, that were outlined in Order No. PSC-00-0941-FOF-TP, issued on May 11, 2000 (Collocation Order). The Commission had based its analysis in large part on the FCC's First Report & Order and Further Notice of Proposed Rulemaking in CC Docket No. 98-147 (FCC 99-48 or the Advanced Services Order), on parts of Title 47, Part 51 of the Code of Federal Regulations (CFR), and on the language in Section 251(c)(6) of the Telecommunications Act of 1996.

On May 26, 2000, BellSouth, GTE, and Sprint filed separate Motions for Reconsideration for portions of Order No. PSC-00-0941-FOF-TP. The petitioners sought reconsideration of the Commission's Collocation Order on:

- Collocation space allocations and arrangements
- Collocation conversions and equipment related topics
- Cost allocation and other provisions.

Numerous responses to the BellSouth, GTE, and Sprint motions were filed, along with cross-motions from the FCCA and AT&T. The petitioners sought reconsideration because of their belief that the Commission overlooked or failed to consider some key facts or events. Among the issues cited by the petitioners was a decision of the United States Court of Appeals for the Eighth Circuit in the case of GTE Service Corp. v. FCC, 205 F.3d 416, 426 (D.C.Cir. 2000), which vacated portions of the FCC's Advanced Services order on which the Commission had relied.

The Circuit Court's decision in this case was not released until after the January hearings, and thus, the Commission's post-hearing decision did not address the Circuit Court's decision or its impact.

On July 20, 2000, the Commission staff filed a recommendation to address the petitioner's Motions for Reconsideration. Staff's recommendation for the Commission grants in part, and denies in part the various issues. At the October 17, 2000 agenda conference the Commission adopted the staff's recommendation.

**OPERATIONAL SUPPORT SYSTEM (OSS) TESTING**

In 1999, the FPSC staff and Commission developed and approved a Master Test Plan for Third-Party Testing of BellSouth's OSS. Following the selection of KPMG as test manager in late 1999, actual testing began in January 2000. The testing is in three major areas: Process and Procedures Review (PPR) Tests, Transaction Validation and Verification (TVV) Tests, and Performance Metrics Review (PMR) Tests.

**PPR Tests**

Sixteen PPR tests will evaluate processes and practices involved in performing the various OSS functions (preordering, ordering, provisioning, maintenance/repair, and billing). Where possible, parity comparisons between BellSouth retail and competitive local exchange company (CLEC) processes will be made. KPMG obtains input for the

PPR tests through interviews of BellSouth and CLEC employees, and through direct observation of processes.

**TVV Tests**

Eleven TVV tests will provide direct evidence regarding the functioning of BellSouth's OSS in preordering, ordering, provisioning, maintenance/repair, and billing of all services offered by BellSouth to CLECs. Test orders and transactions will be submitted either by KPMG's testing pseudo-CLEC (known as CKS) or through CLECs participating in the testing.

**Performance Metrics Tests**

Performance metrics tests will assess the accuracy and adequacy of the interim performance metrics and statistical analysis methods approved for use through collaborative workshops. In addition, a written adequacy analysis will be presented by KPMG separate from the testing report.

**Observations and Exceptions**

For all three areas of testing, KPMG findings will be noted via the observations and exceptions process. Problems identified in the testing are initially noted as "observations." BellSouth is required to respond with either an explanation or a plan for correction. If the observation rises to the level of constituting a hindrance to a CLEC's ability to compete and operate, KPMG may categorize the problem as an "exception." Under the "military testing approach" being used, BellSouth must make necessary corrections to the satisfaction of KPMG and FPSC staff before observations and exceptions can be closed. During the test, observations and exceptions are posted on the FPSC webpage.

**Test Schedule**

Currently PPR and PMR tests have been conducted, and TVV tests were scheduled to begin in November 2000 after system connection and test account setup

are completed. Testing is projected to be completed and the results report issued by late May 2001. This target date is subject to revision since actual completion of testing is dependent upon the number of exceptions encountered and the time required for correction.

**Permanent Performance Metrics**

FPSC staff has conducted a series of workshops to develop an enforcement mechanism and a set of performance metrics for use by the Commission to ensure the ongoing adequacy of OSS access and service quality to ALECs. The initial step in this process is to address metrics applicable to BellSouth. Both ALEC and incumbent LEC formal comments have been gathered through workshops. The final selection of the performance measures must await the completion in mid-2001 of KPMG's assessment of the adequacy Commission-approved interim metrics for OSS testing. The current schedule anticipates completion of permanent metrics for BellSouth in 2001, after which permanent metrics for Sprint and Verizon (formerly GTE) will be developed.

**UNBUNDLED NETWORK ELEMENTS (UNE)**

Docket No. 990649-TP was opened to deal with the issues involving pricing of UNEs that were raised in the FCCA Petition. This docket addresses UNE deaveraging, UNE combinations, and recurring and nonrecurring charges. Deaveraging refers to establishing more than one rate for a service or offering, as opposed to a single rate made available in all areas. Where rates are deaveraged, they typically are designed to reflect differences in the cost of providing the service, due to such factors as density, distance and the like.

This docket was originally scheduled to be conducted in two phases, with the first phase focused on "how" (e.g., how to accomplish deaveraging) and "what" (e.g., which UNEs should be deaveraged) kinds of issues. In the second phase, the incumbent LECs would have been required to make certain filings in compliance with the decisions

made in the Commission's Phase I order. Two events occurred in late 1999, however, which resulted in a change of schedule.

First, the FCC issued an order on universal service requiring deaveraged UNE rates to be in effect by May 1, 2000. Second, the FCC issued an order specifying its list of required UNEs. In December 1999, the parties signed a stipulation agreeing on interim deaveraged rates to be effective May 1, 2000. In addition, the parties signed a procedural stipulation on certain issues and events, causing the cancellation of the December 1999 hearing and setting a new schedule.

In accord with the stipulation of certain issues and events, the incumbent LECs submitted cost studies in the second quarter of 2000 with hearings scheduled for July and September 2000. On July 18, 2000, the Eighth Circuit Court vacated the FCC's use of a hypothetical network as the basis for UNE pricing, resulting in further modifications to the procedural schedule.[1]

Sprint-Florida and Verizon (formerly GTE) withdrew their cost studies because they did not believe the cost studies were in compliance with the current state of the law; however, BellSouth believed that it could move ahead with the September 2000 hearing for its cost studies. Accordingly, the prehearing officer granted Sprint-Florida's and Verizon's motions to bifurcate the proceeding, but with no change in dates for BellSouth. The hearing for BellSouth's cost studies occurred in September 2000, and a Commission decision is scheduled for March 2001. Sprint-Florida and Verizon are scheduled to submit new cost studies on April 2, 2001, with a hearing scheduled for June 2001, and a Commission decision in October 2001.

[1] On September 22, 2000, the Court stayed its order pending the filing and ultimate disposition of a petition for certiorari with the U.S. Supreme Court.

## SERVICE STANDARDS DOCKETS

In September 1999, the Commission opened dockets to initiate show cause proceedings against Sprint, BellSouth and Verizon for violation of FPSC service standards. Incumbent LECs are required by rule to consistently meet standards established to ensure their customers receive a high quality of service. FPSC standards, for example, require a company to restore interrupted service within 24 hours in 95 percent of the instances reported, or to initiate service in three working days from receipt of an application 90 percent of the time. The Commission also conducts regular service evaluations of ILECs in the field to verify compliance with its service evaluation standards. Each ILEC is required by rule to submit quarterly reports to the Commission detailing their compliance with the established service standards.

After reviewing reports from the state's three largest telephone providers, staff determined that each company was consistently failing to meet one or more of the standards established by rule and asked the Commission to formally address the issues involved by opening a docket for each of the three companies. Testimony has been filed in each of the dockets and, at the time of this writing, none of the cases has reached formal resolution.

It should be noted that these dockets were not opened based on complaints from consumers, which are detailed in Chapter Three of this report, but were predicated on data supplied by the incumbent LECs in a "self-reporting" process. While justified complaints from consumers appear to be decreasing or leveling off, consumer complaints do not necessarily reflect rule infractions reported by the companies.

# CHAPTER III: STATUS OF LOCAL COMPETITION

Section 364.386, Florida Statutes requires the Commission to report annually to the Governor and the Legislature on the status of competition in the telecommunications industry in Florida, with emphasis on competitive entry into the local services market. The first section of this chapter is devoted to industry assessment and specifically addresses the six points outlined in Section 364.386 (1), Florida Statutes.

In addition to the industry update, the Commission is required by a 1997 amendment to Section 364.161(4), Florida Statutes, to maintain a file of all complaints by ALECs against ILECs regarding timeliness and adequacy of service. The information included must recap how and when each complaint was resolved. The second portion of this chapter addresses that requirement.

In preparation for this report, data requests were sent to 372 certificated ALECs and ILECs to determine the extent of competitive entry. The ALEC data request consisted of questions designed primarily to discern which companies were providing basic local service in Florida, the exchanges and type(s) of customers being served, the method(s) of providing service, and their primary business focus. The ILEC data request focused on revenues, number of access lines and the number of access lines sold to ALECs. Both data requests solicited opinions and suggestions from the companies on possible actions the Commission or the Legislature should take to foster competition in local exchange markets in Florida. Companies were also asked to comment on impairments to the growth of local competition.

While staff is confident that the data presented and the analyses that follow are accurate, it should be noted that differences in the ways companies report, the completeness of responses or lack thereof, and the number of companies failing to report may have an impact on the conclusions cited.

Since the 1999 report, Florida has seen continued increases in competitive entry, focused predominantly in the business sector. As of June 30, 2000, 362 ALECs were certificated in Florida, with 91 reporting they were serving 710,617 access lines. By contrast, the 1999 report found 80 companies serving 555,172 access lines.

## STATUS OF LOCAL COMPETITION THROUGHOUT FLORIDA

Chapter 364.386(1) Florida Statues, mandates that the Commission address the following points in analyzing the status of competition in Florida:

(1) The overall impact of local exchange telecommunications competition on the continued availability of universal service.

(2) The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms and conditions.

(3) The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.

(4) The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.

(5) What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.

(6) Any other information and recommendations which may be in the public interest.

Each of these points will be addressed in the ensuing discussions.

**(1) The overall impact of local exchange telecommunications competition on the continued availability of universal service.**

Universal service (US) is the concept that a specified set of telecommunications services should be available to all customers at affordable rates. Chapter 364.025, Florida Statutes, provides guidelines for the maintenance of US objectives with the introduction of competition in the local exchange market. Incumbent local exchange companies are required by Section 364.025(1), Florida Statutes, to furnish basic local exchange telecommunications service within a reasonable time period to any person requesting such service within a company's service territory until January 1, 2004.

As of March 2000, 92.2 percent of Florida households had local telephone service, compared to a national average of 94 percent (Telephone Subscribership in the United States, Federal Communications Commission, June 2000). In meeting the requirements of Section 364.025(4), Florida Statutes, the Commission submitted its report, Universal Service in Florida, to the Governor and Legislature in December 1996. In 1998, the Commission revisited the issue at the direction of the Legislature. In the resulting report, Universal Service and Lifeline Funding Issues, submitted to the Legislature in February 1999, the Commission found "although the potential for a LEC to experience competitive erosion of its high-margin customers while retaining its high-cost (and perhaps below-cost) customer base is a real concern, the Commission has not discerned any such major impact to date." (p.27) As addressed later in this chapter, information from the data requests indicates that ALECs in Florida have experienced gains in certain markets in the last year. As was stated in the February 1999 report and in last year's report on competition, it is probable that the absence to date of any adverse impact on LEC provision of US may be attributable to strong underlying growth in access lines and minutes of use. While ILECs may be experiencing some loss of

market share, they retain the dominant share of an expanding market.

**(2) The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.**

The FPSC staff surveyed the 362 ALECs that were certificated as of June 30, 2000. Of the 178 responses received, 91 were providing service in Florida. Respondents were asked to identify obstacles or barriers to competition. Responses were received from companies not yet offering service and those providing service.

Companies holding certificates but not yet serving customers most often cited the cost of entering the market as the greatest obstacle to offering service. Specifically, ALECs pointed to the credit requirements of ILECs and the cost of collocation. Before an ILEC will provide service to a competitive entrant, the ALEC must demonstrate financial solvency to the satisfaction of the incumbent. This may involve providing a letter of credit, or cash deposits equal to the value of several months of service. These deposits are held by the incumbent until a satisfactory payment history is established, which according to some ALECs, may be up to two years.

ALECs also expressed concern that the cost of collocation fluctuates among incumbent providers, making financial planning difficult for companies planning entry into multiple markets. One respondent reported receiving price quotes from one incumbent for caged and cageless collocation that were double and in one case triple the price quoted by another incumbent. The Commission has a docket pending on collocation issues, which is discussed in detail in Chapter Two.

Other reasons cited for not entering the Florida telecommunications market include lack of capital, insufficient time to develop a comprehensive business plan, and strategic issues at a regional or national level.

ALECs active in the market focused primarily on pricing issues: specifically, UNE prices and resale discounts, which they believe are insufficient to permit profit margins needed to effectively compete; and fees charged by incumbents for OSS cost recovery.

A consistent theme in ALEC responses, not only in this year's report but in those of previous years, is that resale discounts do not offer an opportunity to establish profits that will support long term operations and expansion. The Telecommunications Act of 1996 requires ILECs to resell any telecommunications service they provide to subscribers who are not telecommunications carriers. The Act gives to state commissions the responsibility to set resale rates based on the incumbent's retail rates excluding any costs avoided by selling at wholesale. The discount rates for BellSouth, Verizon (formerly GTE) and Sprint are summarized in Table 3.1. These discounts were established in arbitration proceedings conducted in 1996 and 1997.

Table 3.1

| SUMMARY OF RESALE DISCOUNT RATES | | | |
|---|---|---|---|
| Resale Discount | BellSouth | Verizon | Sprint |
| Residential | 21.83% | 13.04% | |
| Business | 16.81% | 13.04% | |
| Simple Access | | | 19.41% |
| Complex Access | | | 12.65% |
| Features | | | 36.6% |
| Operator/Directory Assistance | | | 12.06% |
| Other | | | 12.76% |

The OSS issues raised by ALECs tend to fall into two categories. The first is essentially a process issue. ALECs report frustration with the local service request (LSR) procedures established by the ILECs to initiate service. The LSR is a form or series of forms filed by the ALEC telling the incumbent to provide, for example, a local

loop from the customer's premises to the ALEC's termination equipment. ALECs report these forms are lengthy, detailed and subject to rejection for reasons they consider trivial, the effect of which is to delay the onset of service.

The second issue is one of price. ALECs expressed concern over the price charged by incumbents for operational support services. ALECs report incumbents charging fees they perceive as excessive for low-tech procedures necessary to enter markets. ALECs also express the view that ILECs are setting OSS recovery rates substantially above cost to recover the expense of developing and providing the interfaces needed by ALECs to access the ILEC's OSS system.

In addition, ALECs repeatedly cite the unreliability of the incumbents' OSS systems, which they believe are responsible for delays in provisioning, maintenance and repair, and billings, problems not faced by the ILECs. A number of ALECs urged the Commission to institute a set of standards for OSS which, if not met, would result in fines or disciplinary actions.

Most ALECs responding to the data request appear to have some knowledge of the Commission's dockets regarding UNEs and OSS performance metrics and a number expressed the view that these dockets, when concluded, would have a positive impact on the competitive market place.

Despite these concerns raised by competitive entrants, of the 87 respondents that indicated they are not currently providing voice-grade telecommunications services in Florida, most indicated they have plans to roll out services either later in 2000 or by the middle of 2001.

**(3) The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.**

As of June 30, 2000, 91 ALECs reported being engaged in some form of local telecommunications service in Florida. Table 3.2 lists each responding ALEC, the type of customers it identified as its target audience, how service is provided and where in Florida service is offered.

Based on the responses to the ALEC data request and the number of ALEC/ILEC interconnection agreements, it appears that ALECs should be able to provide telecommunications customers with functionally equivalent services at rates, terms and conditions comparable to those available from incumbent local exchange companies.

Table 3.2 summarizes the responses provided by responding ALECs. Note that some respondents consider this information proprietary.

Table 3.2

**ALECS PROVIDING SERVICE**

| ALEC | Service Provided To: | Method | Geographic Areas Served |
|---|---|---|---|
| 1-800-Reconex | residential | resale | statewide |
| 2nd Century Communications | business | confidential | confidential |
| ABS Wireless | residential | resale | Tallahassee area |
| Access One Communications | residential/business | resale | statewide |
| ACI | residential/business | resale | statewide |
| Actel Integrated Communications | business | combination | statewide |
| ALLTEL | business/residential | combination | Jacksonville |
| Alternative Telephone | | | confidential |
| Annox | residential | resale | statewide |
| A1 Mobile Tech | business/residential | resale | Southeast Florida |
| ATSI | residential | resale | statewide |
| AT&T Communications | confidential | facilities | confidential |
| BellSouth BSE | | | confidential |
| BlueStar Networks | business | DSL | select cities |
| Broadband Office Communications | residential | not reported | not reported |
| Budget Phone Inc | residential | resale | not reported |
| BudgetTel Systems | residential | resale | Miami-Dade County |
| City of Lakeland | internal | facilities | Lakeland |
| Comcast Telephony | residential | combination | Southeast Florida |
| ComUSA | residential | resale | not reported |
| Covad | business | UNE | select cities |
| Daytona Telephone Company | residential/business | resale | Volusia County |

| ALECS PROVIDING SERVICE | | | |
|---|---|---|---|
| DPI Teleconnect | residential | resale | statewide |
| DSLnet Communications | business | UNE | not reported |
| Eagle Communications | residential | resale | select cities |
| Easy Telephone Services | residential | resale | Southeast Florida |
| e.spire | business | confidential | select cities |
| ExcelLink Communications | residential | resale | Tampa, Orlando, Jacksonville |
| Express Title Financial | business/residential | resale | Northwest Florida |
| EZ Talk Communications | residential | resale | statewide |
| Florida Digital Network | business | combination | Southeast Florida |
| FLATEL | residential/business | resale | not reported |
| Florida Telephone Services | residential | resale | select cities |
| Fones-4-U | residential | resale | statewide |
| Gainesville Regional Utilities | business | resale | Gainesville area |
| Global NAPS | | | confidential |
| Gulf Coast Communications | residential | resale | statewide |
| Hart Communications | residential | resale | statewide |
| IDS Long Distance | | | confidential |
| Integra Paging | residential | resale | Central Florida |
| Intermedia | business/residential | combination | Statewide |
| ITC^DeltaCom | business/residential | combination | confidential |
| KMC Telecom | business | facilities | statewide |
| Knology | business/residential | combination | Panama City |
| Level 3 Communications | business | facilities | not reported |
| Local Line America | residential | combination | statewide |
| Maxcess | | | confidential |
| MCI WorldCom Communications | business | combination | confidential |
| MCI Metro Access | business | combination | confidential |
| MediaOne Florida | | | confidential |
| MetroMedia Fiber Network | business/residential | | confidential |
| Microsun Telecommunications | business/residential | resale | Southeast Florida |
| Mobile Phone Company | business/residential | resale | Southeast Florida |
| Mpower Communications | business/residential | resale | Southeast Florida |
| My-Tel | business/residential | resale | Orlando, Jacksonville |
| Network Telephone | business/residential | resale | Pensacola |
| NewSouth Communications | business | combination | Jacksonville area |
| Nextlink | confidential | confidential | confidential |
| NorthPoint Communications | business | combination | statewide |
| NuStar Communications | business/residential | combination | not reported |
| Omnicall | business/residential | resale | Statewide |
| OpTel Telecom | residential | resale | Select cities |
| Orlando Telephone Company | business/residential | combination | Orlando area |
| PaeTec Communications | business/residential | resale | statewide |
| Phone Company | business/residential | combination | statewide |
| Phone-Link | residential | resale | Central Florida |
| | | | |

| ALECS PROVIDING SERVICE | | | |
|---|---|---|---|
| Pure Packet Communications | business | confidential | confidential |
| Qwest | business | resale | Central/Southeast Florida |
| Rhythms Links | business | UNE | confidential |
| SBC National | residential | UNE | not reported |
| Smoke Signal Communications | residential | resale | statewide |
| Source One Communications | residential | resale | North Florida |
| Sprint | business | confidential | confidential |
| Supra | business/residential | combination | statewide |
| Tallahassee Telephone Exchange | business/residential | resale | Tallahassee area |
| TCG of South Florida | | | confidential |
| Teligent Services | business | combination | statewide |
| Time Warner Telecom of Florida | confidential | confidential | confidential |
| Trivergent Communications | business/residential | combination | statewide |
| UniversalCom | confidential | confidential | confidential |
| Universal Telecom | residential | resale | statewide |
| USA Telecom | business/residential | resale | statewide |
| US LEC of Florida | business/residential | combination | statewide |
| Verizon Select Services | business/residential | resale | statewide |
| Winstar Wireless | business | combination | confidential |

**Companies with multiple certificates were combined for purposes of this table**

As illustrated by the preceding table, service offerings in Florida vary widely in terms of target markets, method of service provision and geographic availability. Despite concerns raised by ALECs, responses indicate that of the companies that reported offering services, 40 identified resale of ILEC lines as their exclusive means of offering service. Of these 40 companies, 23 identified prepaid service as their market niche.

As noted in last year's report, this market is defined by consumers who have difficulty obtaining telephone service from the ILEC and may have to choose an alternative company. These customers may have poor credit histories or may have been disconnected previously by the ILEC for repeated late payments or non-payment.

The customer of a prepaid phone company typically agrees to pay a monthly fee in advance in exchange for local calling and access to 911. All prepaid phone companies that reported indicated their customers must agree to toll call blocking, 900-

number blocking, and directory assistance blocking. In exchange for these restrictions, the customer has unlimited access to local calling. The price for this reduced level of service may range from $24.95 to $64.95 depending on the company. Based on the reporting of the ALECs, prepaid phone companies appear to account for slightly more than nine percent of the residential access lines currently served by ALECs.

Table 3.3 compares the rates of selected ALECs in various exchanges.

Table 3.3

**LOCAL RATES FOR SELECTED ALECs IN VARIOUS EXCHANGES**

| | | ALEC Rate | | ILEC Rate | |
|---|---|---|---|---|---|
| ALEC | Exchange/ILEC | Residential | Business | Residential | Business |
| Daytona Telephone Company | Daytona Beach BellSouth | $49.00 | n/a | $9.15 | $24.90 |
| Intermedia | Daytona Beach BellSouth | $9.15 | $24.90 | $9.15 | $24.90 |
| e.spire | Jacksonville BellSouth | n/a | $25.00 | $10.30 | $28.00 |
| Trivergent | Jacksonville BellSouth | $28.50 (LATA wide) | n/a | $10.30 | $28.00 |
| ITC^DeltaCom | Tampa Verizon | $10.37 | $23.67 | $11.81 | $29.90 |
| KMC | Tampa Verizon | n/a | $34.08 | $11.81 | $29.00 |
| Network Telephone | Tallahassee Sprint | $6.57-$14.94 | $17.89-$27.65 | $9.65 | $21.75 |
| US LEC of Florida | BellSouth Miami | n/a | $35.50 | $10.65 | $29.10 |
| A1 Mobile Tech | BellSouth Miami | $45 | $26.19 | $10.65 | $29.10 |
| Knology | BellSouth Panama City | $11.70 | $26.84 | $8.80 | $23.85 |

The responses to the data request also appear to reflect the emergence of ALECs that specialize in providing data services. These companies specialize in high-speed services, including the various forms of digital subscriber line (DSL) service and other specialized products marketed primarily to businesses. These companies typically establish themselves in large metropolitan areas and provision service through UNEs and in conjunction with their own facilities. A number of these data-oriented ALECs indicated their business plan is to provide a wholesale DSL service to ISPs for them to retail to their customers.

This year's data request asked ALECs to identify the number of lines sold exclusively to ISPs. Based on the respondents' answers, it appears that of the total number of lines identified as business access lines by ALECs, more than 20 percent are sold to ISPs. It is likely that the actual number may be higher but confirmation is not possible owing to the professed inability of some ALECs to separate out lines sold to ISPs.

A number of ALECs reported utilizing resold lines as part of an overall provisioning that also involves development of their own facilities. This blend of using resold lines and developing facilities - including switches and digital subscriber line multiplexers - enables ALECs to offer bundled service packages that include local service, long distance service, custom calling features and Internet access for one monthly fee. Other companies report combining resold telecommunications services in concert with cable and Internet services as single packages.

Business customers continue to see expanded competition, particularly those in densely populated metropolitan areas. A number of companies, including Intermedia and Orlando Telephone Company, continue to match their local business rates to those of the ILEC. The offering of parallel rates in business markets exists to a degree greater than can be identified in residential markets. Businesses also appear to be the focus of competition in the advanced services realm. The availability of advanced

services is discussed in greater detail later in this report.

The Legislature has directed the Commission to determine not only whether customers are able to receive services at comparable rates, but whether customers can get services at rates comparable to those charged by the ILEC. This assessment presents some difficulties because ALECs are not obligated to provide services under the same requirements as ILECs. An ILEC has an obligation to serve as a carrier of last resort except under limited circumstances, such as a customer's repeated refusal to pay their bills. An ALEC may choose a more selective marketing strategy in an exchange and, while it must file a price list if offering basic local service and comply with Commission rules, an ALEC may not unduly discriminate. Given that ALECs continue to market products to residential and business customers and that their share of the residential market continues to increase, there appears to be no evidence to contradict the observation that terms and conditions offered by ALECs are at least comparable to those offered by ILECs.

**(4) The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.**

Section 364.051(2)(a), Florida Statutes, imposed rate caps for basic local telephone service until January 1, 2000 for price-regulated ILECs with fewer than 3 million access lines and until January 1, 2001 for BellSouth. As of this writing, none of the price cap ILECs have filed tariffs amending their charges for basic local service. The continued increase in competitive entry has not reduced significantly the positions of the three largest price-regulated ILECs, BellSouth, Sprint and Verizon, who, between them continue to serve more than 90 percent of the access lines in the state. Prices for services considered reasonably affordable prior to price cap legislation continue virtually unchanged.

Table 3.4 shows the number of justified complaints recorded for BellSouth, Sprint and Verizon for the last four fiscal years. These complaints reflect those that have been received by the Commission's Division of Consumer Affairs and logged into its system. A justified complaint is one which Consumer Affairs determines to be a violation of a Commission rule.

Table 3.4

| JUSTIFIED COMPLAINTS, FY 1996-1997 THROUGH FY 1999-2000 | | | | |
|---|---|---|---|---|
| Company | FY 1999-2000 | FY 1998-1999 | FY 1997-1998 | FY 1996-1997 |
| BellSouth | 56 | 63 | 214 | 228 |
| Sprint | 45 | 21 | 57 | 39 |
| GTE/Verizon | 22 | 24 | 116 | 186 |
| *Justified complaints recorded July 1 through June 30 for each year represented | | | | |

Expressed in terms of complaints per thousand access lines, BellSouth recorded 0.0084 infractions per 1,000 access lines in FY 1999-2000, compared with 0.0097 per 1,000 the previous year. Sprint recorded 0.0262 infractions per 1,000 access lines in FY 1999-2000, compared with 0.0103 per 1,000 the prior year, and GTE/Verizon recorded 0.0090 infractions for each 1,000 access lines in FY 1999-2000, compared with 0.101 infractions per 1,000 access lines the prior year.

It should be noted that the number of complaints received from consumers does not necessarily constitute a measure of how closely companies are complying with service quality standards established by rule by the Commission. Service quality standards measure, for example, the percentage of the time companies are in compliance with rules, and many complaints filed by consumers are not coded as rule infractions. In addition, consumers may not be fully aware of the extent to which their individual service may have fallen below Commission standards. As reported in Chapter Two, the Commission is considering what actions, if any, need to be taken to encourage greater compliance with service standards for incumbent LECs throughout their respective territories to ensure consumers do not experience a deterioration in

service quality.

**(5) What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.**

Information does not exist at this time to justify recommending additions or deletions to the definition of basic local service. It may be relevant to point out the difference in definitions between basic local service for ILECs versus ALECs. Basic local service provided by an ILEC includes, "...voice-grade, flat-rate, residential and flat-rate single-line business local exchange services which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multi-frequency dialing, and access to the following: emergency services such as "911," all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. (Section 364.02(2), Florida Statutes)

By comparison, basic service provided by an ALEC must include "...access to '911' services and relay services for the hearing impaired." Additionally, ALECs must offer a flat-rate price option (Chapter 364.337(2), Florida Statutes).

**(6) Any other information and recommendations which may be in the public interest.**

No additional information is provided at this time.

**SUMMARY OF STATUS OF LOCAL COMPETITION THROUGHOUT FLORIDA**

The past year has seen moderate rises in competitive activity in Florida. As of June 30, 2000, 91 ALECs reported offering some form of local service in Florida. Several other companies reported being on the verge of entering either the residential

market, the business market, or both late this year or in early 2001. The ALECs responding to the data request offered a number of suggestions for actions that they believe will pave the way for greater competition in the months ahead. A number of the ALECs' suggestions will be addressed in ongoing dockets on collocation, UNEs and OSS, as outlined in Chapter Two. Given that more than 20 percent of the ALECs certificated in Florida as of June 2000 are actively engaged in service provision, with dozens more preparing to follow, it appears competitive entrants are taking advantage of the opportunities offered under state and federal law.

## STATUS OF LOCAL SERVICE COMPETITION BY EXCHANGE

Table 3.5 reviews each exchange in Florida, listing business and residential service providers and the percentage of access lines the competitors are responsible for in the exchange. Percentages of access lines provided by ALECs per exchange are given in ranges to avoid disclosure of data filed as confidential.

Table 3.5

**EXCHANGES WITH AN ALEC PROVIDER**

| EXCHANGE | Total ALEC Res. Providers | % of Res. Access Lines ALEC Providers | Total ALEC Bus. Providers | % of Bus. Access Lines ALEC Providers |
|---|---|---|---|---|
| Alachua | 1 | > 0 to 1% | 0 | |
| Alford | 2 | > 0 to 1% | 0 | |
| Alligator Point | 0 | | 0 | |
| Altha | 1 | > 0 to 1% | 0 | |
| Apalachicola | 1 | > 0 to 1% | 0 | |
| Apopka | 4 | > 0 to 1% | 4 | 1% to 5% |
| Arcadia | 3 | 1% to 5% | 1 | 1% to 5% |
| Archer | 1 | 1% to 5% | 1 | 1% to 5% |
| Astor | 1 | > 0 to 1% | 1 | 1% to 5% |
| Avon Park | 4 | > 0 to 1% | 1 | 1% to 5% |
| Baker | 3 | > 0 to 1% | 1 | > 0 to 1% |
| Baldwin | 2 | 5% to 10 | 1 | 5% to 10% |
| Bartow | 2 | 1% to 5% | 1 | 1% to 5% |

## EXCHANGES WITH AN ALEC PROVIDER

| EXCHANGE | Total ALEC Res. Providers | % of Res. Access Lines ALEC Providers | Total ALEC Bus. Providers | % of Bus. Access Lines ALEC Providers |
|---|---|---|---|---|
| Belle Glade | 4 | 1% to 5% | 1 | 1% to 5% |
| Belleview | 5 | > 0 to 1% | 1 | 1% to 5% |
| Beverly Hills | 2 | > 0 to 1% | 1 | 1% to 5% |
| Big Pine Key | 1 | > 0 to 1% | 1 | 1% to 5% |
| Blountstown | 1 | > 0 to 1% | 0 | |
| Boca Grande | 0 | | 0 | |
| Boca Raton | 8 | > 0 to 1% | 8 | 5% to 10% |
| Bonifay | 2 | > 0 to 1% | 1 | > 0 to 1% |
| Bonita Springs | 2 | > 0 to 1% | 1 | 1% to 5% |
| Bowling Green | 3 | 1% to 5% | 1 | > 0 to 1% |
| Boynton Beach | 6 | > 0 to 1% | 2 | 25% to 30% |
| Bradenton | 2 | 1% to 5% | 3 | 1% to 5% |
| Branford | 1 | > 0 to 1% | 0 | |
| Bristol | 1 | > 0 to 1% | 0 | |
| Bronson | 3 | 1% to 5% | 1 | > 0 to 1% |
| Brooker | 1 | > 0 to 1% | 0 | |
| Brooksville | 5 | 1% to 5% | 3 | 1% to 5% |
| Bunnell | 4 | > 0 to 1% | 1 | 5% to 10% |
| Bushnell | 4 | > 0 to 1% | 1 | > 0 to 1% |
| Callahan | 1 | > 0 to 1% | 0 | |
| Cantonment | 2 | 1% to 5% | 1 | 5% to 10% |
| Cape Haze | 1 | > 0 to 1% | 1 | 1% to 5% |
| Cape Coral | 1 | > 0 to 1% | 1 | 5% to 10% |
| Carrabelle | 0 | | 0 | |
| Cedar Key | 1 | > 0 to 1% | 1 | 1% to 5% |
| Celebration | 0 | | 2 | 10% to 15% |
| Century | 2 | 1% to 5% | 1 | 1% to 5% |
| Chattahoochee | 1 | > 0 to 1% | 0 | |
| Cherry Lake | 1 | > 0 to 1% | 0 | |
| Chiefland | 5 | 1% to 5% | 1 | 1% to 5% |
| Chipley | 3 | 1% to 5% | 1 | 1% to 5% |
| Citra | 0 | | 0 | |
| Clearwater | 3 | 1% to 5% | 4 | 5% to 10% |
| Clermont | 4 | > 0 to 1% | 1 | 1% to 5% |
| Clewiston | 2 | 1% to 5% | 1 | 1% to 5% |

## EXCHANGES WITH AN ALEC PROVIDER

| EXCHANGE | Total ALEC Res. Providers | % of Res. Access Lines ALEC Providers | Total ALEC Bus. Providers | % of Bus. Access Lines ALEC Providers |
|---|---|---|---|---|
| Cocoa Beach | 4 | > 0 to 1% | 1 | 1% to 5% |
| Cocoa | 9 | > 0 to 1% | 1 | 1% to 5% |
| Coral Springs | 6 | > 0 to 1% | 3 | 5% to 10% |
| Cottondale | 2 | 1% to 5% | 1 | > 0 to 1% |
| Crawfordville | 3 | >0 to 1% | 1 | 1% to 5% |
| Crescent City | 1 | > 0 to 1% | 0 | |
| Crestview | 3 | 1% to 5% | 1 | 10% to 15% |
| Cross City | 2 | > 0 to 1% | 1 | 1% to 5% |
| Crystal River | 2 | > 0 to 1% | 1 | 1% to 5% |
| Dade City | 2 | 1% to 5% | 1 | 1% to 5% |
| Daytona Beach | 8 | > 0 to 1% | 3 | 5% to 10% |
| DeBary | 5 | > 0 to 1% | 1 | 1% to 5% |
| Deerfield Beach | 6 | 1% to 5% | 7 | 5% to 10% |
| DeFuniak Springs | 4 | 1% to 5% | 1 | 1% to 5% |
| Deland | 4 | > 0 to 1% | 1 | 5% to 10% |
| DeLeon Springs | 2 | > 0 to 1% | 1 | 1% to 5% |
| Delray Beach | 7 | > 0 to 1% | 4 | 1% to 5% |
| Destin | 1 | 1% to 5% | 1 | 15% to 20% |
| Dowling Park | 0 | | 0 | |
| Dunnellon | 4 | > 0 to 1% | 1 | 1% to 5% |
| East Orange | 2 | > 0 to 1% | 1 | 1% to 5% |
| Eastpoint | 0 | | 0 | |
| Eau Gallie | 5 | > 0 to 1% | 1 | 1% to 5% |
| Englewood | 1 | 1% to 5% | 1 | 1% to 5% |
| Eustis | 3 | > 0 to 1% | 1 | 1% to 5% |
| Everglades | 1 | > 0 to 1% | 1 | > 0 to 1% |
| Fernandina Beach | 4 | > 0 to 1% | 2 | 5% to 10% |
| Flagler Beach | 3 | > 0 to 1% | 1 | 1% to 5% |
| Florahome | 0 | | 0 | |
| Florida Sheriff's Boy's | 0 | | 0 | |
| Forest | 0 | | 0 | |
| Freeport | 1 | > 0 to 1% | 1 | > 0 to 1% |
| Frostproof | 2 | 1% to 5% | 1 | 1% to 5% |
| Ft. Meade | 2 | 1% to 5% | 1 | 1% to 5% |
| Ft. Myers | 4 | > 0 to 1% | 4 | 1% to 5% |

## EXCHANGES WITH AN ALEC PROVIDER

| EXCHANGE | Total ALEC Res. Providers | % of Res. Access Lines ALEC Providers | Total ALEC Bus. Providers | % of Bus. Access Lines ALEC Providers |
|---|---|---|---|---|
| Ft. Lauderdale | 14 | 1% to 5% | 13 | 20% to 25% |
| Ft. Pierce | 6 | 1% to 5% | 1 | 1% to 5% |
| Ft. Walton Beach | 3 | > 0 to 1% | 1 | 1% to 5% |
| Ft. White | 1 | > 0 to 1% | 0 | |
| Ft. Myers Beach | 1 | > 0 to 1% | 1 | 1% to 5% |
| Gainesville | 7 | 1% to 5% | 3 | 1% to 5% |
| Geneva | 1 | > 0 to 1% | 0 | |
| Glendale | 1 | > 0 to 1% | 0 | |
| Graceville | 3 | > 0 to 1% | 1 | 1% to 5% |
| Grand Ridge | 1 | > 0 to 1% | 0 | |
| Green Cove Springs | 6 | 1% to 5% | 1 | 1% to 5% |
| Greensboro | 0 | | 0 | |
| Greenville | 1 | 1% to 5% | 1 | > 0 to 1% |
| Greenwood | 1 | 1% to 5% | 0 | |
| Gretna | 0 | | 0 | |
| Groveland | 2 | > 0 to 1% | 1 | 1% to 5% |
| Gulf Breeze | 3 | 1% to 5% | 1 | 10% to 15% |
| Haines City | 3 | 1% to 5% | 1 | 1% to 5% |
| Hastings | 1 | > 0 to 1% | 0 | |
| Havana | 2 | 1% to 5% | 1 | 1% to 5% |
| Hawthorne | 1 | 1% to 5% | 1 | 1% to 5% |
| High Springs | 0 | | 0 | |
| Hilliard | 1 | > 0 to 1% | 0 | |
| Hobe Sound | 1 | > 0 to 1% | 1 | 1% to 5% |
| Holley-Navarre | 3 | > 0 to 1% | 1 | 5% to 10% |
| Hollywood | 8 | > 0 to 1% | 8 | 5% to 10% |
| Homestead | 4 | 1% to 5% | 3 | 1% to 5% |
| Homosassa | 3 | > 0 to 1% | 1 | 1% to 5% |
| Hosford | 0 | | 0 | |
| Howey-in-the-Hills | 1 | > 0 to 1% | 1 | > 0 to 1% |
| Hudson | 3 | 1% to 5% | 2 | 1% to 5% |
| Immokalee | 1 | 1% to 5% | 1 | > 0 to 1% |
| Indian Lake | 1 | 1% to 5% | 0 | |
| Indiantown | 0 | | 0 | |
| Interlachen | 1 | > 0 to 1% | 0 | |

## EXCHANGES WITH AN ALEC PROVIDER

| EXCHANGE | Total ALEC Res. Providers | % of Res. Access Lines ALEC Providers | Total ALEC Bus. Providers | % of Bus. Access Lines ALEC Providers |
|---|---|---|---|---|
| Inverness | 5 | > 0 to 1% | 1 | 1% to 5% |
| Islamorada | 1 | > 0 to 1% | 1 | 1% to 5% |
| Jacksonville Beach | 6 | 1% to 5% | 1 | 5% to 10% |
| Jacksonville | 11 | 5% to 10% | 11 | 20% to 25% |
| Jasper | 1 | 1% to 5% | 0 | |
| Jay | 3 | 1% to 5% | 1 | 1% to 5% |
| Jennings | 1 | > 0 to 1% | 0 | |
| Jensen Beach | 1 | > 0 to 1% | 1 | 1% to 5% |
| Julington | 3 | 1% to 5% | 1 | 1% to 5% |
| Jupiter | 4 | > 0 to 1% | 1 | 1% to 5% |
| Keaton Beach | 0 | | 0 | |
| Kenansville | 1 | > 0 to 1% | 0 | |
| Keystone Heights | 4 | > 0 to 1% | 1 | 1% to 5% |
| Key Largo | 2 | > 0 to 1% | 1 | 1% to 5% |
| Key West | 5 | > 0 to 1% | 1 | 1% to 5% |
| Kingsley Lake | 0 | | 0 | |
| Kissimmee | 6 | 1% to 5% | 3 | 10% to 15% |
| La Belle | 1 | > 0 to 1% | 1 | 1% to 5% |
| Lady Lake | 3 | > 0 to 1% | 1 | 1% to 5% |
| Lake Buena Vista | 0 | | 0 | |
| Lake Butler | 1 | > 0 to 1% | 0 | |
| Lake City | 4 | 1% to 5% | 1 | 1% to 5% |
| Lake Placid | 2 | > 0 to 1% | 1 | 1% to 5% |
| Lake Wales | 2 | 5% to 10% | 1 | 1% to 5% |
| Lakeland | 3 | 5% to 10% | 3 | 1% to 5% |
| Laurel Hill | 1 | >0 to 1% | 0 | |
| Lawtey | 1 | > 0 to 1% | 1 | 1% to 5% |
| Lee | 1 | > 0 to 1% | 1 | 1% to 5% |
| Leesburg | 6 | > 0 to 1% | 1 | 5% to 10% |
| Lehigh Acres | 1 | > 0 to 1% | 1 | 1% to 5% |
| Live Oak | 2 | 1% to 5% | 0 | |
| Luraville | 0 | | 0 | |
| Lynn Haven | 4 | 1% to 5% | 2 | 1% to 5% |
| Macclenny | 1 | > 0 to 1% | 1 | 1% to 5% |
| Madison | 1 | 1% to 5% | 1 | > 0 to 1% |

## EXCHANGES WITH AN ALEC PROVIDER

| EXCHANGE | Total ALEC Res. Providers | % of Res. Access Lines ALEC Providers | Total ALEC Bus. Providers | % of Bus. Access Lines ALEC Providers |
|---|---|---|---|---|
| Malone | 1 | > 0 to 1% | 1 | > 0 to 1% |
| Marathon | 1 | > 0 to 1% | 1 | 1% to 5% |
| Marco Island | 1 | > 0 to 1% | 1 | 1% to 5% |
| Marianna | 3 | 1% to 5% | 1 | 1% to 5% |
| Maxville | 1 | > 0 to 1% | 1 | 1% to 5% |
| Mayo | 0 | | 0 | |
| McIntosh | 1 | > 0 to 1% | 0 | |
| Melbourne | 7 | > 0 to 1% | 3 | 10% to 15% |
| Melrose | 1 | > 0 to 1% | 0 | |
| Miami | 15 | > 0 to 1% | 14 | 15% to 20% |
| Micanopy | 2 | > 0 to 1% | 1 | 1% to 5% |
| Middleburg | 6 | > 0 to 1% | 1 | 1% to 5% |
| Milton | 5 | 1% to 5% | 1 | 5% to 10% |
| Molino | 1 | > 0 to 1% | 0 | |
| Monticello | 2 | > 0 to 1% | 1 | > 0 to 1% |
| Montverde | 1 | > 0 to 1% | 1 | 1% to 5% |
| Moore Haven | 1 | > 0 to 1% | 1 | > 0 to 1% |
| Mount Dora | 1 | > 0 to 1% | 1 | 5% to 10% |
| Mulberry | 2 | 5% to 10% | 1 | > 0 to 1% |
| Munson | 1 | 1% to 5% | 1 | > 0 to 1% |
| Myakka | 1 | 1% to 5% | 1 | > 0 to 1% |
| Naples | 2 | > 0 to 1% | 1 | 1% to 5% |
| New Port Richey | 2 | 1% to 5% | 2 | 1% to 5% |
| New Smyrna Beach | 3 | > 0 to 1% | 1 | 1% to 5% |
| Newberry | 4 | >0 to 1% | 1 | 1% to 5% |
| North Cape Coral | 2 | > 0 to 1% | 0 | |
| North Dade | 8 | 1% to 5% | 5 | 5% to 10% |
| North Fort Myers | 2 | > 0 to 1% | 1 | 1% to 5% |
| North Key Largo | 0 | | 1 | > 0 to 1% |
| North Naples | 1 | 1% to 5% | 1 | 1% to 5% |
| North Port | 2 | 1% to 5% | 1 | 1% to 5% |
| Oak Hill | 2 | > 0 to 1% | 1 | 1% to 5% |
| Ocala | 7 | 1% to 5% | 1 | 5% to 10% |
| Ocklawaha | 2 | 1% to 5% | 1 | 1% to 5% |
| Okeechobee | 2 | 1% to 5% | 1 | 1% to 5% |

## EXCHANGES WITH AN ALEC PROVIDER

| EXCHANGE | Total ALEC Res. Providers | % of Res. Access Lines ALEC Providers | Total ALEC Bus. Providers | % of Bus. Access Lines ALEC Providers |
|---|---|---|---|---|
| Old Town | 3 | > 0 to 1% | 1 | 5% to 10% |
| Orange City | 6 | > 0 to 1% | 1 | 5% to 10% |
| Orange Park | 6 | 1% to 5% | 3 | 5% to 10% |
| Orange Springs | 1 | > 0 to 1% | 0 | |
| Orlando | 14 | 1% to 5% | 10 | 25% to 30% |
| Oviedo | 3 | > 0 to 1% | 3 | 1% to 5% |
| Pace | 4 | 1% to 5% | 1 | 5% to 10% |
| Pahokee | 2 | 1% to 5% | 1 | 5% to 10% |
| Palatka | 8 | 1% to 5% | 1 | 5% to 10% |
| Palm Coast | 5 | > 0 to 1% | 1 | 5% to 10% |
| Palmetto | 2 | 1% to 5% | 2 | 1% to 5% |
| Panacea | 1 | > 0 to 1% | 1 | 1% to 5% |
| Panama City | 7 | 5% to 10% | 4 | 1% to 5% |
| Panama City Beach | 5 | 1% to 5% | 2 | 5% to 10% |
| Paxton | 0 | | 0 | |
| Pensacola | 8 | 1% to 5% | 5 | 25% to 30% |
| Perrine | 5 | > 0 to 1% | 5 | 1% to 5% |
| Perry | 1 | > 0 to 1% | 0 | |
| Pierson | 1 | > 0 to 1% | 1 | > 0 to 1% |
| Pine Island | 1 | > 0 to 1% | 1 | 1% to 5% |
| Plant City | 2 | 5% to 10% | 2 | 1% to 5% |
| Polk City | 2 | 1% to 5% | 1 | > 0 to 1% |
| Pomona Park | 1 | > 0 to 1% | 1 | 1% to 5% |
| Pompano Beach | 6 | 1% to 5% | 7 | 5% to 10% |
| Ponce de Leon | 1 | > 0 to 1% | 1 | 1% to 5% |
| Ponte Vedra Beach | 1 | > 0 to 1% | 2 | 5% to 10% |
| Port Charlotte | 2 | > 0 to 1% | 1 | 1% to 5% |
| Port St. Joe | 1 | > 0 to 1% | 0 | |
| Port St. Lucie | 7 | > 0 to 1% | 1 | 1% to 5% |
| Punta Gorda | 2 | > 0 to 1% | 1 | 1% to 5% |
| Quincy | 0 | | 0 | |
| Raiford | 0 | | 0 | |
| Reedy Creek | 1 | > 0 to 1% | 4 | 5% to 10% |
| Reynolds Hill | 1 | >0 to 1% | 0 | |
| Salt Springs | 1 | > 0 to 1% | 1 | 1% to 5% |

## EXCHANGES WITH AN ALEC PROVIDER

| EXCHANGE | Total ALEC Res. Providers | % of Res. Access Lines ALEC Providers | Total ALEC Bus. Providers | % of Bus. Access Lines ALEC Providers |
|---|---|---|---|---|
| San Antonio | 2 | > 0 to 1% | 1 | > 0 to 1% |
| Sanderson | 1 | > 0 to 1% | 0 | |
| Sanford | 6 | 1% to 5% | 5 | 10% to 15% |
| Sanibel-Captiva Island | 1 | > 0 to 1% | 1 | 1% to 5% |
| Santa Rosa Beach | 1 | 1% to 5% | 1 | 10% to 15% |
| Sarasota | 4 | 1% to 5% | 3 | 1% to 5% |
| Seagrove Beach | 1 | 1% to 5% | 1 | 5% to 10% |
| Sebastian | 3 | > 0 to 1% | 1 | 1% to 5% |
| Sebring | 3 | > 0 to 1% | 1 | 1% to 5% |
| Shalimar | 3 | > 0 to 1% | 1 | 1% to 5% |
| Silver Springs Shores | 1 | > 0 to 1% | 0 | |
| Sneads | 1 | > 0 to 1% | 0 | |
| Sopchoppy | 1 | > 0 to 1% | 0 | |
| Spring Lake | 1 | > 0 to 1% | 1 | > 0 to 1% |
| St. Augustine | 5 | > 0 to 1% | 4 | 5% to 10% |
| St Cloud | 2 | > 0 to 1% | 1 | 1% to 5% |
| St. Johns | 1 | > 0 to 1% | 1 | 25% to 30% |
| St. Marks | 1 | >0 to 1% | 1 | > 0 to 1% |
| St. Petersburg | 5 | 5% to 10% | 5 | 1% to 5% |
| Starke | 2 | 1% to 5% | 1 | 1% to 5% |
| Stuart | 4 | > 0 to 1% | 1 | 1% to 5% |
| Sugarloaf Key | 1 | > 0 to 1% | 0 | |
| Sunny Hills | 1 | > 0 to 1% | 0 | |
| Tallahassee | 6 | > 0 to 1% | 3 | 5% to 10% |
| Tampa | 6 | 5% to 10% | 12 | 20% to 25% |
| Tarpon Springs | 3 | 1% to 5% | 1 | 1% to 5% |
| Tavares | 1 | > 0 to 1% | 1 | 5% to 10% |
| The Beaches | 0 | | 0 | |
| Titusville | 7 | > 0 to 1% | 1 | 1% to 5% |
| Trenton | 4 | > 0 to 1% | 1 | > 0 to 1% |
| Trilacoochee | 1 | 1% to 5% | 1 | 1% to 5% |
| Tyndall | 0 | | 0 | |
| Umatilla | 1 | > 0 to 1% | 1 | 1% to 5% |
| Valparaiso | 3 | > 0 to 1% | 1 | 5% to 10% |
| Venice | 3 | 1% to 5% | 1 | 1% to 5% |

## EXCHANGES WITH AN ALEC PROVIDER

| EXCHANGE | Total ALEC Res. Providers | % of Res. Access Lines ALEC Providers | Total ALEC Bus. Providers | % of Bus. Access Lines ALEC Providers |
|---|---|---|---|---|
| Vernon | 1 | > 0 to 1% | 1 | > 0 to 1% |
| Vero Beach | 6 | > 0 to 1% | 1 | 1% to 5% |
| Waldo | 1 | > 0 to 1% | 0 | |
| Walnut Hill | 0 | | 0 | |
| Wauchula | 3 | 1% to 5% | 1 | 1% to 5% |
| Weekiwachee Springs | 3 | > 0 to 1% | 1 | 1% to 5% |
| Welaka | 1 | > 0 to 1% | 1 | 5% to 10% |
| Wellborn | 0 | | 0 | |
| West Palm Beach | 6 | > 0 to 1% | 6 | 10 % to 15% |
| West Kissimmee | 2 | > 0 to 1% | 5 | 20% to 25% |
| Westville | 2 | > 0 to 1% | 0 | |
| Wewahitchka | 1 | > 0 to 1% | 0 | |
| White Springs | 1 | > 0 to 1% | 0 | |
| Wildwood | 6 | 1% to 5% | 1 | 15% to 20% |
| Williston | 2 | 1% to 5% | 1 | 1% to 5% |
| Windermere | 1 | > 0 to 1% | 1 | > 0 to 1% |
| Winter Garden | 4 | 10% to 15% | 4 | 40% to 45% |
| Winter Haven | 4 | 1% to 5% | 1 | 1% to 5% |
| Winter Park | 6 | > 0 to 1% | 4 | 1% to 5% |
| Yankeetown | 2 | > 0 to 1% | 1 | 1% to 5% |
| Youngstown-Fountain | 5 | > 0 to 1% | 1 | 1% to 5% |
| Yulee | 1 | 1% to 5% | 1 | 1% to 5% |
| Zephyr Hills | 2 | 1% to 5% | 1 | 1% to 5% |
| Zolfo Springs | 2 | > 0 to 1% | 1 | > 0 to 1% |

Table 3.6 summarizes the number of exchanges in which ALECs are providing basic local service. and the exchanges with the most ALEC providers.

Table 3.6

| SUMMARY OF FLORIDA EXCHANGES WITH AND WITHOUT ALEC PROVIDERS | |
|---|---|
| Exchanges with one ALEC provider | 94 |
| Exchanges with two ALEC providers | 48 |
| Exchanges with three or more ALEC providers | 114 |
| Exchanges without an ALEC provider | 26* |
| Exchanges without a business ALEC provider | 72 |
| Exchanges without a residential ALEC provider | 29 |
| Total exchanges in Florida | 282 |

***Includes Walnut Hill exchange, in the Mobile LATA**

Table 3.7 summarizes the Florida exchanges with the greatest number ALEC providers.

Table 3.7

| EXCHANGES WITH THE MOST ALEC PROVIDERS | | | |
|---|---|---|---|
| Exchange | | | Total ALEC Providers |
| | Residential | Business | |
| Miami | 15 | 14 | 23 |
| Orlando | 14 | 10 | 21 |
| Ft. Lauderdale | 14 | 13 | 21 |
| Jacksonville | 11 | 11 | 18 |
| Tampa | 6 | 12 | 17 |
| Hollywood | 8 | 8 | 12 |
| Boca Raton | 8 | 8 | 11 |
| Cocoa | 9 | 1 | 9 |
| Daytona Beach | 8 | 3 | 9 |

**Total does not add across lines because an ALEC provider may offer service to both business and residential customers in the exchange**

In evaluating the level of competitive entry, the number of access lines the competitors are serving may be as significant as the number of reported competitors in an exchange. The number of access lines served by the 91 companies that reported offering service is 710,617, compared with 80 ALECs that reported serving 555,172 one year ago. In the 1998 edition of this report, this agency found 51 companies serving a total of 194,142 access lines. To delineate between ALEC lines and those served by ILECs, the total number of access lines reportedly served by ILECs is 10,972,064, excluding resold lines. This means that overall, competitive entrants to the telecommunications market in Florida currently hold 6.1 percent of the market, compared with 5 percent last year.

ALECs providing business service in Florida reported serving 492,569 access lines, compared with 2,997,077, excluding resold lines, reported by ILECs. This gives ALECs 14.2 percent of the business market, compared with 12.2 percent one year ago.

ALECs providing residential service reported serving 218,048 access lines, compared with 7,994,987 reported by ILECs. This places the ALEC share of the residential market at 2.7 percent, compared with 1.3 percent in 1999.

As has been reported in previous editions of this report, it is evident that ALECs continue to focus on heavily populated markets with large concentrations of customers. The following chart lists each of the state's 10 Local Access and Transport Areas (LATAs). A LATA is defined by the FCC as a "[A] continuous local exchange area which includes every point served by a local phone company within an existing community of interest." The chart indicates the number of exchanges in each LATA and the number of exchanges without competitive entrants. As is clear from the chart, the more densely populated LATAs enjoy the highest level of competition.

Table 3.8

| ALEC PROVIDERS BY LATA | | | |
|---|---|---|---|
| LATA | Exchanges in LATA | Exchanges without competitive entrant | Area codes serving LATA |
| Daytona | 9 | 0 | 904 |
| Fort Myers | 31 | 2 | 863, 941 |
| Gainesville | 48 | 1 | 352 |
| Jacksonville | 44 | 8 | 904 |
| Orlando | 24 | 1 | 407, 321 |
| Panama City | 35 | 11 | 850 |
| Pensacola | 23 | 1 | 850 |
| Southeast | 31 | 2 | 305, 561, 786, 954 |
| Tallahassee area | 12 | 1 | 850 |
| Tampa area | 25 | 0 | 727, 813, 941 |

**Two Florida exchanges, Walnut HIl and Century, are in the Mobile LATA. Walnut Hill has no ALEC services.**

The table demonstrates that the densely populated areas such as Daytona and the Tampa Bay region have competitive entrants in each exchange. Similarly, virtually every exchange in the Southeast LATA , Fort Myers LATA, Orlando LATA, and Tallahassee LATA has an ALEC, as do nearly all exchanges in the Pensacola LATA. Those LATAs with a higher percentage of rural exchanges, including Panama City and Jacksonville, have a greater number of exchanges with no competitors.

Since last year's report, ALECs have continued to increase their share of the business market, capturing larger percentages of business access lines in all of the state's major markets. ALECs now account for up to five percent of the business access lines in 124 exchanges, between five and 10 percent of the business access lines in 75 exchanges, more than 10 percent of business access lines in nine exchanges, and for more than 20 percent of business access lines in 11 exchanges.

The ALEC share of residential access lines increased slightly on a percentage

basis since the last report, though clearly not on a scale comparable to that of the business markets. ALECs providing residential access lines reported gaining more than 120,000 access lines since 1999.

Of the ALECs responding to this year's data request, 27 listed residential service as their sole source of revenue, 19 said they offered services only to businesses, 28 indicated their service offerings were extended to business and residential customers, and 15 filed this information confidentially. While the number of providers for distinct market segments is relatively equal, ALECs serving businesses have captured a greater share of their target market.

The inherent advantages enjoyed by ALECs -- no requirement to serve all customers in an exchange and no carrier of last resort responsibilities -- have led ILECs to raise the issue of competitive balance. Incumbents argue they are losing a disproportionate share of their high-revenue business to ALECs, which have the luxury of serving only those customers they choose to pursue. While this year's data support the view that ALECs have a larger share of the business market than the residential market, incumbents continue to hold 93.9 percent of the state's 11.7 million access lines.

In last year's report, the Telcordia Local Exchange Routing Guide (LERG) was cited as the source indicating ALECs had 27 switches deployed in Florida, an indication that competitors were moving toward a facilities-based approach to service provision. In an effort to track the development of facilities-based competition in Florida, this year's data request asked respondents to identify the number and location (by exchange) of their switches in Florida. A majority of companies responding to this question filed their responses confidentially. Without divulging confidential information, it can be reported that facilities-based competition in Florida is continuing at a pace faster than in previous years.

## HOW FLORIDA COMPARES WITH THE REST OF THE UNITED STATES

The FCC collects data annually to assess the level of competition in telecommunications markets throughout the United States and any identifiable trends. In its most recently released report, Local Telephone Competition at the New Millennium, released in August 2000, and summarizing data as of December 31, 1999, the FCC found competitors were claiming four percent of the 190 million telephone lines serving end-users in the United States. In Florida, that number is slightly higher, at 6.1 percent. It should be noted that key differences exist between the research methods used by the FCC and this agency. ALECs with less than 10,000 lines are not required to report to the FCC, while this agency asks all certificated ALECs to report. The FCC obtains the bulk of its data from voluntary submissions from major incumbent LECs in addition to revenue data from universal service reporting forms. The FPSC sends data requests to incumbents and competitors. Despite these differences in data collection, this year, as in past years, information published by the FCC tends to concur with that obtained by this agency. The FCC reports, for example, that responding ILECs resold 3.3 percent of their access lines to competitors nationwide, while in Florida that number is 2.5 percent.

## LIMITATIONS IN THE PRECEDING ALEC MARKET ANALYSES

Although on balance we believe that the preceding ALEC market share analyses are reasonable, a number of caveats should be noted. First, data compilation is based on responses received from responding ALECs and is, therefore, only as valid as the answers received from the companies that responded to this year's data request. Second, responding ALECs did not respond uniformly to all questions posed owing to differing interpretations and the companies' ability to separate data. Some companies, for example, responded to questions about the markets they served on an exchange-by-exchange basis, while others responded by municipality, NPA/NXX, or simply by giving a statewide aggregate. Companies were asked to distinguish between residential and business access lines and while most were able to make this distinction, some

indicated their billing process does not allow them to provide this information. Some respondents provided only the number of residential or business customers they serve, which does not allow for specific line counts if a business, for example, has more than one access line. Finally, in instances where ILECs reported having resold lines in an exchange but no respondent acknowledged providing service staff assumed the presence of one ALEC for purposes of Table 3.5 beginning on page 36. This chart also reports the range of competitive access lines held by ALECs in increments of five percent to avoid disclosing confidential information. Despite these limitations and qualifiers, we believe this report represents the most accurate information available to this agency at the time of its writing.

**COMPLAINTS FILED BY ALECs AGAINST LECs**

A 1997 amendment to Section 364.161(4), Florida Statutes, requires this report to include a discussion of all complaints filed by ALECs against ILECs. The Commission has received 13 complaints since September 1999. Of those 13 complaints, five were resolved by the parties**,** four were settled informally, three have been set for hearing and one complaint is undergoing initial review by staff. Other complaints on the table were received prior to September 1999.

Table 3.9

**SUMMARY OF COMPLAINTS FILED BY ALECs**

| ALEC | ILEC | Date Opened | Docket No. or CATS No. | Description of Complaint | Date Closed | Resolution |
|---|---|---|---|---|---|---|
| | | | | | | |
| The Other Phone Co. | BST | 1/29/99 | 990108-TP | Complaint alleging breach of resale agreement. | | Set for hearing before the Commission 1/31/01 after requests for continuances from the parties. |
| Orlando Telephone Company | SPRINT | 7/8/99 | 990884-TP | Complaint over switched access termination fees. | | Set for hearing before the Commission 12/20/00. |
| US LEC | BST | 7/2/99 | 990874-TP | Alleged breach of interconnection agreement. US LEC claims BST failed to compensate them for call termination to ISPs. | | Set for hearing before the Commission 2/21/01. |
| Global NAPS | BST | 8/31/99 | 991267-TP | Alleged breach of interconnection agreement. Global NAPS claims BST failed to compensate them for call termination to ISPs. | | FPSC orders BST to pay compensation 3/28/00.<br>BST files for reconsideration 5/9/00.<br>Global NAPS granted extension to respond to BST's motion. |
| Sprint (ALEC) | BST | 8/9/99 | 991084-TP | Complaint for failure to comply with interconnection agreement. | 4/7/00 | Resolved by parties. |
| BlueStar Networks | BST | 9/17/99 | 991405-TP | Complaint for failure to provide collocation in a reasonable period of time. | 6/8/99 | Resolved by parties. |

| SUMMARY OF COMPLAINTS FILED BY ALECs | | | | | | |
|---|---|---|---|---|---|---|
| **ALEC** | **ILEC** | **Date Opened** | **Docket No. or CATS No.** | **Description of Complaint** | **Date Closed** | **Resolution** |
| Intermedia | BST | 10/8/99 | 991534-TP | Complaint for failure to comply with interconnection agreement | | Unresolved issues taken before Commission 8/29/00 for resolution. Post hearing motions filed by parties awaiting disposition. |
| KMC Telecom | BST | 10/8/99 | 991619-TP | Complaint for failure to comply with interconnection agreement | 4/21/00 | Resolved by parties. |
| IDS Long Distance | BST | 11/2/99 | 287452T | IDS claimed BST failed to provide telephone directories to IDS in a timely manner | 12/2/99 | BST acknowledges error in Customer Records System resulting in late deliveries. Complaint closed. |
| Telephone Company of Central Florida | BST | 11/19/99 | 991745-TP | Complaint for alleged breach of resale agreement | 1/4/00 | Resolved by parties. |
| MCImetro Access | BST | 11/23/99 | 991755-TP | Complaint for breach of interconnection agreement | | Hearing conducted 9/6/00; staff recommendation due 11/16/00 for agenda conference 11/28/00. |
| ITC^Delta Com | BST | 12/17/99 | 991946-TP | Complaint for breach of interconnection agreement | | BellSouth's motion for reconsideration of Commission's 8/15/00 decision is pending. |
| KMC Telecom | BST | 3/3/00 | 000282-TP | Complaint seeking enforcement of interconnection agreement | 6/5/00 | Resolved by parties. |

| SUMMARY OF COMPLAINTS FILED BY ALECs | | | | | | |
|---|---|---|---|---|---|---|
| **ALEC** | **ILEC** | **Date Opened** | **Docket No. or CATS No.** | **Description of Complaint** | **Date Closed** | **Resolution** |
| EZ Talk | GTE | 3/6/00 | 308569T | Company said though it pays a monthly charge for a block on collect calls from confinement facilities, the block is unsuccessful | 6/5/00 | Explained to company that in addition to monthly payment, must subscribe to billed number screening. Complaint closed. |
| Telephone Systems | SPRINT | 5/17/00 | 318197T | T-1 service interrupted because of cable cut. | 5/18/00 | Service out 8 hours, cable repaired. |
| Sprint (ALEC) | BST | 5/24/00 | 000636-TP | Complaint for failure to comply with interconnection agreement. | | Set for hearing 11/9/00. |
| Adelphia Business Systems | BST | 6/14/00 | 321010T | Company wanted to sell ISDN-PRI and 911 PinPoint to a college in Jacksonville but was told only BST could sell these services. | 6/22/00 | Company and college apparently misinformed, BST not only available vendor. Complaint closed. |
| Network Telephone | SPRINT | 8/31/00 | 001275-TP | Complaint for refusal to allow collocation of equipment needed for interconnection and access to UNEs. | | Staff conducting review of relevant FCC and FPSC decisions. |
| | | | | | | |

## SUMMARY

As of July 2000, ALECS were offering service to approximately 6.1 percent of the total access lines in Florida compared with 5 percent in 1999 and 1.8 percent in 1998. Florida has approximately 11.7 million access lines of which 710,617 are served by ALECs. Of the total of 11.7 million access lines, 8.2 million are residential and 3.5 million are business. Competitive entrants reported serving 218,048residential lines

compared with 97,230 last year and 492,569 business access lines, compared with 438,639 in 1999.

In percentage terms, competitors serve 2.7 percent of the residential market in 2000, compared with 1.3 percent in 1999, and 14.2 percent of business access lines in 2000, compared with 12.2 percent in 1999. Overall, it is evident competitive entrants have made positive gains not only in market share but in the number of access lines served.

# CHAPTER IV: CONCLUSION

Based on the data collected for the preparation of this report, it is apparent that ALECs view Florida as an attractive market. The number of certificated ALECs surveyed continues to increase, from 265 last year to 362 this year. ALEC market share has increased overall in Florida as well as in residential and business markets.

ALECs responding to this year's data request report serving 710,617 access lines, more than 6 percent of the state's total and more than the nationwide average of 4 percent. In addition to those companies actively serving telephone customers in Florida, another 100 indicated they are poised to enter the state's markets, either through resale, UNEs, facilities-based or a combination of these business strategies. Business customers can obtain services in nearly 70 percent of the state's exchanges at rates, terms, and conditions presumably comparable to those offered by incumbent LECs. It is also apparent that data-oriented ALECs are entering Florida's business markets, generating demand for high-speed services in major metropolitan areas and creating submarkets.

Competition has not bypassed the residential markets, based on the information available in this report. The number of residential access lines held by ALECs increased by more than 100 percent since last year's report. With competitive providers present in 74 percent of Florida's 282 exchanges, the responses to this year's data request show the emergence of specialty markets in the residential sector as well as the business sector. First, some ALECs are providing bundled residential service, including local service, a fixed amount of monthly long distance service in addition to Internet access, or combining local and long distance phone service with cable television and Internet service at rates, terms, and conditions similar to those offered by the incumbent LEC. Second, prepaid telephone companies appear to be growing, offering unlimited local service with toll restrictions to residential and business customers who would otherwise be excluded from the telecommunications market because of prior payment difficulties with the incumbent local exchange company. This service cannot be

considered comparable to that offered by the ILECs owing to the restrictions placed on customers. Although more expensive and more limited than comparable ILEC service, the growth of these companies indicates there is a market for prepaid service.

A review of complaints indicates that generally speaking, incumbent local exchange companies are maintaining affordable, high-quality service. Over the last four years, the number of justified complaints from consumers has remained steady or dropped. As mentioned in Chapter Two, FPSC staff continues to monitor service quality standards for incumbent LECs and to work with those companies to correct deficiencies to insure that the quality of service to consumers does not deteriorate.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

- @link Networks, Inc.
- @Xess Communications, Inc.

  !nterprise America, Inc.
- 1-800-RECONEX, Inc.

  2001 Telecommunications Inc.

  2nd Century Communications, Inc.
- A 1 Mobile Tech, Inc.
- AA Tele-Com

  ABC Connect

  ACI
- A.R.C. Networks, Inc.

  Access Communications - First Coast
- Access Integrated Networks, Inc.
- Access One Communications

  Access Point, Inc.

  AccuTel of Texas, Inc.
- Actel Integrated Communications, Inc.

  Adelphia Business Solutions Investment, LLC
- Adelphia Business Solutions of Jacksonville, Inc.

  Adelphia Telecommunications of Florida, Inc.

  Advanced Digital Information Systems, Inc.

  Advanced TelCom Group, Inc.

  Advent Consulting and Technology, Inc.

  AirTIME Technologies, Inc.

  All Kinds Cashed, Inc.
- Allegiance Telecom of Florida, Inc.

  Alliance Tel-Com, Inc.

  Allied Riser of Florida, Inc.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

- ALLTEL Communications, Inc.
- Alternative Phone, Inc.
- AMAFLA Telecom, Inc.
- America's Tele-Network Corp.

  American Dial Tone
- American Fiber Network, Inc.
- American MetroUtilities Corporation/Florida

  AmeriMex Communications Corp.
- Ameritech Communications International, Inc.

  AMTEL NETWORK, INC.
- Annox, Inc.
- Anns Communication

  Arbros Communications Licensing Company S.E., LLC

  Asset Channels-Telecom, Inc.
- AT&T

  ATI Telecom, Inc.
- Atlantic Telecommunication Systems, Inc.
- Atlantic.Net Broadband, Inc.

  Atlas Communications, Ltd.
- AvanaCom

  axessa
- Axsys, Inc./Tel Ptns.

  Backbone Communications Inc.

  Basic Phone, Inc.

  Baytel Communications, Inc.
- BellSouth BSE, Inc.
- BellSouth Telecommunications, Inc.

  BeMany!

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2999

(dot represents companies having a price list on file as of September 25, 2000)

- Birch Telecom of the South, Inc.
- Biz-Tel Corporation
- Bizy Phones, Inc.
- BlueStar Networks, Inc.

  Broadband Digital Technologies, Inc.
- Broadband Office Communications, Inc.

  Broadslate Networks of Florida, Inc.
- BroadStream Corporation

  BroadStreet Communications, Inc.

  Broadtier Communictions, Inc.

  Broadwing Local Services Inc.
- BTI

  Budget Comm
- Budget Phone, Inc.

  BudgeTel Systems, Inc.
- Buy-Tel Communications, Inc.

  C2C Fiber of Florida, Inc.

  C2K, Inc.

  C.E.F. Answering and Telecommunications Service Inc.

  C.I.O., Inc.
- Cable & Wireless, Inc.

  Capital Exploration

  Caretele, Inc.

  Cash America
- CAT Communications International, Inc.

  Cbeyond Communications, LLC

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

Cellular One of Southwest Florida

Centennial Florida Switch Corp.

CFT INC.

- CI2, Inc.
- Ciera Network Systems, Inc.

City of Lakeland

City of Ocala

City of Tallahassee

- Cleartel Communications, Inc.
- Comcast MH Telephony Communications of Florida, Inc.
- Comcast Telephony Communications of Florida, Inc.
- Compact Data Systems, Inc.
- Compass Telecommunications Incorporated
- Computer Business Sciences, Inc.
- Comscape Communications, Inc.
- COMUSA, Inc.
- Concentric Carrier Services, Inc.

Concert Communications Sales LLC.

- Connect!
- ConnectSouth Communications of Florida, Inc.

Consumer Credit Assistance, Inc.

Covad Communications Company

Convergence, Inc.

Convergent Communications Services, Inc.

Coral Telecom, Inc.

CoreComm Florida, Inc.

Cox Communications

CPU Solutions Holding Corp.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

Curbside Communications

CTSI, Inc.

- DPI-Teleconnect, L.L.C.
- Daytona Telephone Company

Deland Actel, Inc.

- Dial Tone of Alabama, Inc.

Digital Media Partners

- Direct-Tel, Inc.
- Direct-Tel USA, LLC
- DPI-Teleconnect, L.L.C.

DSL Telecom, Inc.

DSLnet Communications, LLC

- DTK Telecommunications, LLC

DV2, Inc.

- e.spire Communications, Inc.
- Eagle Telco, Inc.
- East Florida Communications, Inc.

Easton Telecom Services Inc.

- Easy Tel, Inc.
- Easy Telephone Services Company

EasyComm Corporation

Edge Connections, Inc.

- eLEC Communications

ElectroNet Intermedia Consulting, Inc.

Electronic Technical Services (E.T.S.)

Empire Telecom Services, Inc.

Enkido, Inc.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

- Ernest Communications, Inc.
- essential.com, inc.

  ET Telephone, Inc.

  Eureka Telecom, L.L.C.

  Everest Connections Corporation

  Evolution Networks South, Inc.

  Excel Telecommunications, Inc.
- Excelink Communications, Inc.

  Express Phone Service, Inc.
- EZ Talk Communications, L.L.C.
- FairPoint Communiction Solutions Corp.

  Fast Connections, LP
- Festival Telephone Services, Inc.

  First Choice Local Communications, Inc.
- First Touch, Inc.
- Florida City-Link Communications, Inc.
- Florida Consolidated Multi-Media Services, Inc.
- Florida Digital Network, Inc.

  Florida Phone Service, Inc.

  Florida Phone Systems, Inc.

  Florida Public Telecommunications Association, Inc.
- Florida Telephone Company

  Florida Telephone Services, LLC
- Florida's Max-Tel Communications, Inc.

  Focal Communications Corporation of Florida

  Fones-4-U
- FreedomTel, Inc.

  Frontier Communications of America, Inc.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

- Fusion Telecom

  Fuzion Wireless Communications Inc.

  GCI Globalcom, Inc.

  GE EXCHANGE

  Genesis Communications International, Inc.

  Global Broadband, Inc.
- Global Crosssing Local Services, Inc.

  Global Crossing Telemanagement, Inc.
- Global NAPS, Inc.

  Grande Communications Networks, Inc.

  Group Long Distance, Inc.

  GRU Communication Service/GRUCom/GRU
- Gulf Coast Communications, Inc.

  Gulftel Communications

  H & L Taxhaus Communications
- Hale and Father, Inc.
- Hart Communications

  Hayes Telecommunications Services, Inc.

  High Tech Communications of Central Florida, Inc.

  HJN Telecom, Inc.

  Hometown Telephone of Florida, Inc.
- Hyperion of Jacksonville, Inc.
- Hyperion Telecommunications of Florida, Inc.

  ICG Telecom Group, Inc.
- IDS Long Distance, Inc.

  IE Com

  ILD

  INET Local Phone Service

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

ISN Communications

Integra Paging

- Intellicall Operator Services, Inc.

Intelligence Network Online, Inc.

InterCept Communications Technologies, Inc.

InterCom Network, Inc.

- Interlink Telephony, Inc.

Interloop, Inc.

- Intermedia Communications, Inc.

International Plus

- International Telcom, Ltd.

International Web Technologies, Inc.

Internet Access and Web Services of Florida, Inc.

InternetU, Inc.

Interpath Communications, Inc.

- Intetech, L.C.

Intraco Systems, Inc.

IPVoice Communictions, Inc.

- ITC^DeltaCom ITS Telecommunications Systems, Inc.
- Jake & Associates, Inc.
- JATO Operating Two Corp.

Jones Phones

- JTC Communications, Inc.

King Communications & Serivces, Inc.

KingTel, Inc.

- KMC Telecom Inc.
- KMC Telecom II, Inc.
- KMC Telecom III, Inc.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

KMC Telecom V, Inc.

- Knology of Florida, Inc.

Lake Wellington Professional Centre

LDDS Worldcom

Legends Communications, Inc.

- Level 3 Communications, L.L.C.
- LightNetworks, Inc.

Lightyear Communications, Inc.

- Local Line America, Inc.

Lone Star State Telephone Co.

Looking Glass Networks, Inc.

Mainstream New Media

Maxcess, Inc.

- MCI Metro Access Transmission Services, Inc.
- MCI Telecommunications Corporation
- MCI WorldCom Communications, Inc.

MCImetro Access Transmission Services LLC

- MediaOne Florida Telecommunications, Inc.

Megsinet-CLEC, Inc.

Meridian Telecommunications, Inc.

- MET Communications, Inc.

Metrolink Internet Services of Port Saint Lucie, Inc.

Metromedia Fiber Network Services, Inc.

Metropolitan Fiber Systems of Florida, Inc.

MetTel

Microsun Telecommunications, Inc.

Miracle Communications

Mpower Communications Corp.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

MSN Communications, Inc.

- MVX.COM Communications, Inc.
- MY-TEL INC.
- National Phone Corporation
- Navigator Telecommunications, L.L.C.

Net2000 Communications Services, Inc.

Net One International, Inc.

- NET-Tel Corporation
- Netcon Telcom, Inc.
- Network Access Solutions Corporation

Network Information Solutions, Inc.

Network One

- Network Telephone Corporation
- New Edge Networks

NewPhone

- NewSouth Communications Corp.
- Nexstar Communications, Inc.
- Nextlink Florida, Inc.
- Norcom, Inc.
- North American Telephone Network, L.L.C.

NorthPoint Communications, Inc.

- NOW Communications, Inc.

Ntegrity Telecontent Services, Inc.

NUI Telecom, Inc.

- NuStar Communications Corp.

O1 Communications of Florida, LLC

Ocis Communications, Inc.

Oltronics, Inc.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

- Omnicall, Inc.
- One EZ Call, Inc.
- OnePoint Communications

  OnFiber Carrier Services, Inc.
- OnSite Access Local LLC

  OpTel

  Opticom
- Orlando Telephone Company
- P.V. Tel of Florida, LLC
- PaeTec Communications, Inc.
- Palm Beach Telephone Company
- PARCOM Communications, Inc.

  Pathnet Communications, Inc.

  PatriotCom Inc.
- Phone-Link, Inc.

  Phone-Out/Phone-On

  Phones For All

  PICUS Communications, LLC

  Pinnacle Telcom, Inc.
- PointeCom, Inc.

  PowerNet Global Communications
- Pre-Cell Solutions/Family Phone Service, Inc.

  Pre-Cell Solutions, Inc.

  Premiere Network Services, Inc.

  Primary Network Communications, Inc.

  Primus Telecommunications, Inc.

  Priority Link
- Prism Florida Operations, LLC

Pro Telecom, Inc.

- ProfitLab, Inc.

Progress Telecommunications Corporation

- Progressive Telecommunications Corp.
- Public Telephone Network, Inc.

PurePacket Communications of the South, Inc.

Quad City Communications, Inc.

Quantum Phone Communications, L.L.C.

- Quentel Communications, Inc.

Questel Corp.

- Quick-Tel Communications, Inc.
- Quintelco, Inc.

Qwest Communications Corporation

Qwest Communications Services

Rapid Transmit Technology, Inc.

RCN Telecom Services, Inc.

R.C.P. Services

- REI Communications

Reconnection Connection

ReFlex Communictions, Inc.

Resort Hospitality Services, Ltd.

Rhythms Links Inc.

- Ripple Communications

SBC National, Inc.

- SBC Telecom, Inc.

S.F.M.&T. Inc.

Sandhills Telecommunications Group, Inc.

SandStream Communications & Entertainment, Inc.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

- SATCOM Communiction

  Second Chance Phone

  ServiSense.com, Inc.

  Seven Bridges Communications, L.L.C.

  Shands Teaching Hospital and Clinics, Inc.

  Sigma Networks Telecommunications, Inc.
- Smart City Networks
- Smoke Signal Communications
- Source One Communications, Inc.

  Southeast Telephone Company
- Southeastern Services, Inc.
- Southeastern Telecommunications Service, Inc.
- Southern Reconnect, Inc.
- Southern States Telephone, Inc.

  Southern Telecom of America, Inc.
- Southern Telemanagement Group, Inc.
- SouthNet Telecomm Services, Inc.
- Spartan Communications Corporation of North Carolina

  Speedy Reconnect, Inc.
- Sprint Communications Company Limited Partnership
- Staples Communications-Networks

  StartComm Corp.

  State Discount Telephone, L.L.C.

  StormTel, Inc.

  Strategic Technologies, Inc.

  Structus TeleSystems, Inc.
- Sun-Tel USA, Inc.

  Suntel Metro, Inc.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

- Supra Telecommunications & Information Systems, Inc.

  T-Netix, Inc.
- Talk Time Communications, Ltd. Inc.
- Talk Too Communications

  Talk Solutions

  Tallahassee Community College

  Tallahassee Memorial Telephone Company
- Tallahassee Telephone Exchange, Inc.
- TAPCO. The Alternative Phone Company
- TCG South Florida

  TDS Telecom/Quincy Telephone

  Tel Com Plus
- Tel-Link, L.L.C.

  Tel-Phone Communications, Inc.

  Telaleasing Enterprises, Inc.
- Telebeeper, Inc.

  Teleco Communications, Ltd.
- Telecom Connection Corp.
- TeleConex

  Telefyne Incorporated

  Teleglobe Business Solutions Inc.

  TelePacific Communications
- Telephone Company of Central Florida, Inc.
- Telephone One, Inc
- Telephone Systems of Georgia, Inc.

  Telera Communications, Inc.
- Telergy Network Services, Inc.
- Teligent Services, Inc.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

TelQuest Communications, Corp.

- Telrite

Teltrust Communications Services, Inc.

The Basico Group, Inc.

The Grand Condominium Association, Inc.

- The Mobile Phone Company

The Phone Company

- Time Warner Connect
- Time Warner Telecom of Florida, L.P.

TotalTel USA Communications, Inc.

Touch 1 Communications, Inc.

Trans National Communictions International, Inc.

- Trans National Telecommunications, Inc.

TranStar Communications USA, L.C.

- Travelers Telecom Corp.

TreasureCom Inc.

- Tristar Communications
- TriVergent Communications

TTI National, Inc.

UAI of Florida, Inc.

U2 Communications, Inc.

- Unicom Communications, L.L.C. (formerly Unique Communications)

United Communications HUB, Inc.

United Southern Telecom

- United States Telecommunications, Inc.
- Universal Telecom, Inc.
- UniversalCom, Inc.

Urban Media of Florida, Inc.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

URJET Backbone Network, Inc.

- U.S. Dial Tone, Inc.
- US LEC of Florida Inc.

US South Communications, Inc.

- U.S. Telco, Inc.
- USA Digital, Inc.
- USA Quick Phone, Inc.
- USA Telecom, Inc.
- USA Telephone Inc.
- USLD Communications, Inc.

Utility Board of the City of Key West - City Electric System

VarTec Telecom, Inc. and Clear Choice Communications

Verizon Advanced Data Inc.

- Verizon Select Services Inc.

Vitts Networks, Inc.

VortalConnect.COM, Inc.

- WAMnet Communications Inc.

Williams Local Network, Inc.

- WinStar Wireless, Inc.

Wireless Jaccess Network, Inc.

WorkNet Communications Inc.

World Access Communications Corp.

- World Telecommunications Services, Inc.
- Worldlink Long Distance Corp.

WorldNet Fiber, Inc.

Worldwide Internet Services, Inc.

- WTI

Yipes Transmission, Inc.

## APPENDIX A: ALECs CERTIFICATED as of September 25, 2000

(dot represents companies having a price list on file as of September 25, 2000)

- YourTel Telecom Corporation
- Z-Tel Communications, Inc.

# APPENDIX B: KEY FEDERAL ISSUES

This portion of the report outlines issues in the federal jurisdiction that impact, or have the potential to impact, competitive telecommunications markets in Florida.

## ACCESS CHARGES

On May 31, 2000, the FCC issued its Sixth Report and Order on Access Charge Reform and Universal Service in which the FCC adopted a modified proposal from the Coalition for Affordable Local and Long Distance Services (CALLS). The FCC expressed the view that adoption "...will bring lower rates and less confusion to consumers, and create a more rational interstate rate structure."

Among the more visible results of the FCC's adoption of the modified CALLS proposal are:

- Elimination of the residential Presubscribed Interexchange Carrier Charge (PICC), which was a flat per-line charge previously imposed by a price-cap LEC on the consumer's long distance carrier. This charge was passed on to the consumer by the long distance carrier.

- An increase in the subscriber line charges for primary residential lines and single line businesses effective in the July 2000, billing cycle (see chart).

- Elimination of $650 million in implicit universal service support from access charges and the initiation of an explicit, portable interstate access universal service charge (see chart).

- Elimination of minimum usage charges (MUCs) by participating long-distance carriers (AT&T and Sprint are participants).

- Reduction in interstate switched access charges to long distance carriers from federal price cap ILECs. The FCC's theory is that reductions passed on to long distance carriers will, in turn, be passed through to consumers in the form of lower toll charges. (AT&T and Sprint have committed to pass the reduction through to consumers.)

It should be further noted that the Texas Office of Public Utility Counsel has filed a challenge to the CALLS proposal. (This same office successfully challenged the FCC's universal service order.) The ensuing chart provides an historical synopsis of interstate per line charges.

**Interstate Per Line Charges Billable to End Users** Table 4.0

| | 1/1/98 | 7/1/98 | 1/1/99 | 7/1/99 | 7/1/00 |
|---|---|---|---|---|---|
| **BellSouth** ***Subscriber Line Charge (SLC)*** | | | | | |
| residential: first line | $3.50 | $3.50 | $3.50 | $3.50 | $4.35 |
| residential: each additional | $5.00 | $5.00 | $6.07 | $6.07 | $6.96 |
| business: single line | $3.50 | $3.50 | $3.50 | $3.50 | $4.35 |
| business: multi line | $8.17 | $8.14 | $8.25 | $7.90 | $7.84 |
| ***PICC**** | | | | | |
| single line residence/business | $0.53 | $0.53 | $0.53 | $1.04 | |
| residential: per additional line | $1.50 | $1.50 | $1.50 | $2.53 | |
| multi line business | $2.75 | $2.75 | $2.75 | $4.31 | $4.31 |
| ***Universal service charge*** ** | | | | | $0.32 |
| **GTE Florida** ***Subscriber Line Charge (SLC)*** | | | | | |
| residential: first line | $3.50 | $3.50 | $3.50 | $3.50 | $4.35 |
| residential: each additional | $5.00 | $5.00 | $6.07 | $6.07 | $7.00 |
| business: single line | $3.50 | $3.50 | $3.50 | $3.50 | $4.35 |
| business: multi line | $9.00 | $8.82 | $9.16 | $9.02 | $8.86 |
| ***PICC**** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| residential/single-line business | $0.53 | $0.53 | $0.53 | $1.04 | |
| residential: per additional line | $1.50 | $1.50 | $1.50 | $2.53 | |
| multi line business | $2.75 | $2.75 | $2.75 | $4.31 | $4.31 |
| ***Universal service charge*** ** | | | | | $0.26 |
| **Sprint-Florida**<br>***Subscriber Line Charge (SLC)*** | | | | | |
| residential: first line | $3.50 | $3.50 | $3.50 | $3.50 | $4.35 |
| residential: each additional | $5.00 | $5.00 | $6.07 | $6.07 | $7.00 |
| business: single line | $3.50 | $3.50 | $3.50 | $3.50 | $4.35 |
| business: multi line | $8.07 | $7.58 | $7.50 | $7.30 | $8.23 |
| ***PICC**** | | | | | |
| residential/single-line business | $0.53 | $0.53 | $.053 | $1.04 | |
| residential: per additional line | $1.50 | $1.50 | $1.50 | $2.53 | |
| multi line business | $2.75 | $2.75 | $2.75 | $4.31 | $4.31 |
| ***Universal service charge*** ** | | | | | $0.30 |

*Presubscribed Interexchange Carrier Charge - billed by LECs to IXCs based on access lines; IXCs may choose to pass this charge on directly to end users. Applied to multi line business lines only effective July 1, 2000.
**Added to consumers' bills on or after July 1, 2000.

## RECIPROCAL COMPENSATION

The Telecommunications Act of 1996 requires local providers to establish reciprocal compensation arrangements for the transport and termination of telecommunications traffic. In practice, this means that when a customer of local provider "A" completes a call to a customer of local provider "B," the company originating the call (local provider "A") must pay the company terminating the call (local provider "B"), a cost usually paid on a per-minute basis. By federal regulation, the reciprocal compensation requirement applies only to local telecommunications traffic.

The growth in telecommunications traffic associated with Internet usage raised questions among carriers and state regulatory commissions, including the FPSC, about how ISP traffic should be considered for purposes of reciprocal compensation. The

heart of the discussion is whether ISP traffic is local or long distance in nature. A hypothetical Internet user may reach their ISP through a local number, which some argue makes it a local call. However, during a single Internet session, a user may connect with multiple websites, many of which may be in other states. The FCC concluded that "...although some Internet traffic is intrastate, a substantial portion of Internet traffic involves accessing interstate or foreign websites."

The FCC agreed to consider whether ISP traffic delivered to a local number should be considered local traffic for the purposes of reciprocal compensation. The FCC found such calls were non-local, contending that the communication will ultimately extend beyond the ISP to a website outside the local calling area. In addition, the FCC chose not to set rates for such calls, although it has the authority to do so, arguing instead "a negotiation process, driven by market forces, is more likely to lead to efficient outcomes than are rates set by regulation." In cases where parties are unable to reach an agreement, the FCC decided that states could determine in arbitration proceedings that reciprocal compensation should be paid for ISP-bound traffic.

The FCC's decision in the case was appealed and on March 24, 2000, the U.S. Court of Appeals for the District of Columbia vacated the FCC's ruling. In its ruling, the court said the FCC failed to provide a satisfactory explanation for its ruling, and sent the case back to the Commission.

## UNIVERSAL SERVICE

### Hold-Harmless Provision

In a recommendation released June 30, 2000, the Federal-State Joint Board on Universal Service recommended continuation of the Long Term Support (LTS) mechanism and a three-year phase-out of the interim "hold-harmless" support for non-rural carriers.

The LTS program ensures reasonable comparability of interstate access rates

among LECs by reducing the carrier common line charges of rate-of-return LECs that participate in the National Exchange Carrier Association common line pool. Carrier common line charges are per-minute charges LECs assess on IXCs to recover a portion of the interstate-allocated loop costs.

The interim hold-harmless provision provides per-line support to eligible non-rural carriers based on the preexisting high-cost loop support mechanism established by FCC rules. Under this mechanism, 18 non-rural carriers receive an estimated $87 million in net annual hold-harmless support. Of these 18 carriers, projections indicate 12 currently receive average monthly support of less than $1, four receive less than $2, one (GTE North Inc. in Missouri) receives $3.26 and one (Puerto Rico) receives $12.06 and $1.86, respectively, for each of its two study areas.

The Joint Board recommended the hold-harmless support be phased out through annual reductions of $1 in each recipient's average monthly per-line support, beginning January 1, 2001. The Joint Board's recommendation calls for a reexamination of the phase-down schedule by the FCC in conjunction with the Commission's comprehensive review of the new, forward-looking support mechanism, which is scheduled for completion January 1, 2003.

**American Indian and Alaska Native Tribal Communities**

In an order released June 30, 2000, the FCC expanded support under the Lifeline Assistance and Lifeline Connection Assistance (Link Up) programs for individuals living on reservations or tribal lands. Recognizing that less than half of Indian tribal households on reservations and other tribal lands have a telephone, compared with approximately 94 percent of other American households, the Commission created an additional level of price support specifically available for low-income American Indians, Eskimos and other aboriginal peoples of Alaska.

According to the Commission's order, individuals who qualify for this level of added assistance may receive up to $70 to offset the initiation of service. Because Link

Up provides up to a 50 percent reduction in the hook-up charge, to a maximum of $30, under the new program, eligible Native Americans can receive a combined credit of up to $100. Lifeline Assistance for individuals qualifying under the enhanced support level may receive up to $25 extra per month to reduce the cost of basic telephone service, in addition to the $11.35 that is available through Florida's Lifeline Assistance.

In addition to reducing the outlay needed to establish and continue telephone service in the designated areas, the FCC also announced plans to streamline the process of receiving universal support for companies seeking to serve tribal lands as an eligible carrier, and to change its auction rules to provide greater incentives for wireless carriers to serve tribal lands.

## TELEPHONE NUMBER CONSERVATION

As noted in Chapter Two, the Florida Public Service Commission has taken steps to mitigate the frustration, inconvenience and cost of repeated area code changes in Florida by implementing efficiency measures under authority granted by the FCC. The FCC adopted a notice of proposed rulemaking to address many of these issues on a national level. Noting the United States currently has 215 area codes compared with 119 in 1991, and with more than 70 of the existing codes in jeopardy of exhaustion, the FCC proposed a series of administrative and technical measures to promote better use of available resources, including:

### Number Pooling

The FCC is considering allocating phone numbers in blocks of 1,000 instead of the current 10,000. The agency indicated most carriers currently use less than half of the 10,000 numbers allocated to them. The Florida Public Service Commission, as noted previously, has ordered number pooling in the 954, 904 and 561 area codes, beginning January 22, 2001, April 2, 2001, and February 5, 2001, respectively.

**Incentive-based Approach**

The FCC is seeking comment on whether a system where carriers pay for numbering resources would improve the efficiency with which numbers are allocated and used.

**Area Code Relief**

The FCC is considering a reexamination of its prohibition on service- or technology-specific area code overlays. The FCC currently prohibits, for example, the use of an area code exclusively for cellular phones, contending it creates disparities in the competitive market place in contravention of the Telecom Act of 1996.

**Carrier Choice**

The FCC has solicited comment on whether, instead of relying on mandatory measures to achieve certain goals, it should simply set goals and allow carriers to meet them in whatever way the company deems appropriate.

**TRUTH-IN-BILLING**

The FCC phase-in of "truth-in-billing" rules for common carriers concluded April 1, 2000, giving the agency what it believes will be a means to reduce telecommunications fraud such as "cramming" and "slamming." The new rules require telephone bills to be clearly organized, provide a description of charges on the bill, distinguish between charges for which non-payment will result in disconnection, and contain clear disclosure of contacts for consumer inquiries.

The FPSC adopted billing rules for telecommunications companies in January 2000. The rules require that each billing party on a telephone bill be clearly identified; eliminate consumer liability for telecommunications or information services not ordered by the customer; require every billing party to provide free blocking of 900 and 976 calls; and prohibit the disconnection of Lifeline local service if charges, taxes and fees for basic local exchange telecommunications service are paid.

# APPENDIX C: MARKET TRENDS

This segment of the report focuses on emerging or existing issues the impact of which are helping to shape the competitive local telecommunications landscape. The ensuing discussion is based on information drawn from the data request sent out in preparation of this report, or on other reports or industry analyses conduct by agency staff since the 1999 report on local competition.

## ADVANCED SERVICES

Section 706 of the Telecom Act requires the FCC and state commissions with regulatory authority over telecommunication services to ". . . encourage deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans . . ." In an effort to gauge the deployment of advanced services in Florida, staff sent a data request to LECs and ALECs in February 2000. For the purposes of the data request, staff used the FCC's characterization of advanced telecommunications services as: "high speed, switched, broadband telecommunications capability that enables users to originate and receive high-quality voice, data, graphics and video telecommunications using any technology." (See, e.g., FCC 99-293, released October 8, 1999 in CC Docket No. 99-294)

Companies were asked specific questions about their products, targeted audiences, prices, geographic distribution of services offered, plans for future product offerings and any identifiable impediments to the deployment of advanced services in Florida.

Generally, responses indicate concentrations of service consistent with this definition exist to the greatest extent in the high-population, commercial-intensive, regions of the state. With few exceptions, if an advanced service is available in Florida, it is offered in Miami, Ft. Lauderdale, West Palm Beach, Orlando, Tampa and Jacksonville. Services in these communities include xDSL (symmetrical and

asymmetrical) in an array of configurations and speeds, frame relay, asynchronous transfer mode (ATM), and DS1 and DS3 from incumbents. Competitive carriers appear to focus their efforts on customizing xDSL configurations or offering a narrow product line, such as frame relay. In these markets, CLECs target businesses. Cable companies and ILECs responded that while some of their offerings were geared toward residential consumers, most of what they offer is aimed at businesses.

In slightly smaller cities such as Ft. Myers, Stuart, Daytona Beach or Pensacola, there are fewer choices than in the larger metropolitan areas, but some advanced services are available. Consumers in these cities are likely to have some form of xDSL available, in addition to frame relay of varying speeds and in most instances, an ISDN provider.

Services tend to be provided exclusively by ILECs in the state's smaller cities and less urban regions and as a result, choices are limited. Availability in these areas may be limited to dedicated access lines at speeds of 56 Kbps to 64 Kbps, and ISDN. This appears unlikely to change in the near term because none of the CLEC respondents indicated they plan to roll out new services to smaller markets. Additionally, smaller ILECs indicated concerns over the investment needed to provide advanced services and the uncertain demand as the basis for limited services in their territory.

Companies were asked what services they offered consumers. xDSL in its various forms appears to be widely available. ADSL in low-speed (768 Kbps downstream x 512 Kbps upstream) and high-speed (4.0 Mbps x 640 Kbps) configurations is offered by large and small ILECs. ADSL, including Rate-Adaptive DSL (RADSL), is offered by CLECs at speeds of up to 7.1 Mbps x 1.5 Mbps. Symmetrical DSL (SDSL) is available from large ILECs and select CLECs. At least one CLEC offers SDSL at speeds of up to 1.5 Mbps x 1.5 Mbps. CLECs are also offering High-Bit DSL (HDSL) at these same speeds. In addition, at least one CLEC indicated it offers ISDN DSL (IDSL). Frame relay is available from large ILECs at speeds ranging from 56 Kbps

to 44.210 Mbps, and from CLECs at speeds of up to 10 Mbps.

ISDN service, both Basic Rate Interface (BRI) and Primary Rate Interface (PRI), is offered by all but one of the ILECs and by a number of CLECs, one of which markets this service exclusively. It appears from the responses that the availability of T-1, DS1 and DS3 appears to be evenly distributed between ILECs and CLECs. Only one respondent (Verizon) said it offers SONET.

Companies were asked to describe the target audience for their products. Overwhelmingly, responses show businesses are the intended consumers of the bulk of these services. It appears that Internet Service Providers (ISPs), commercial ventures large and small, other CLECs, governmental entities and higher education institutions appear to be the primary buyers of advanced services at this time. Among respondents, only cable companies identified residential consumers as a market focal point.

The FCC, in separate reports released in August 2000 (“Deployment of Advanced Telecommunications Capability: Second Report”) and October 2000 (“High-Speed Services for Internet Access: Subscribership as of June 30, 2000"), found that subscribership to high-speed services had increased from 1.8 million residences and small businesses at the end of 1999 to 3.1 million by June 30, 2000.

The FCC’s findings on the distribution of high-speed services are consistent with those found by FPSC staff. The FCC found “High population density has a positive correlation with reports that high-speed subscribers are present and low population density has a negative correlation.”

**WIRELESS: SUPPLEMENT OR SUBSTITUTE?**

Wireless phone service was first offered to the general public in 1983 and within two years had slightly more than 90,000 subscribers nationally. According to the

Cellular Telecommunications Industry Association's (CTIA) semi-annual survey, the number of subscribers exceeded 86 million by December 1999 and is projected to be more than 100 million currently. By comparison, 78.4 million of the nation's households had telephones in 1983, according to the FCC, and 98 million households reported having a telephone in 1999.

The increased use of wireless communication devices raises a question of whether wireless may ultimately provide direct competition with traditional wireline phones. Insufficient data exist to support substantive conclusions about the extent to which wireless service exists as a replacement for traditional wireline versus an adjunct to traditional wireline service. Anecdotal evidence in the form of industry literature and occasional press accounts suggests that within certain urban areas, some consumers have gone exclusively to wireless service. Examples exist of wireless service providing competition for wireline services in rural areas and actually driving down the price of telecommunications service provided by the ILEC.

In its annual report on the wireless industry, (Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services, August 18, 2000) the FCC cited U.S. Department of Labor statistics showing the price of mobile telephone service declining 11.3 percent between January 1999 and January 2000. The decrease in the cost of mobile telephone service is significant not only because it indicates competition within the industry is resulting in lower prices but also because a decrease in the cost of service may mitigate the issue consumer surveys consistently show as an impediment to wireless service: price.

Currently the price for wireless service is higher on average than for wireline. In a report by this agency in August 1999, ("The Future of Wireline and Wireless Telecommunications in Florida") cellular calling plans in three Florida markets were evaluated. In those markets -- Miami, Tampa and Tallahassee -- basic wireless calling plans averaged more than twice as much per month as basic local service from the state's three major LECs. Higher price is offset, however, by the larger calling scope

offered by wireless providers. Once subscribed to a carrier, a wireless user in Florida enjoys a substantially larger local calling area than a wireline user. For example, one company surveyed by this agency in 1999 offers its customers local calling from Miami to Naples while another offers the same service between Tallahassee and Gainesville. In both of these examples, wireline customers would incur long distance charges.

The FCC data show 88 percent of the total population of the United States have three or more different operators (cellular, broadband PCS, or Nextel) offering mobile telephone service in the counties in which they live. In Florida, according to FCC data, only one of the state's 67 counties has fewer than three operators, with some having up to six.

As the wireless footprint continues to expand along with its customer base and decreases in price to the consumer, the potential for mobile telephone service to compete directly with wireline service cannot be discounted.