

*Report on the Status of*  
**Competition in the  
Telecommunications  
Industry**

**AS OF DECEMBER 31, 2011**

Florida Public Service Commission  
Office of Telecommunications



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## List of Acronyms

Bus	Business
CAF	Connect America Fund
CDC	Centers for Disease Control
CLEC	Competitive Local Exchange Company
DSL	Digital Subscriber Line
ETCs	Eligible Telecommunication Carriers
FCC	Federal Communications Commission
FiOS	Verizon's trademark name for its fiber-to-the-home package of services
FPSC	Florida Public Service Commission, the Commission
F.S.	Florida Statutes
ICA	Interconnection agreement
ILEC	Incumbent Local Exchange Company
IP	Internet Protocol
kbps	kilobits per second
LEC	Local Exchange Company
Mbps	Megabits per second
NBP	National Broadband Plan
Res	Residential
USF	Universal Service Fund
VoIP	Voice over Internet Protocol



## Executive Summary

This report fulfills the statutory obligations set forth in Section 364.386, Florida Statutes (F.S.), which requires the Florida Public Service Commission (the Commission or FPSC) to report on “the status of competition in the telecommunications industry” to the Legislature by August 1 of each year. The Commission is required to address specific topic areas within the realm of competition. On February 17, 2012, information requests were sent to the 10 incumbent local exchange companies (ILECs) and 280 competitive local exchange companies (CLECs) certificated by the Commission to operate in Florida, as of December 31, 2011.

Analysis of the data produced the following conclusions:

- Many CLECs reported offering a variety of services and packages comparable to those offered by ILECs. Subscribers to cable, wireless, and competitive wireline services continued to increase. These factors contribute to the conclusion that competitive providers are able to offer functionally equivalent services to both business and residential customers.
- The continued decrease in both business and residential ILEC access lines demonstrates customers are finding reasonable pricing packages and functionality with CLECs, cable providers, and wireless providers.
- Based on the continued growth of interconnected Voice over Internet Protocol (VoIP) services and wireless-only households, network reliability of non-ILEC providers is sufficient to satisfy customers. The FCC reported telephone penetration rate of 93 percent for Florida suggests that the overwhelming majority of Florida residents are able to afford telephone service.<sup>1</sup> The number and variety of competitive choices among all types of service providers and recent high customer satisfaction rates for interconnected VoIP providers suggests that competition is having a positive impact on the telecommunications market in Florida.

### ***Wireline Competition***

The following data relates exclusively to the ILEC and CLEC wireline market and does not reflect the number of wireless and VoIP subscribers in Florida. For the first time, total wireline business access line exceeded total residential lines. This report addresses changes in the telecommunications market for the period January 1, 2011, through December 31, 2011. Significant findings relating to the wireline market as of December 2011 include:

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<sup>1</sup> FCC, “Telephone Subscribership in the United States as of July 2011,” December 2011, Table 3, <[http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-311523A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-311523A1.pdf)>, accessed on June 20, 2012.

## **CLEC Market Share**

- CLECs' market share of all wireline access lines (residential and business) in Florida increased to 20 percent as of December 2011 from 18 percent in 2010.<sup>2</sup>
- CLEC residential market share decreased to 2 percent in 2011, from 4 percent in 2010.
- CLEC business market share decreased to 36 percent in 2011, from 39 percent in 2010.

## **CLEC Access Lines**

- Total CLEC access lines increased by 4 percent from December 31, 2010, to December 31, 2011.
  - CLEC residential access lines decreased by 51 percent.<sup>3</sup>
  - CLEC business access lines increased by 11 percent.
- CLEC business access lines were 94 percent of total CLEC access lines served in 2011, compared to 64 percent in 2001.

## **ILEC Access Lines**

- Total ILEC access lines decreased by 8 percent from December 31, 2010, to December 31, 2011.
  - ILEC residential lines decreased by 16 percent.
  - ILEC business lines increased by 8 percent.
- ILEC residential lines accounted for 58 percent of total ILEC access lines in 2011.
- ILEC business access lines were 42 percent of total ILEC lines served in 2011, compared to 28 percent in 2001.

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<sup>2</sup> The methodology for counting ILEC-affiliated CLEC access lines in the affiliated ILEC's territory changed starting with the 2008 report. The access lines of a CLEC related to AT&T, Verizon, or CenturyLink are reported as competitive lines only when those access lines are outside of the parent company's footprint. The 2011 report failed to make this adjustment and the 2010 data has been corrected to reflect the adjustment for the current report.

<sup>3</sup> Approximately 85 percent of the decline was associated with two particular CLECs that admitted to reporting errors for the year ending December 2010; revised data for that period was not provided.

## ***Intermodal Competition***

Wireless and VoIP services compete with traditional wireline service and represent a significant portion of today's communications market in Florida. Broadband service also provides the basis for some VoIP services. These three services are not subject to FPSC jurisdiction, and the FPSC relies on information collected from other sources for this analysis. However, the number of wireless handsets in service and VoIP customers in Florida far exceeds the 1.2 million wireline access lines served by CLECs. Four ILECs and forty-six CLECs furnished VoIP data. Highlights relating to wireless, VoIP, and broadband services include:

### **Wireless**

- Approximately 17.6 million wireless handsets were in service in Florida as of June 2011, the most current data available.<sup>4</sup>
- The Centers for Disease Control (CDC) estimate that nearly 34 percent of U.S. households were wireless only as of December 2011.<sup>5</sup>

### **VoIP**

- An estimated 2.4 million Florida residential VoIP subscribers were reported as of December 2011, an increase of 20 percent over the 1.9 million estimated in 2010.
- Forty-six CLECs and four ILECs voluntarily reported 665,217 VoIP lines to the FPSC as of December 2011. This figure is an increase of 43 percent from December 2010.
- The Florida Cable Telecommunications Association (FCTA) reported 2 million residential cable digital voice (VoIP) subscribers as of December 2011, an increase of 16 percent from the number reported for December 2010.

### **Broadband**

- Forty-two percent of Florida households have a fixed broadband connection with download speeds of at least 3 Mbps.
- Seventy-three percent of households have fixed broadband connections of 200 kbps or greater.<sup>6</sup>

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<sup>4</sup> FCC, "Local Telephone Competition: Status as of June 30, 2011," June 2012, Table 18, <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2012/db0614/DOC-314631A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0614/DOC-314631A1.pdf)>, accessed on June 20, 2012.

<sup>5</sup> Stephen J. Blumberg, Julian V. Luke, "Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July-December 2011," June 28, 2012, pp. 1-3, <<http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201206.pdf>>, accessed on June 29, 2012.

<sup>6</sup> FCC, "Internet Access Services: Status as of June 30, 2011," released June 2012, Table 15 and Table 16, <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2012/db0614/DOC-314630A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0614/DOC-314630A1.pdf)>, accessed June 16, 2012.



## Chapter I. Introduction and Background

Chapter 364, F.S., sets forth the principles by which the FPSC regulates wireline telecommunications companies. Commission oversight is primarily focused on traditional local telephone companies, ILECs. Competitors to the ILECs, known as CLECs, and interexchange companies are subject to minimal regulation.<sup>7</sup> The Commission does not regulate wireless, broadband, or VoIP services.

Chapter 364, F.S., requires the Commission to prepare and deliver a report on “the status of competition in the telecommunications industry” to the President of the Senate, the Speaker of the House of Representatives, and the majority and minority leaders of the Senate and the House of Representatives on August 1 of each year. Section 364.386, F.S., as amended by the 2011 Florida Legislature, requires that the report address the following four issues:

1. 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.
2. The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.
3. The overall impact of competition on the maintenance of reasonably affordable and reliable high-quality telecommunications services.
4. A list and short description of any carrier disputes filed under Section 364.16, F.S.

As of December 31, 2011, 10 ILECs and 280 CLECs were certificated by the Commission to operate in Florida.

### ***A. Provisions and Goals of Chapter 364, F.S.***

#### **1. Chapter 364, F.S.**

In 1995, the Florida Legislature amended Chapter 364, F.S., to allow for competition in the state’s local telecommunications markets. The Legislature found that “the competitive provision of telecommunications services, including local exchange telecommunications service, is in the public interest and will provide customers with freedom of choice, encourage the introduction of new telecommunications services, encourage technological innovation, and encourage investment in telecommunications infrastructure.”

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<sup>7</sup> The 2011 Florida Legislature passed legislation, effective July 1, 2011, that eliminated FPSC regulatory oversight of intrastate interexchange carriers, with the exception that those carriers remain subject to section 364.02(12) and (13), and section 364.163, F.S., pertaining to intercarrier compensation and network access services.

## **2. Recent Changes to Chapter 364, F.S.**

The 2011 Florida Legislature amended Chapter 364, F.S., and some of those changes will directly affect the form of this and future reports. The Commission may no longer request access line data by exchange (local calling scope) from local exchange telecommunications companies (LECs). In addition, Section 364.386, F.S., contained six issues the Commission report was required to address and the amended statutes have only four issues to be addressed. The statutes previously required the Commission to provide a summary of all complaints filed by CLECs against ILECs. The amended statute requires a list and short description of all carrier disputes filed under new Section 364.16, F.S.

The amended statutes became effective July 1, 2011. Pursuant to Section 364.386, F.S., the Commission is required to make an annual request to local exchange telecommunications providers, on or before March 1 of each year, for the data required to complete the report. A provider of local exchange telecommunications service is required to file its response with the Commission on or before April 15 of each year. The FPSC data request was mailed on February 17, 2012, and responses were due April 15, 2012.



## Chapter II. Wireline Market Overview

### A. Economy

According to the U.S. Commerce Department, the economy continued to recover in 2011, though growth slowed considerably from a year earlier. Gross Domestic Product, the best measure of overall economic activity, grew by 1.5 percent in 2011, after climbing 3.1 percent in 2010.<sup>8</sup> Unemployment figures remained high through 2011, averaging around 9 percent through the first three quarters of the year before declining below 9 percent in the fourth quarter.<sup>9</sup> In 2011, Florida's economic growth remained positive for the second year after declining for the previous two years. The state's gross domestic product ranks Florida thirty-seventh in the nation in real growth with a gain of 0.5 percent.<sup>10</sup> Florida's per capita personal income grew 3.5 percent in 2011 over 2010, ranking Florida forty-fifth in the country with respect to state growth. The national average was 4.3 percent.<sup>11</sup> The unemployment rate in Florida was worse than the national average during each month of 2011 and reached 9.9 percent in December.<sup>12</sup> Unemployment in Florida continued to improve slightly and fell to 8.7 percent by April 2012.

With continued high unemployment and moderate economic growth during 2011 it is likely that Florida consumers also took steps to save more and spend less of any discretionary income. The economy was likely a contributing factor to Florida ILECs losing approximately 440,000 access lines, or roughly 8 percent of their wireline market in 2011.<sup>13</sup> Competitive wireline carriers (CLECs) gained approximately 42,000 access lines in 2011, an increase of 4 percent.

### B. Incumbent Carriers

In Florida, the three largest ILECs providing wireline service are AT&T, CenturyLink, and Verizon. These providers continued to experience access line losses in the national wireline market in 2011.<sup>14</sup> Verizon and AT&T are also the largest wireless carriers nationwide and both increased wireless subscribership in 2011. In addition, both Verizon and AT&T experienced increased subscription of digital voice services provided over VoIP as consumers transitioned from traditional circuit switched services.

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<sup>8</sup> U.S. Department of Commerce, Bureau of Economic Analysis, "Widespread Economic Growth Across States in 2011," June 5, 2012, <[http://www.bea.gov/newsreleases/regional/gdp\\_state/gsp\\_newsrelease.htm](http://www.bea.gov/newsreleases/regional/gdp_state/gsp_newsrelease.htm)>, accessed on June 11, 2012.

<sup>9</sup> Unemployment Rate, U.S. Bureau of Labor Statistics, <<http://data.bls.gov/timeseries/LNS14000000>>, accessed on June 12, 2012.

<sup>10</sup> Ibid, p. 3.

<sup>11</sup> Ibid, p. 4.

<sup>12</sup> United States Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey" <<http://data.bls.gov/timeseries/LASST12000003>> and <<http://data.bls.gov/timeseries/LNS14000000>>, accessed on June 12, 2012.

<sup>13</sup> Responses to FPSC Local Competition Data Request for 2011 and 2012.

<sup>14</sup> While CenturyLink experienced access line growth, this growth was attributed directly to its acquisition of Qwest. See CenturyLink, Inc. Form 10-K, December 31, 2011 p. 50, <[http://www.sec.gov/Archives/edgar/data/18926/000104746912001666/a2207599z10-k.htm#dk46301\\_item\\_7.\\_management\\_s\\_discussio\\_\\_ite03668](http://www.sec.gov/Archives/edgar/data/18926/000104746912001666/a2207599z10-k.htm#dk46301_item_7._management_s_discussio__ite03668)>, accessed on May 31, 2012.

For 2011, AT&T reported losses of approximately 5 million local access lines nationwide when compared to a year earlier. Residential lines fell 16 percent during this period while business lines declined 8 percent.<sup>15</sup> AT&T attributed the access line declines to economic pressures and increased competition. Customers have disconnected traditional landline services, or switched to alternative technologies, such as wireless and VoIP. AT&T's strategy has been to offset these line losses by increasing non-access-line-related revenues from customer connections for data, video, and voice.<sup>16</sup> For 2011, AT&T total operating revenues increased by \$2.4 billion despite their access line losses. AT&T capitalized on its opportunity to increase its wireless segment revenues for customers that choose AT&T Mobility as an alternative provider. In Florida, AT&T's residential access lines decreased by 19 percent and business access lines increased 16 percent.<sup>17</sup>

Like AT&T, Verizon lost access lines nationally while experiencing an increase in operating revenue of \$4.3 billion.<sup>18</sup> Verizon's access lines declined by about 7 percent in 2011. This represents a slower rate of access line loss than in 2009 and 2010 when Verizon lost 10 percent and 8 percent of its access lines, respectively. Verizon continues to report growth of 18 percent in its FiOS Internet service. In addition, Verizon reported that the number of subscribers for FiOS TV had increased 20 percent from last year.<sup>19</sup> In Florida, Verizon experienced reductions of 21 percent in residential access lines and 10 percent in business access lines.<sup>20</sup>

In 2011, the number of switched access lines provided by CenturyLink swelled to 14.5 million, from roughly 6.5 million a year earlier, as a result of its acquisition of Qwest. Factoring out approximately 8.5 million access lines from the Qwest acquisition, legacy CenturyLink experienced a loss of approximately 438,000 switched access lines nationally in 2011 compared to a year earlier.<sup>21</sup> This figure represents an approximately 7 percent loss of CenturyLink's access lines. While operating revenues increased to over \$15 billion for the newly combined CenturyLink and Qwest, CenturyLink's pre-acquisition operating revenues actually decreased \$380 million, or 5.4 percent, in 2011.<sup>22</sup> CenturyLink's acquisition of Qwest did not impact Florida access line counts. CenturyLink's access line loss in Florida was 7 and 8 percent for residential and business sectors respectively.<sup>23</sup>

The seven remaining smaller Florida carriers also experienced contraction in their respective service areas. Rural carriers in Florida saw their residential access lines fall by

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<sup>15</sup> AT&T Inc., Form 10-K, December 31, 2011, Exhibit 13, p. 11, <<http://www.sec.gov/Archives/edgar/data/732717/000073271712000025/ex13.htm>>, accessed on May 31, 2012.

<sup>16</sup> Ibid.

<sup>17</sup> Responses to Local Competition Data Request for 2011 and 2012.

<sup>18</sup> Verizon Communications Inc., Form 10-K, December 31, 2011, Exhibit 13, <<http://www.sec.gov/Archives/edgar/data/732712/000119312512077846/d257450dex13.htm>>, accessed on May 31, 2012.

<sup>19</sup> Ibid.

<sup>20</sup> Responses to Local Competition Data Request for 2011 and 2012.

<sup>21</sup> CenturyLink, Inc. Form 10-K, December 31, 2011 p. 50, <[http://www.sec.gov/Archives/edgar/data/18926/000104746912001666/a2207599z10-k.htm#dk46301\\_item\\_7.\\_management\\_s\\_discussio\\_\\_ite03668/](http://www.sec.gov/Archives/edgar/data/18926/000104746912001666/a2207599z10-k.htm#dk46301_item_7._management_s_discussio__ite03668/)>, accessed on May 31, 2012.

<sup>22</sup> Ibid.

<sup>23</sup> Responses to FPSC Local Competition Data Request for 2011 and 2012.

approximately 1 percent in 2011.<sup>24</sup> In Florida, Windstream is the largest of the “rural” ILECs and operates in northeast Florida. Windstream experienced an overall access line loss of only one percent, the lowest access line loss of any carrier in Florida. Nationally, Windstream has 1.9 million consumer voice lines in service.<sup>25</sup> Through an aggressive acquisition strategy, Windstream has shifted its revenue mix towards business and consumer broadband services. Windstream estimates that 69 percent of their 2012 revenues will be generated from these areas.<sup>26</sup>

Even with the decline in wireline access lines, wireline telecommunications carriers continue to play a role with an evolving telecommunications ecosystem. For example, wireless carriers continue to be dependent on the wireline network. The majority of wireless call transport occurs over the wireline network, not over wireless facilities, a function commonly referred to as backhaul. While the economic sustainability of the wireline network appears to be tenuous as access lines continue to decline, it remains a crucial element in the mix of communications technologies.

### **C. Mergers / Acquisitions**

Approval of merger and acquisition petitions for telecommunications carriers peaked nationally in 2006 with more than 90 communications companies consolidating their operations.<sup>27</sup> By comparison, 64 mergers and acquisitions occurred in 2011.<sup>28</sup> This figure represents a decrease of 19 percent from the previous year. Recent transactions of interest to Florida are described below.

#### **1. Windstream / PAETEC**

Windstream announced on August 1, 2011, that it entered into an agreement to acquire PAETEC. Windstream provides local service in 24 other states in addition to Florida.<sup>29</sup> By comparison, PAETEC is a competitive local exchange carrier and provides telecommunications services primarily to business customers in 46 states, including Florida. Over the past several years, both companies have been actively growing through mergers and acquisitions. For example, Windstream has acquired Hosted Solutions, Q-Com, Iowa Telecom, and NuVox,

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<sup>24</sup> Ibid.

<sup>25</sup> Windstream Corporation, Form 10-K, December 31, 2011, p. F-5, <<http://www.sec.gov/Archives/edgar/data/1282266/000128226612000010/a201110k.htm>> accessed on May 31, 2012.

<sup>26</sup> Ibid, p. 3.

<sup>27</sup> FCC, “2006 Completed Domestic Section 214 Transfer of Control Transactions,” <<http://www.fcc.gov/wcb/cpd/214Transfer/214completed2006.html>>, accessed on April 23, 2012.

<sup>28</sup> FCC, “2011 Completed Domestic Section 214 Transfer of Control Transactions,” <<http://www.fcc.gov/wcb/cpd/214Transfer/214completed2011.html>>, accessed on April 23, 2012.

<sup>29</sup> FCC, Public Notice, DA 11-1563, released September 15, 2011, <[http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DA-11-1563A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-11-1563A1.pdf)>, accessed on April 23, 2012. Those states are Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, and Texas and Wisconsin.

among others, while PAETEC acquired Cavalier Telecom, Xeta, and McLeod. The acquisition was approved by the FCC on November 22, 2011.<sup>30</sup>

## **2. AT&T / T-Mobile**

On March 20, 2011, AT&T Inc. and Deutsche Telekom AG announced that they entered into an agreement under which AT&T would acquire T-Mobile USA from Deutsche Telekom in a transaction valued at approximately \$39 billion.<sup>31</sup> AT&T asserted that the acquisition was necessary and in the public interest to increase its wireless capacity in the rapidly expanding mobile data market. Approval of the acquisition would have also made AT&T the largest wireless carrier in the United States. The acquisition, however, was blocked by the FCC and the Department of Justice. AT&T announced on December 19, 2011, that it was ending its bid to acquire T-Mobile USA.<sup>32</sup> Shortly after AT&T's announcement, the FCC approved a different AT&T acquisition of select wireless licenses from Qualcomm.<sup>33</sup> While this spectrum acquisition was not as robust as the T-Mobile USA merger would have been, the FCC states that it expects that consumers will benefit from faster mobile download speeds in select markets.<sup>34</sup>

## **3. CenturyLink / Qwest**

On April 22, 2010, the boards of directors of CenturyLink and Qwest Communications Company, LLC, (Qwest) announced approval of an agreement under which CenturyLink would acquire Qwest.<sup>35</sup> The merger was completed on April 1, 2011.<sup>36</sup> The result of this merger created the third largest telecommunications company in the United States, providing service in 37 states, including Florida.

## **4. Knology / WOW!**

Knology, a cable company offering a full suite of video, voice, and data services jointly announced on April 18, 2012, their merger agreement with WOW!.<sup>37</sup> Knology offers services in

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<sup>30</sup> FCC, Public Notice, DA 11-1934, released November 22, 2011, <[http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DA-11-1934A1.doc](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-11-1934A1.doc)>, accessed on April 23, 2011.

<sup>31</sup> "AT&T to Acquire T-Mobile USA From Deutsche Telekom," AT&T News Release, released March 20, 2011, <<http://www.att.com/gen/press-room?pid=19358&cdvn=news&newsarticleid=31703&mapcode=corporate|financial>>, accessed on April 23, 2012.

<sup>32</sup> "AT&T Ends Bid To Add Network Capacity Through T-Mobile USA Purchase," AT&T News Release, released December 19, 2011, <<http://www.att.com/gen/press-room?pid=22146&cdvn=news&newsarticleid=33560&mapcode=corporate|wireless-networks-general>>, accessed on April 23, 2012.

<sup>33</sup> FCC, Order, WT Docket No. 11-18, FCC 11-188, released December 22, 2011, <[http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/FCC-11-188A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-11-188A1.pdf)>, accessed on April 25, 2012.

<sup>34</sup> Ibid; Those markets are New York, Boston, Philadelphia, Los Angeles, and San Francisco.

<sup>35</sup> "CenturyLink and Qwest Agree to Merge," CenturyLink / Qwest Joint Press Release, April 22, 2010, <<http://www.centurylinkqwestmerger.com/downloads/pressreleases/CenturyLink%20Qwest%20Merger%20Press%20Release%204-22-2010.pdf>>, accessed on April 23, 2012.

<sup>36</sup> "CenturyLink and Qwest Complete Merger," CenturyLink News Release, April 1, 2011, <<http://www.centurylinkqwestmerger.com/downloads/news/CTL-Q%20Merger%20Close%20Release%20FINAL.pdf>>, accessed on April 23, 2012.

<sup>37</sup> "WOW! To Acquire Knology For \$19.75 Per Share In Cash", Knology News Release, released April 18, 2012, <<http://phx.corporate-ir.net/phoenix.zhtml?c=130221&p=irol-newsArticle&ID=1684427&highlight=>>, accessed on April 24, 2012.

ten markets in the southeastern United States, including Florida,<sup>38</sup> and three markets in the midwestern United States. WOW!, a competitive cable provider providing video, voice, and data provides services in Michigan, Illinois, Ohio, and Indiana. Once complete, the combined entity will have over 800,000 customers, and its products and services will be available to more than 2.8 million households in 13 states.

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<sup>38</sup> The areas served include Panama City and portions of Pinellas County.



## **Chapter III. Status of Wireline Competition in Florida**

### **A. Wireline Access Lines in Florida**

#### **1. 2011 Summary of Results**

During 2011, total traditional wireline access lines for ILECs and CLECs combined declined 6 percent, from approximately 6.4 million in December 2010, to 6.0 million as of December 2011.<sup>39</sup> Residential wireline access lines declined by 6 percent, or 624,000 access lines, in 2011. From 2001 through December 2011, combined wireline residential access lines have declined by 64 percent, or nearly 5.1 million lines.

Total wireline business access lines, ILEC and CLEC combined, increased by more than 222,000 lines, or 7.6 percent, between December 2010 and December 2011. The net increase was comprised of an increase of 234,000 ILEC business lines and a decrease of 16,000 CLEC business access lines. AT&T accounts for all of the increase in ILEC business access lines, more than offsetting slight losses by Verizon, CenturyLink, and the rural ILECs. The trend of business access lines has been relatively stable over the period from 2001 to 2011, fluctuating in response to the business cycle during the time period. Residential lines have consistently trended downward for all the individual ILECs and the CLECs in the aggregate over the same ten-year period.

The composition of ILEC and CLEC access lines served has also undergone a noticeable shift since 2001. As of December 2011, total ILEC business lines were 42 percent of total ILEC lines served, compared to 28 percent in 2001. CLEC business access lines were 94 percent of total CLEC access lines served in 2011, compared to 64 percent in 2001.

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<sup>39</sup> VoIP connections reported by CLECs and cable companies are not included in wireline CLEC market share analyses.

## 2. CLEC Market Composition

Table 3-1 shows the distribution for 2010 and 2011 of the number of CLECs by ranges of residential access lines served. Only one CLEC reported more than 10,000 residential access lines in 2011 representing 35 percent of total CLEC residential lines served. In comparison, 3 carriers reported more than 10,000 residential access lines in 2010 accounting for 60 percent of the market. The number of CLECs reporting residential access lines declined from 64 in 2010 to 56 in 2011.

**Table 3-1. Summary of CLEC Residential Access Line Providers**

Number of Lines	2010		2011	
	Number of Providers	% of Total CLEC Res Lines	Number of Providers	% of Total CLEC Res Lines
20,000 or more	2	60	1	35
10,000 – 19,999	1	8	0	0
1,000 – 9,999	12	25	12	54
Less than 1,000	49	7	43	11

*Source: Responses to FPSC data requests (2010-2012)*

### **B. Wireline Market Share and Access Lines**

Data collected for this year's edition of the report are as of December 31, 2011.<sup>40</sup> Figures and tables are arranged to provide market share (expressed as a percentage) and actual line counts (presented as raw numbers). Market share data are presented first, followed by actual line counts.

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<sup>40</sup> The access lines of a CLEC related to AT&T, Verizon, or CenturyLink are accounted for as competitive lines only when those access lines are outside of the parent company's footprint.

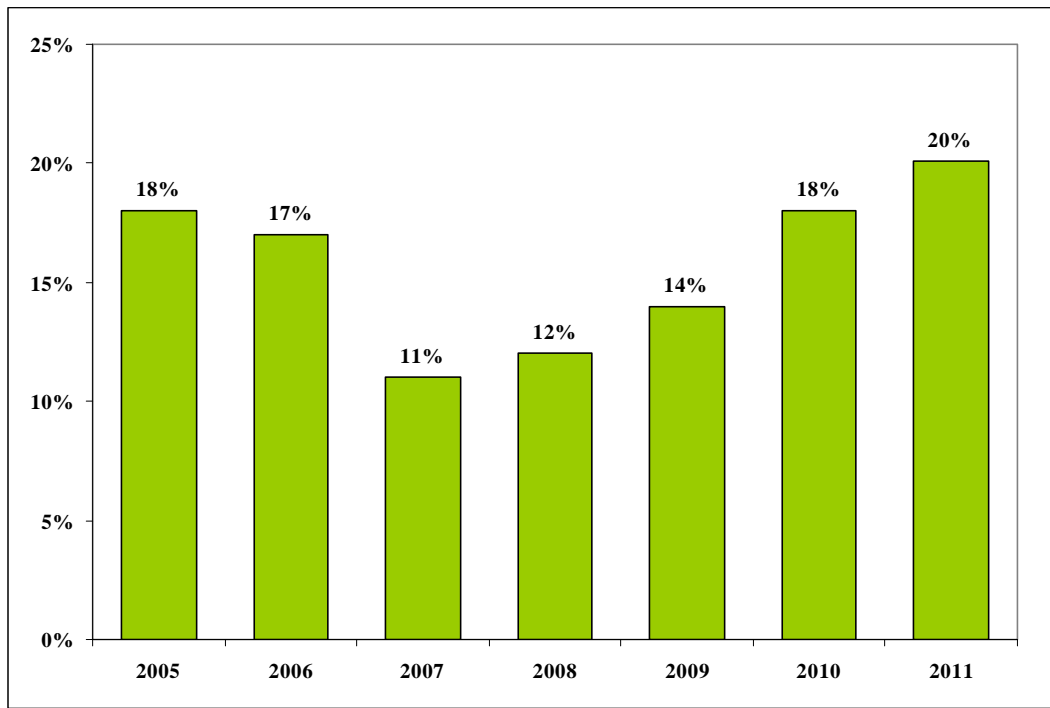


## 1. CLEC Market Share

### a. Florida

Calculations based on responses to the Commission's data request indicated the overall CLEC wireline market share was 20 percent as of December 2011, an increase from 18 percent in 2010. Figure 3-1 provides the CLEC wireline market share percentages for total access lines (combined residential and business lines) from 2005 through 2011.

**Figure 3-1. Florida CLEC Market Share**

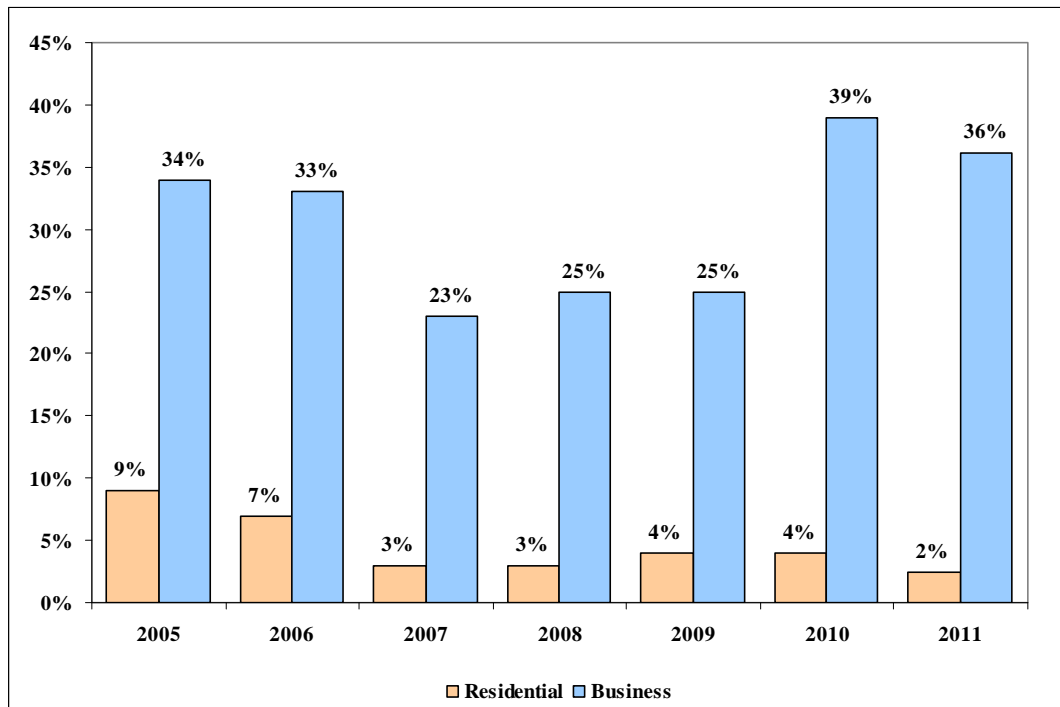


*Source: Responses to FPSC data requests (2006-2012)*

Figure 3-2 shows the CLEC residential and business market shares for 2005 to 2011.

- CLEC residential market share decreased to 2 percent as of December 2011.
- CLEC business market share decreased to 36 percent in 2011.

**Figure 3-2. Florida Residential & Business CLEC Market Share**



Source: Responses to FPSC data requests (2006-2012)

## b. National

The FCC reports Florida's CLEC market share at 40 percent as of June 2011.<sup>41</sup> The FCC started including VoIP subscriber lines in the market share calculations with its December 2008 Local Competition Report. The inclusion of VoIP subscriber lines account for the majority of the difference in market share totals calculated by the FPSC compared to those reported by the FCC.

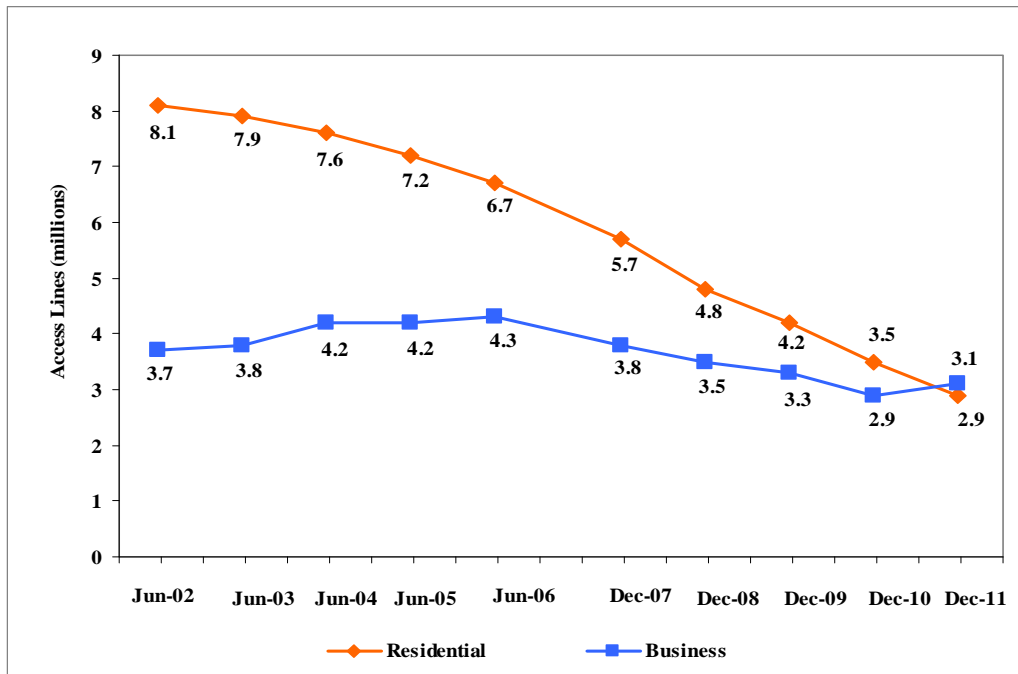
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<sup>41</sup> FCC, "Local Telephone Competition: Status as of June 30, 2011," June 2012, Table 9, <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2012/db0614/DOC-314631A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0614/DOC-314631A1.pdf)>, accessed June 20, 2012.

## 2. Access Line Overview

Local exchange companies were serving approximately 6.2 million lines in Florida as of December 31, 2011, a decline of 5.5 million lines from June 30, 2001. As Figure 3-3 illustrates, the number of residential lines has declined every year since 2001. The number of business lines has varied within a relatively narrow range of since 2002, generally lagging the business cycle. Business lines increased approximately 222,000 in 2011. For the first time since the FPSC has been producing this report, total (ILEC and CLEC) business access lines exceed total ILEC and CLEC residential access lines.

**Figure 3-3. Florida Access Line Trends**



Source: Responses to FPSC data requests (2003-2012)

Table 3-2 displays the residential and business access line counts for ILECs and CLECs from 2009 to 2011. Between December 2010 and December 2011:

- Total access lines in Florida decreased by 6 percent.
- Total ILEC access lines decreased by 8 percent, reflecting a 16 percent decrease in residential lines and a 6 percent increase in business lines.
- Total CLEC access lines increased by 4 percent.
- ILEC business access lines accounted for 42 percent of total ILEC lines in December 2011, compared to 28 percent in June 2001.
- CLEC business access lines accounted for 94 percent of total CLEC lines in December 2011, compared to 64 percent in June 2001.

**Table 3-2. Florida Access Line Comparison**

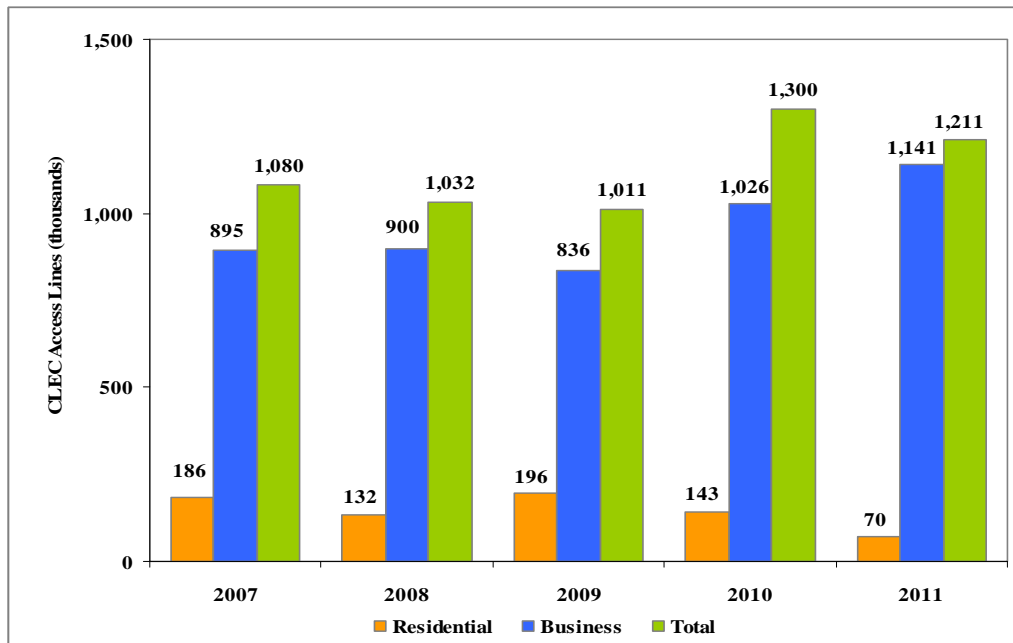
	Dec-09			Dec-10			Dec-11			Change from 2010
	Res	Bus	Total	Res	Bus	Total	Res	Bus	Total	
<b>ILECs</b>	3,960,176	2,433,601	6,393,777	3,360,755	1,906,314	5,267,069	2,809,826	2,013,846	4,823,672	<8%>
<b>CLECs</b>	196,214	829,176	1,025,390	142,873	1,025,993	1,168,866	70,259	1,140,816	1,211,075	4%
<b>Total</b>	4,156,390	3,262,777	7,404,448	3,503,628	2,932,307	6,435,935	2,880,085	3,154,662	6,034,747	<6%>

Source: Responses to FPSC data requests (2010-2012)

Figure 3-4 graphically displays CLEC residential and business access line counts from 2007 to 2011.

- CLEC residential access lines decreased by more than 70,000 from December 2010 to December 2011, a 51 percent decrease.<sup>42</sup>
- CLEC business access lines increased by approximately 115,000 from December 2010 to December 2011, a gain of 11 percent.

**Figure 3-4. Florida CLEC Lines**



Source: Responses to FPSC data requests (2008-2012)

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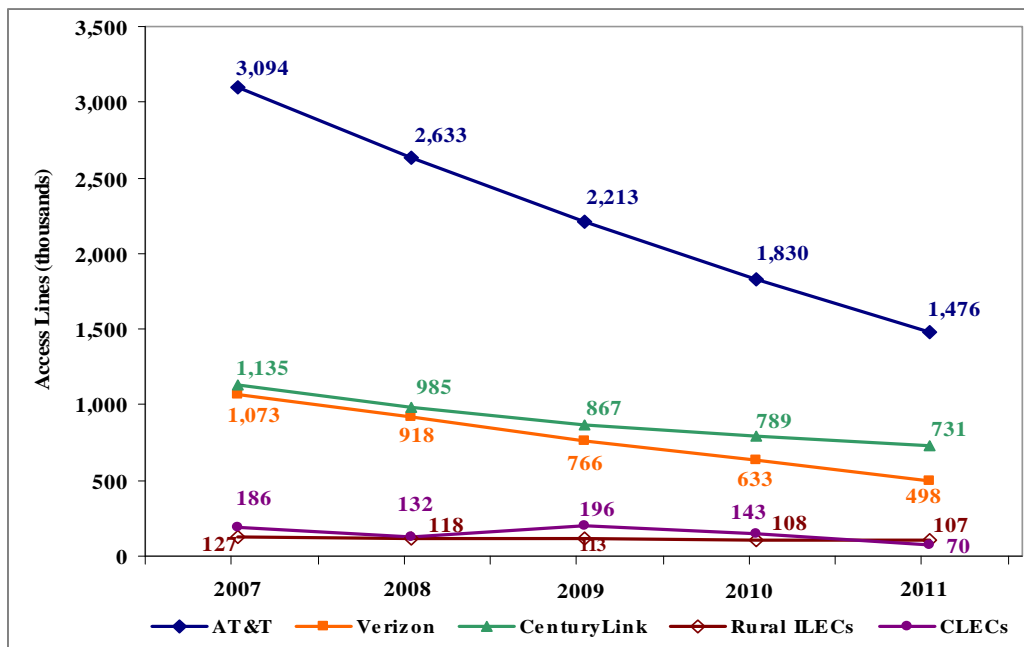
<sup>42</sup> Approximately 85 percent of the decline is due to reporting errors on the part of two CLECs. Revised data for 2010 was not available.

## C. Competitive Market Trends

### 1. Residential Access Line Trends

Figure 3-5 displays the residential access line trends separately for AT&T, Verizon, CenturyLink, the rural ILECs, and aggregate CLECs. Each individual ILEC and the CLECs in aggregate reported a decline in residential access lines from December 2010 to December 2011.

**Figure 3-5. Florida Residential Line Trends by ILECs and CLECs**



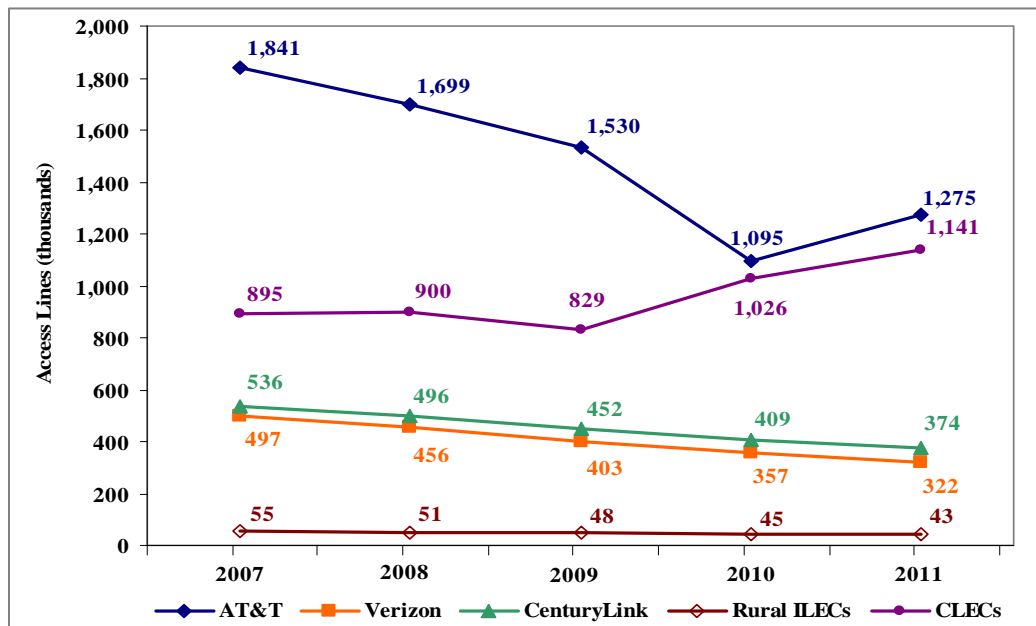
Source: Responses to FPSC data requests (2008-2012)

ILEC residential access lines declined for AT&T, Verizon, CenturyLink, and the rural ILECs at approximately the same rate in 2011 as in 2010. CLECs experienced a 51 percent decrease in residential access lines from December 2010 to December 2011, compared with a 27 percent loss from December 2009 to December 2010.

## 2. Business Access Line Trends

Figure 3-6 displays the business line trends for AT&T, Verizon, CenturyLink, the rural ILECs, and CLECs. ILEC business access lines generally trended downward in the last five years with the exception of AT&T in the most recent reporting period. There is no readily apparent explanation for the increase experienced by AT&T and the company offered none. CLEC business access lines increased by 24 percent in 2010 and by 11 percent in 2011.

**Figure 3-6. Florida Business Line Trends by ILECs and CLECs<sup>43</sup>**



Source: Responses to FPSC data requests (2008-2012)

## D. Pay Telephones

The estimated number of pay telephones in Florida dropped to approximately 7,000 in August 2011.<sup>44</sup> A more recent estimate reported by the Florida Pay Telephone Association as of June 2012, estimates there are approximately 5,100.<sup>45</sup> This is a reduction of 3,200 from the 8,300 reported as of December 2010.

<sup>43</sup> An adjustment to reflect ILEC affiliated CLEC business access lines as ILEC lines was inadvertently omitted for 2010 data and the data has been adjusted for the current report.

<sup>44</sup> Gary White, "Pay Phone Use Declining," NYT Regional Media Group, August 2, 2011, <<http://www.newschief.com/article/20110802/NEWS/108025030?template=printart>>, accessed on June 5, 2012.

<sup>45</sup> Estimate provide to FPSC staff via e-mail, June, 15, 2012.

## ***E. Competitive Market Analysis and Statutory Issues***

The 2011 Florida Legislature amended Chapter 364, F.S., and the amended sections became effective July 1, 2011. Some of those changes directly affect the form of this report. Section 364.386, F.S., previously contained six issues the Commission was required to address in its annual report on telecommunications competition. The amended statutes have only four issues the report must address. The new issues emphasize analysis of the impact of competition and regulatory changes on the telecommunications market.

### **1. 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 total number of access lines in Florida decreased by 8 percent. CLEC lines increased 4 percent between December 2010 and December 2011 and total CLEC market share in Florida increased to 20 percent in 2011 from 18 percent in 2010. In addition, Florida wireless subscribers increased in 2011, to 17.6 million (handsets in service)<sup>46</sup> and residential VoIP subscribership rose to nearly 2.4 million.<sup>47</sup> This data suggests that CLECs, VoIP, and wireless carriers are able to provide functionally equivalent services to residential and business customers at rates, terms and conditions acceptable to consumers. The number of CLECs offering a variety of services also indicates the availability of functionally equivalent services at comparable terms. Other services offered by the 117 CLECs that reported providing local service include:

- Bundles including services other than local voice (36 CLECs)
- VoIP (54 CLECs)
- Broadband Internet access (22 CLECs)
- Fiber to end users (3 CLECs)<sup>48</sup>
- Video service (7 CLECs)

The majority of CLECs reported no barriers to competition in the comment portion of the survey. A few carriers noted concern over the deregulation of ILECs and the inability to charge rates that are competitive with ILEC rates, due to the cost of wholesale service.

**Conclusion:** The majority of CLECs did not report any significant barriers to competition. Subscribers to CLEC, VoIP, and wireless services continued to increase in 2011, reflecting the opportunity for customers to seek out services from providers other than traditional ILECs. Many CLECs reported offering a variety of services and packages comparable to those offered by ILECs. All of these factors contribute to the conclusion that competitive providers are able to offer functionally equivalent services to both business and residential customers.

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<sup>46</sup> FCC, "Local Telephone Competition: Status as of June 30, 2011," June 2012, Table 18, <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2012/db0614/DOC-314631A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0614/DOC-314631A1.pdf)>, accessed June 20, 2012.

<sup>47</sup> Responses to FPSC data requests 2011 and 2012.

<sup>48</sup> Carriers that resell fiber loops provided by other carriers were not included.



## 2. The ability of consumers to obtain functionally equivalent services at comparable rates, terms, and conditions.

Customers may obtain functionally equivalent services via wireline telephony, wireless telephony, or VoIP. The primary focus of this report is the provision of wireline telecommunications by ILECs and CLECs, which submit responses to the FPSC's annual data request. As of December 31, 2011, 117 CLECs reported providing local voice service in contrast to 121 CLECs as of December 31, 2010, continuing the gradual decline in the number of CLECs providing service. CLECs can offer service through resale of an ILEC's or a CLEC's wholesale services, by using its own facilities, by leasing portions of its network from an ILEC, or a combination of any of these methods. According to the FCC, 40 percent of the total Florida access lines are provided by companies other than ILECs.<sup>49</sup>

ILEC business lines, as well as CLEC business lines increased marginally in 2011. This suggests that business customers have the ability to find reasonable pricing packages with both CLECs and ILECs and are taking advantage of the various options, which also include cable and in some cases, wireless providers. Residential ILEC lines decreased 16 percent in Florida in 2011, while nationally, wireless-only households continued to grow, reaching 34 percent through December 2011.<sup>50</sup> As reported in Chapter IV of this report, there are approximately 2.4 million interconnected residential VoIP subscribers in Florida.<sup>51</sup> These and other factors demonstrate that customers are able to find comparable services at reasonable prices through wireless, CLEC, and VoIP providers.

**Conclusion:** Both ILEC and CLEC business lines increased at comparable rates in 2011, indicating that business customers are finding comparably priced packages and functionally equivalent services with a variety of providers, which includes CLECs, cable providers, and wireless providers. Residential lines have maintained a steady decline and wireless-only households continue to grow consistent with the trend over the past several years. Providers are coping with the changing market by modifying the way consumers pay for their services and bundling pricing among wireline, wireless, and television services, further increasing customers' ability to select the services, providers, and pricing plans they prefer.

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<sup>49</sup> FCC, "Local Telephone Competition: Status as of June 30, 2011," June 2011, Tables 12, <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2012/db0614/DOC-314631A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0614/DOC-314631A1.pdf)>, accessed on June 15, 2012. Note: The referenced access lines consist of switched access lines as well as VoIP subscriber lines.

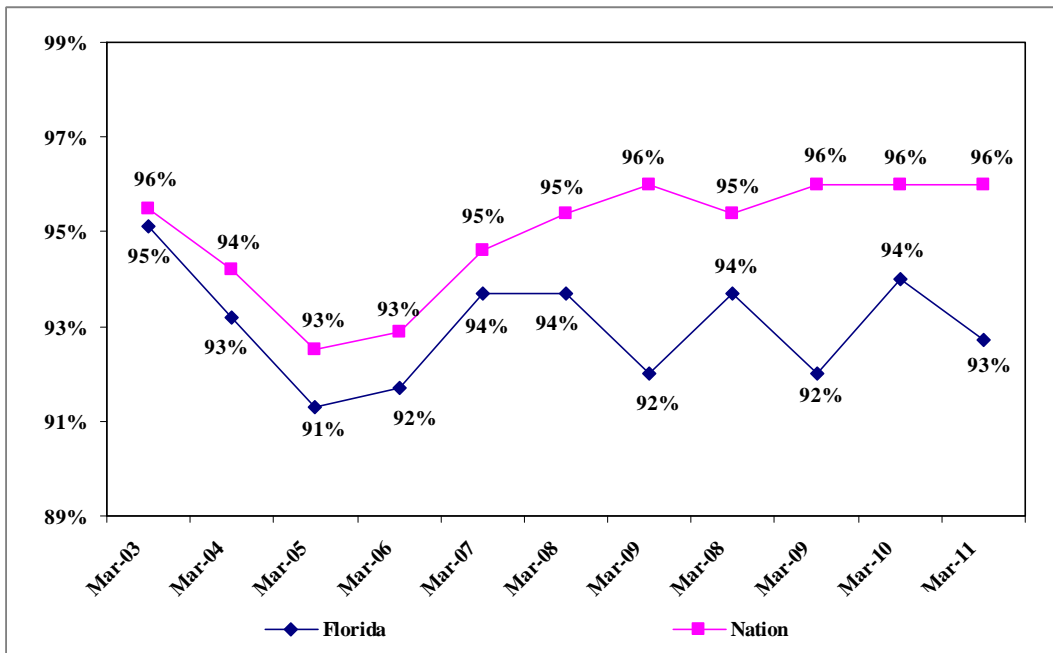
<sup>50</sup> Stephen J. Blumberg, Julian V. Luke, "Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July – December 2010," June 28, 2012, pp. 1-3, <<http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201206.pdf>>, accessed on June 28, 2012, p. 1.

<sup>51</sup> Responses to FPSC Local Competition Data Request for 2012.

### 3. The overall impact of competition on the maintenance of reasonably affordable and reliable high-quality telecommunications services.

The FCC reported that 93 percent of Florida households had telephone service as of July 2011, lower than the national penetration rate of 96 percent.<sup>52</sup> As shown in Figure 3-7, the Florida telephone penetration rate has consistently been below the national penetration rate, and the gap has varied from as little as one percent in 2003, to as much as four percent in 2009. The gap persists despite successful efforts in recent years by Florida carriers and the FPSC to make Lifeline and Link-Up benefits more accessible to eligible low-income consumers. The majority of Florida residents have a choice between several non-ILEC providers, with 10 or more providers available in 85 percent of Florida zip codes. Only 1 percent of the Florida population has no access to a non-ILEC provider.<sup>53</sup>

**Figure 3-7. Telephone Service Penetration: Florida vs. Nation**



Source: FCC, *Telephone Penetration by Income by State*

The CDC released a report on wireless substitution for the period July-December 2011 and found that 34 percent of adults live in wireless-only households.<sup>54</sup> While state-specific data on wireless-only households was not provided in the most recent CDC report, an April 2011

<sup>52</sup> FCC, “Telephone Subscriberhip in the United States as of July 2011,” December 2011, Table 3, <[http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-311523A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-311523A1.pdf)>, accessed on June 20, 2012.

<sup>53</sup> Ibid, Table 20.

<sup>54</sup> Stephen J. Blumberg, Julian V. Luke, “Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July-December 2011,” June 28, 2012, <<http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201206.pdf>>, accessed on June 29, 2012, p. 1.

report containing state-level data noted that Orange County had the highest wireless-only penetration rate in Florida at 34 percent. The CDC report found 12 percent of Florida adults living in households with only a wireline phone and 1.8 percent of Florida adults living without any kind of telephone service.<sup>55,56</sup> This data points to the conclusion that most Florida households are able to afford telephone service and have access to a variety of service providers, including ILECs, CLECs, VoIP, and wireless. This data also supports the fact that many consumers choose to subscribe to more than one type of telephone service.

Historically, regulatory reliability standards have applied to landline telecommunications service making it the most reliable telecommunications service. Reliability in landline networks is no longer insured as many states, including Florida, eliminated service quality standards. In a survey released by JD Power and Associates in May 2011, the cable companies Bright House Networks and Cox Communications ranked above traditional wireline carriers in customer satisfaction in the southern United States for the provision of residential telephone service.<sup>57</sup> The survey results add further credence to the idea that interconnected VoIP is viewed as a reliable alternative to traditional wireline service. Given the continued growth of interconnected VoIP and wireless-only households and the continued erosion of landline access lines, it appears that the reliability of these alternatives is acceptable to consumers. Moreover, mobility, pricing, and the demand for data-based services are consumer preference factors that may be changing how consumers view reliability.

**Conclusion:** Based on the continued growth of interconnected VoIP and wireless-only households and the ongoing erosion of landline access lines, network reliability of non-ILEC providers appears to be sufficient. The telephone penetration rate of 93 percent supports the conclusion that the overwhelming majority of Florida residents are able to afford telephone service. The number and variety of competitive choices among all types of service providers and recent high customer satisfaction rates for interconnected VoIP providers suggest that competition is having a positive impact on the telecommunications market in Florida.

#### **4. A listing and short description of any carrier disputes filed under Section 364.16, F.S.**

**Conclusion:** This information can be found in Appendix B. The number of docketed intercarrier complaints declined in 2011 and informal complaints increased and were attributable to a single CLEC.

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<sup>55</sup> Stephen J. Blumberg, Julian V. Luke, "Wireless Substitution: State-Level Estimates from the National Health Interview Survey, January 2007-June 2010," April 20, 2011, pp. 7-11, <<http://www.cdc.gov/nchs/data/nhsr/nhsr039.pdf>>, accessed on May 31, 2010.

<sup>56</sup> Since the CDC began reporting wireless-only household data in 2003 there has been a discrepancy between the data used by the CDC and the Current Population Survey (CPS) data reported by the FCC as it relates to the number of households reported as not having any telephone service available. A 2007 Public Opinion Quarterly paper titled "Household Telephone Service and Usage Patterns in the United States in 2004: Implications for Telephone Samples," suggests that CPS data likely overstates the number of households without any telephone service.

<sup>57</sup> "Customer Service Support Initiatives Help to Drive Industry-Wide Satisfaction Gains Among Residential Telephone Customers," J.D. Power and Assoc. Press Release, September 15, 2010, <<http://businesscenter.jdpower.com/news/pressrelease.aspx?ID=2010184>>, accessed May 31, 2011.



## Chapter IV. Wireless, VoIP, and Broadband

### A. Wireless

Over the past several years, wireless devices have evolved from voice only applications to multi-functional devices primarily utilized for data and text capabilities. Wireless substitution has continued to increase, with the latest CDC figures reporting that 34 percent of all households were wireless-only in the first half of 2011, up from 31.6 percent for the first half of 2011.<sup>58</sup> The vast majority of consumers of mobile broadband, including tablet and Smartphone owners, also have a home broadband connection. In 2011 and early 2012 broadband adoption continued to level off despite wide-ranging government initiatives aimed at increasing consumer access to the Internet. Smartphone adoption and mobile data usage, however, have increased exponentially in the U.S. and are projected to continue to increase as more connected devices become available at lower prices and carriers begin offering pricing plans that allow usage from multiple devices. In addition, some demographic groups are catching up in adoption and use of the Internet.

#### 1. Smartphones

Consumers are using their wireless phones more for online activities and downloading applications and less for voice conversations. Data currently accounts for 37 percent of wireless revenue, amounting to \$62.7 billion industry-wide in 2011. The average length of a wireless phone call has dropped to less than two minutes, down from just over three minutes prior to the introduction of the most popular Smartphones. Monthly voice usage, which peaked at 826 minutes in 2007, declined to 681 minutes in 2011.<sup>59</sup> From 2010 to 2011 Smartphone users increased the amount of time they spent using applications from 43 to 94 minutes per day. The number of monthly Smartphone application downloads also grew in that time period, from 400,000 to 2.1 billion.<sup>60</sup> As of December 2011, 47.6 percent of wireless consumers used applications and 47.5 percent used mobile browsers.<sup>61</sup>

The number of adult Americans with a Smartphone rose from 35 percent in April 2011 to 46 percent in February 2012. Remarkably, only 41 percent of Americans have a cell phone that is not considered a Smartphone. More adults in the U.S. have a Smartphone than a regular feature phone. Among Smartphone owners, 23 percent do not have any other broadband connection. If Smartphone owners were included in overall broadband subscribership numbers,

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<sup>58</sup> Stephen J. Blumberg, Julian V. Luke, "Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July – December 2010," June 28, 2012, pp. 1-3, <<http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201206.pdf>>, accessed on June 29, 2012, p. 1.

<sup>59</sup> Greg Bensinger, "Talking Less, Paying More for Voice," *The Wall Street Journal*, June 5, 2012, <<http://allthingsd.com/20120606/talking-less-paying-more-for-voice/>>, accessed on June 10, 2012.

<sup>60</sup> John B. Horrigan, "Broadband Adoption in 2012," March 20, 2012, <<http://www.technet.org/wp-content/uploads/2012/03/TechNet-NBP-Broadband-Report-3-20-2012-FINAL1.pdf>>, accessed on June 10, 2012.

<sup>61</sup> Comscore, "2012 Mobile Future in Focus," February 2012, <[http://www.comscore.com/Press\\_Events/Presentations\\_Whitepapers/2012/2012\\_Mobile\\_Future\\_in\\_Focus](http://www.comscore.com/Press_Events/Presentations_Whitepapers/2012/2012_Mobile_Future_in_Focus)>, accessed on June 11, 2012.

the total number of American adults with broadband access would rise marginally, to 73 percent.<sup>62</sup>

The demographic gap in home broadband adoption between whites at 66 percent and blacks and Hispanics at 50 percent, is nonexistent or reversed when it comes to Smartphone adoption. Forty-nine percent of blacks and forty-nine percent of Hispanics own Smartphones, compared to forty-five percent of white, non-Hispanic adults.<sup>63</sup> The largest growth in Smartphone adoption occurred in larger households (six or more persons), but other demographic groups with notable jumps in Smartphone adoption included those with annual incomes of less than \$25,000, retirees, and people aged 55-64.<sup>64</sup>

A recent Pew study on Smartphone owners noted that:

- All major demographic groups experienced an increase in Smartphone adoption over the last year, with many groups at or above 60 percent.
- Only 13 percent in the 65+ age group own a Smartphone.<sup>65</sup>

By December of 2011, mobile devices such as tablets, Smartphones, and e-book readers represented 8 percent of total Internet traffic in the U.S. There were over 400 different varieties of Smartphones offered on the market at that time. The most important factor cited when choosing a mobile device was price, followed by network quality, and operating system. Analysts have forecast that by the end of 2012 more than half of the U.S. market will use Smartphones as their primary mobile device.<sup>66</sup>

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<sup>62</sup> John B. Horrigan, "Broadband Adoption in 2012," March 20, 2012, <<http://www.technet.org/wp-content/uploads/2012/03/TechNet-NBP-Broadband-Report-3-20-2012-FINAL1.pdf>>, accessed June 10, 2012.

<sup>63</sup> Aaron Smith, Kathryn Zickuhr, "Digital Differences," April 13, 2012, <<http://pewinternet.org/Reports/2012/Digital-differences.aspx>>, accessed June 10, 2012.

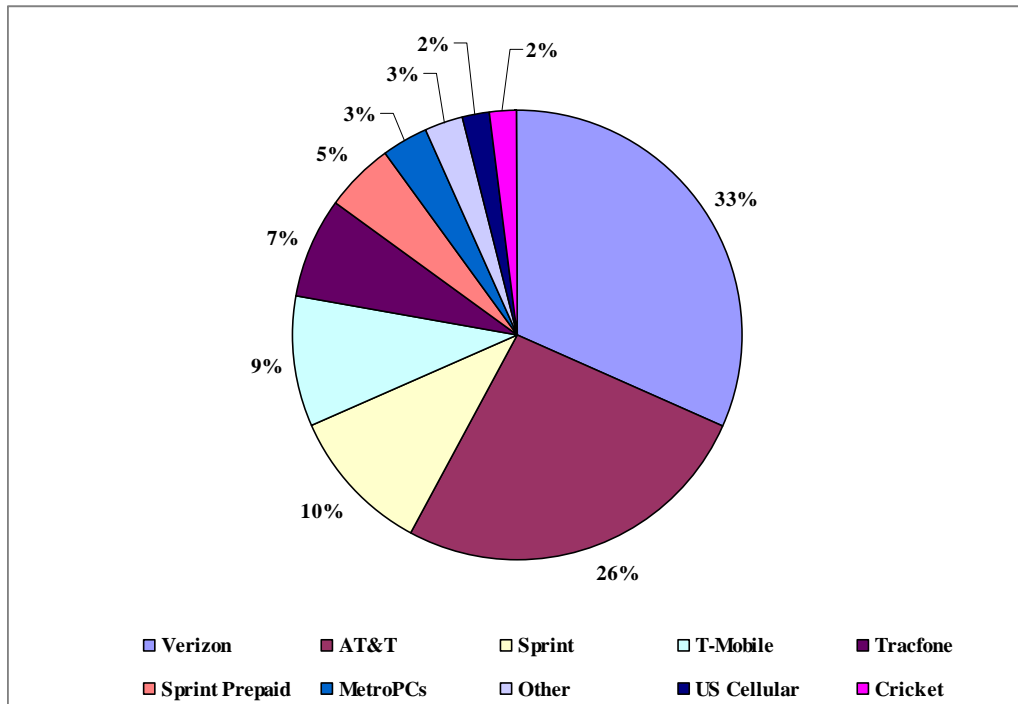
<sup>64</sup> Comscore, "2012 Mobile Future in Focus," February 2012, <[http://www.comscore.com/Press\\_Events/Presentations\\_Whitepapers/2012/2012\\_Mobile\\_Future\\_in\\_Focus](http://www.comscore.com/Press_Events/Presentations_Whitepapers/2012/2012_Mobile_Future_in_Focus)>, accessed June 11, 2012.

<sup>65</sup> Aaron Smith, "46% of American Adults are Smartphone Owners," March 1, 2012, <<http://pewinternet.org/~media/Files/Reports/2012/Smartphone%20ownership%202012.pdf>>, accessed June 11, 2012.

<sup>66</sup> Comscore, "2012 Mobile Future in Focus," February 2012, <[http://www.comscore.com/Press\\_Events/Presentations\\_Whitepapers/2012/2012\\_Mobile\\_Future\\_in\\_Focus](http://www.comscore.com/Press_Events/Presentations_Whitepapers/2012/2012_Mobile_Future_in_Focus)>, accessed June 11, 2012.

As seen in Figure 4-1, 78 percent of the U.S. wireless market is composed of the four main carriers: AT&T, Sprint, Verizon, and T-Mobile. Verizon leads the industry with 33 percent of subscribers, followed by AT&T with 26 percent, Sprint with 10 percent, and T-Mobile with 9 percent. However, AT&T accounts for the largest share of the Smartphone market, with 33 percent.<sup>67</sup>

**Figure 4-1. U.S. Network Operator Share of Total Mobile Market**



Source: Comscore

## 2. Florida Trends

In Florida, the number of wireless handsets in service was 2 percentage points higher than the national average in the most recent FCC report and reached a total of 17.6 million, an increase of only 2 percent from December 2010.<sup>68</sup> Overall growth of wireless phone subscription in Florida has mirrored the national trend as the market reaches saturation. Since the end of 2003, wireless handsets in service in Florida have exceeded wireline subscriptions.

<sup>67</sup> Ibid.

<sup>68</sup> FCC, “Local Telephone Competition: Status as of June 30, 2011,” June 2012, Table 18, <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2012/db0614/DOC-314631A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0614/DOC-314631A1.pdf)>, accessed on June 20, 2012.

## **B. Voice over Internet Protocol (VoIP)**

As in prior years, the number of Florida residences and businesses subscribing to VoIP services increased. The FCC's most recent data reports approximately 28.6 million interconnected residential VoIP subscribers and nearly 4.5 million business subscribers nationwide as of June

2011.<sup>69</sup> This represents a 16 percent increase of total interconnected VoIP subscribers nationwide from June 2010.<sup>70</sup> Data collected by the FPSC shows an estimated 2.4 million residential interconnected VoIP service subscribers in Florida as of December 2011.<sup>71</sup>

### **1. National Market Analysis**

The VoIP market continues to be dominated by cable companies while traditional wireline carriers, such as AT&T and Verizon made gains with their fiber-based offerings. Other ILECs and CLECs also increased their VoIP service subscriptions. In addition, public Internet service providers, including Google and Skype are also providing VoIP services. Reliable information on subscribership is not available for all carriers.

#### **a. Facilities-Based VoIP Providers**

ILECs, CLECs, and cable companies provide interconnected VoIP services. Cable companies continue to dominate the facilities-based VoIP market with an estimated 25.4 million residential VoIP subscribers as of June 2011 according to the FCC.<sup>72</sup> More recent data are available from publicly traded carriers. Comcast, the largest cable company nationally, had 9.3 million VoIP subscribers at the end of 2011. Time Warner Cable and Cablevision Systems had 4.7 million and 2.4 million VoIP subscribers respectively over the same time period. All the large cable companies continue to experience growth in VoIP subscribers, but at a significantly slower rate. For example, from 2007 to 2008, these companies experienced VoIP growth rates that ranged between 15 to 30 percent. For 2011, that range fell to 4 to 8 percent.

Wireline telephone companies continue to deploy facilities-based VoIP services over fiber-based facilities. While AT&T and Verizon continue to show losses in traditional voice access lines, both companies have posted gains associated with their other service offerings. AT&T reported approximately 2.3 million U-verse voice subscribers at year-end 2011, up substantially from the 1.7 million connections in 2010.<sup>73</sup> Verizon reported 1.9 million FiOS

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<sup>69</sup> FCC, "Local Telephone Competition: Status as of June 2011," Table 10 and Table 11, June 2012, <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2012db0614/DOC-314631A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2012db0614/DOC-314631A1.pdf)>, accessed on June 15, 2012.

<sup>70</sup> FCC, "Local Telephone Competition: Status as of June 2010," Table 8, March 2011, <[http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-305297A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-305297A1.pdf)>, accessed June 4, 2012.

<sup>71</sup> Responses to FPSC Local Competition Data Request 2012.

<sup>72</sup> FCC, "Local Telephone Competition: Status as of June 2011," Table 10 and Table 11, June 2012, <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2012db0614/DOC-314631A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2012db0614/DOC-314631A1.pdf)>, accessed on June 15, 2012.

<sup>73</sup> AT&T 2011 Annual Report, <[http://www.att.com/Common/about\\_us/files/pdf/ar2011\\_annual\\_report.pdf](http://www.att.com/Common/about_us/files/pdf/ar2011_annual_report.pdf)> accessed on June 7, 2012.



Digital Voice subscribers at the end of 2011, more than double the 817,000 reported a year earlier.<sup>74</sup>

## **b. Over-the-Top VoIP Providers**

Over-the-top VoIP providers offer low-priced stand alone interconnected VoIP service. Service reliability and call quality, however, varies because calls are transmitted over the public Internet rather than private managed IP-based networks.<sup>75</sup> The price advantage over the bundled services offered by facilities-based VoIP providers has allowed over-the-top VoIP providers to attract customers. Vonage, 8x8, Inc., Skype, Google, and magicJack are some of the leading over-the-top VoIP providers. Some of these companies have also introduced mobile VoIP services that take advantage of consumers' mobile broadband connections to offer service.<sup>76</sup>

Reliable information on subscribership is not widely available for over-the-top providers. Some available data suggest that certain market segments are performing better than others. For example, Vonage, a publicly traded company, reports 2.4 million subscribers at year-end 2011, a decline of about 30,000 customers since year end 2010.<sup>77</sup> By comparison, 8x8, Inc., which is almost exclusively focusing on the business market, ended 2011 with 27,667 customers, a 19 percent increase from the previous year.<sup>78</sup>

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<sup>74</sup> Verizon Communications' Financial and Operating Information, Wireline – Selected Operating Statistics, <[http://www22.verizon.com/idc/groups/public/documents/adacct/2012\\_q1\\_foi\\_xls.xls](http://www22.verizon.com/idc/groups/public/documents/adacct/2012_q1_foi_xls.xls)>, from <[http://www22.verizon.com/investor/investor\\_home.htm](http://www22.verizon.com/investor/investor_home.htm)>, accessed on June 7, 2012.

<sup>75</sup> The phrase “over-the-top VoIP” refers to a VoIP service that requires a consumer to obtain broadband access from another company.

<sup>76</sup> Andrew Burger, “Report: Mobile VoIP Growing Exponentially, but Revenues Remain Small,” *Telecompetitor*, October, 20, 2011, <<http://www.telecompetitor.com/report-mobile-voip-growing-exponentially-but-revenues-remain-small/>>, accessed on June 8, 2012.

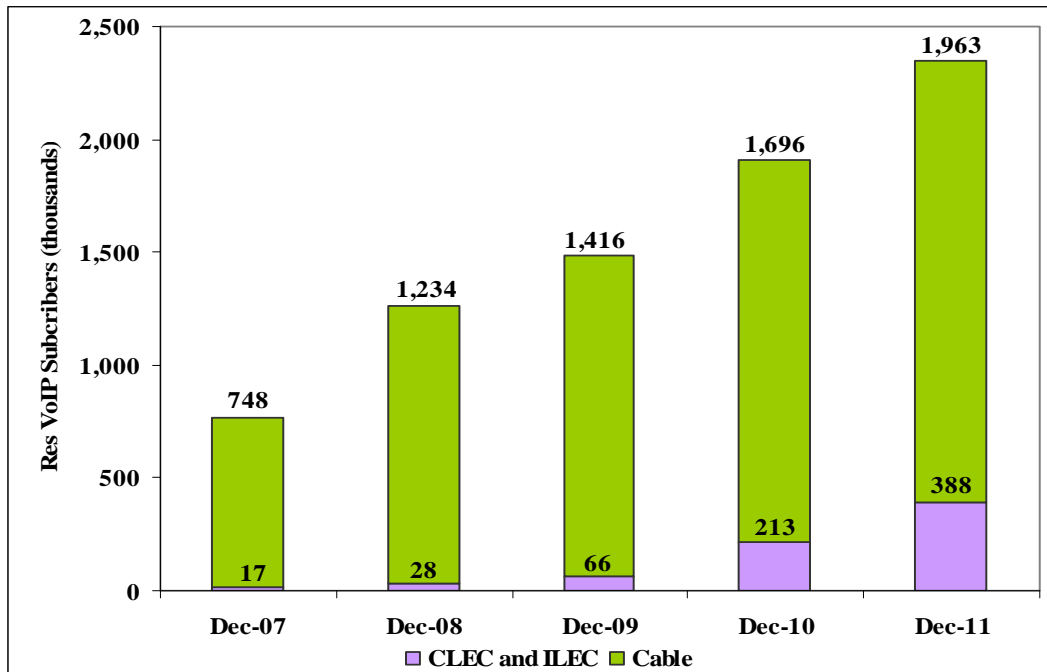
<sup>77</sup> Vonage Holdings Corp., Form 10-K, December 31, 2011, <<http://www.sec.gov/Archives/edgar/data/1272830/000127283012000022/vg10-k.htm>>, accessed on June 4, 2012. Note that approximately 94 percent of Vonage's customers are U.S. subscribers.

<sup>78</sup> 8x8, Inc., Form 10-K, March 31, 2012, <<http://www.sec.gov/Archives/edgar/data/1023731/000113626112000328/body10k.htm>>, accessed on June 4, 2012.

## 2. Florida Market

Limitations exist in determining an accurate estimate of VoIP subscribers in Florida because the Commission does not have jurisdiction over VoIP service. However, the FCTA reported residential VoIP line data for its six largest member providers and a number of CLECs and ILECs voluntarily responded to the Commission's data request. Based on a review of available data, there are an estimated 2.4 million residential interconnected VoIP subscribers in Florida. Figure 4-2, shows the number of residential interconnected VoIP subscribers in Florida, by provider type, as of year-end 2011.

**Figure 4-2. Florida Residential Interconnected VoIP Subscribers<sup>79</sup>**



Source: Responses to FPSC data requests (2008-2011)

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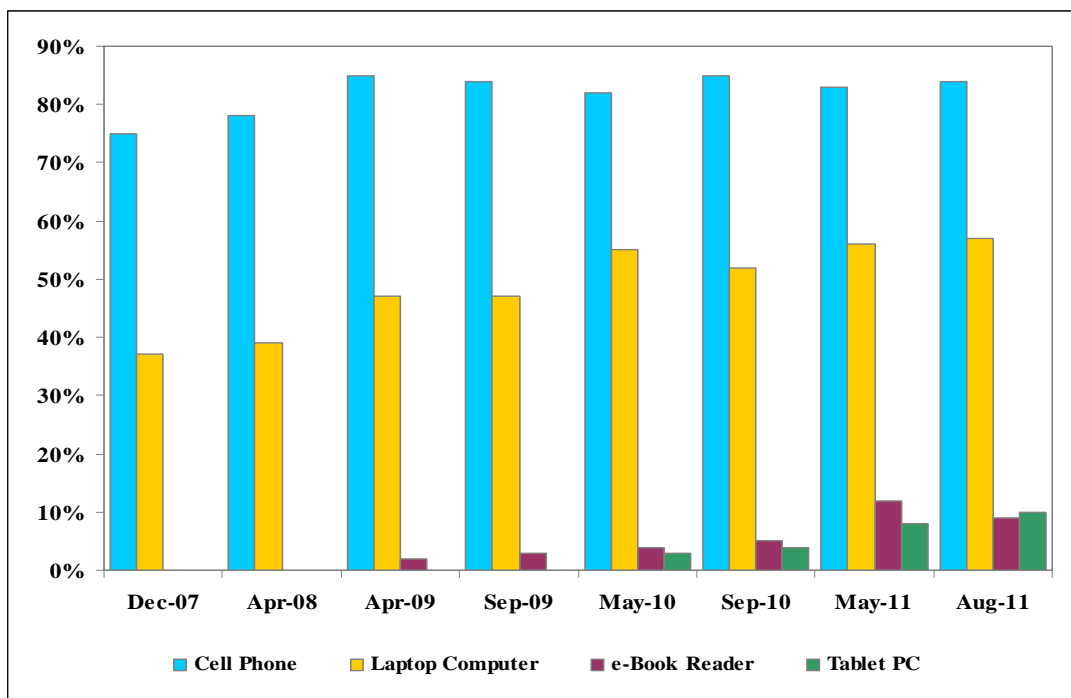
<sup>79</sup> The CLEC and ILEC totals for data years 2007 through 2011 have been corrected to remove double counting of one carrier previously reported in both the CLEC and ILEC and Cable categories.

## C. Broadband

### 1. National Broadband Trends

According to the most recent report by the Pew Internet and American Life Project, 62 percent of adults currently subscribe to broadband service from their homes.<sup>80</sup> Pew reports that the most interesting and potentially important development over the past year is the increase in people accessing the Internet wirelessly on multiple devices. Figure 4-3, illustrates the shift in mobile device ownership over time.

**Figure 4-3. Adult Mobile Device Ownership Over Time**



Source: Pew Internet and American Life Project

Demographic groups that traditionally were less likely to have a home broadband connection, such as minorities, those without a college education, and low income individuals, are more likely to use a Smartphone as their only source of the Internet, increasing, although marginally, the total number of Americans who are online.<sup>81</sup> Notable differences in broadband adoption in 2011 included:

<sup>80</sup> Aaron Smith, Kathryn Zickuhr, "Digital Differences," April 13, 2012, <<http://pewinternet.org/Reports/2012/Digital-differences.aspx>>, accessed on June 10, 2012.

<sup>81</sup> Ibid.

- Black, non-Hispanic survey participants subscribed to broadband services at a rate of 49 percent, compared to Hispanics at 51 percent and whites at 66 percent.
- Households with annual household incomes of over \$75,000 subscribe to broadband at the rate of 59 percent, in contrast to only 41 percent for households with incomes of less than \$30,000, 66 percent in the \$30,000 to \$49,000 range, and 81 percent in the \$50,000 to \$74,000 range.
- Fifty-four percent of adults with a disability use the Internet.
- Of respondents with a college degree, 85 percent accessed broadband at home compared to 22 percent without a high school diploma.<sup>82</sup>

The Pew survey also found that 22 percent of American adults are not using the Internet at all, nearly half of whom said they do not use the Internet because they are not interested or it is not relevant to their lives. Only 21 percent of non-Internet users cited price related reasons. The most frequent online activities listed by adults included shopping at 71 percent, use of social networking sites at 61 percent, and online banking 61 percent.<sup>83</sup>

## 2. Florida Broadband Trends

In Florida, 42 percent of households have a fixed broadband connection with download speeds of at least 3 Mbps and 73 percent of households have fixed broadband connections of 200 kbps or greater, according to the most recent FCC report.<sup>84</sup> The FCC also reported that cable modem service accounts for 56 percent of non-mobile broadband connections in Florida with download speeds greater than 200 kbps.<sup>85</sup> Mobile broadband connections account for 54 percent of all Florida broadband connections with download speeds in excess of 200 kbps.<sup>86</sup>

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<sup>82</sup> Aaron Smith, Kathryn Zickuhr, "Digital Differences," April 13, 2012, <<http://pewinternet.org/Reports/2012/Digital-differences.aspx>>, accessed June 10, 2012.

<sup>83</sup> Ibid.

<sup>84</sup> FCC, "Internet Access Services: Status as of June 30, 2011," released June 2012, Table 15 and Table 16, <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2012/db0614/DOC-314630A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0614/DOC-314630A1.pdf)>, accessed June 16, 2012.

<sup>85</sup> Ibid, Table 18.

<sup>86</sup> Ibid.

## Chapter V. State Activities

### A. Intercarrier Matters

#### 1. Verizon / Bright House Access Charge Complaint

In 2011, Bright House Networks, Florida, filed a complaint against Verizon Florida for failure to pay intrastate access charges on telecommunications traffic originating on Bright House's VoIP network.<sup>87</sup> Verizon contended because the traffic originated on a VoIP system, the traffic was inherently interstate in nature and not appropriate for intrastate access compensation. During the pendency of the complaint, the FCC issued a Notice of Proposed Rule Making, finding that it had not declared VoIP-originated traffic to be inherently interstate in nature. Subsequent to the FCC's notice, the parties filed for a voluntary dismissal of the complaint.

#### 2. AT&T / Express Phone Dispute

The dispute relates to Express Phone's allegation that AT&T Florida failed to honor Express Phone's request to adopt the interconnection agreement (ICA) between AT&T and another CLEC.<sup>88</sup> Express Phone contends that the alleged failure would violate the federal Telecommunications Act of 1996.

On April 4, 2011, AT&T filed its response arguing that Express Phone had not honored its commitments under the ICA but instead, under the guise of a billing dispute, has stopped paying its bills contrary to ICA language which states that Express Phone must "make payment to AT&T for all services billed including disputed amounts." AT&T opposed Express Phone's request to adopt a different agreement alleging Express Phone had no right to switch from one ICA to another since the current ICA is in effect until November 2011. At its June 14, 2011 Commission Conference the FPSC found that Express Phone could not adopt a different ICA because it was in material breach of its existing ICA. Express Phone protested the order and an evidentiary hearing was held May 3, 2012. On July 17, 2012, the Commission adopted the staff's recommendation that Express Phone could not adopt an alternative ICA when it failed to materially comply with its existing ICA.

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<sup>87</sup> Docket No. 110056-TP – Complaint against Verizon Florida, LLC and MCI Communications Services, Inc. d/b/a Verizon Business Services for failure to pay intrastate access charges for the origination and termination of intrastate interexchange telecommunications service, by Bright House Networks Information Services (Florida), LLC.

<sup>88</sup> Docket No. 110087-TP, In re: Notice of adoption of existing interconnection, unbundling, resale, and collocation agreement between BellSouth Telecommunications, Inc. d/b/a AT&T Florida d/b/a AT&T Southeast and Image Access, Inc. d/b/a NewPhone, Inc. by Express Phone Service, Inc.

### **3. AT&T / Halo Complaint and Petition for Relief<sup>89</sup>**

On July 25, 2011, AT&T Florida (AT&T) filed a Complaint and Petition for Relief (Complaint) against Halo Wireless, Inc. (Halo). In the Complaint, AT&T alleges that Halo has violated the terms of the parties' ICA by terminating traffic to AT&T which was not originated on a wireless network, in order to avoid the payment of access charges to AT&T. On August 8, 2011, Halo filed for Chapter 11 Bankruptcy Protection in the United States Bankruptcy Court for the Eastern District of Texas. Subsequent to the bankruptcy filing Halo filed a Notice of Removal with the District Court in Tallahassee, in which Halo sought to remove the pending (but stayed) Commission proceeding to the United States District Court for the Northern District of Florida. On December 9, 2011, the District Court issued its Order of Remand, whereby the District Court remanded this matter back to the Commission for further proceedings. A hearing on the case was held July 12, 2012. The Commission is scheduled to consider staff's recommendation at its September 18, 2012 agenda conference.

### **4. Qwest Discrimination Complaint**

Qwest Communications Company, LLC (Qwest), filed a complaint against a large number of CLECs on December 11, 2009, regarding rate discrimination in connection with the provision of intrastate switched access services.<sup>90</sup> Qwest seeks relief from all parties for engaging in unlawful rate discrimination. Specifically, Qwest alleges that by extending contracts to other interexchange carriers' for switched access, advantages were withheld from Qwest. The complaint further alleges that all parties have failed to abide by their pricelists, and charged Qwest more for switched access than other similarly situated interexchange companies. The Commission addressed several procedural filings in this docket and a hearing on the issues is scheduled for October 23-25, 2012.

### **5. STS complaint**

The Commission ordered further proceedings on a request for injunctive relief filed by Saturn Telecommunication Services, Inc. (STS). STS initially filed its request in 2009<sup>91</sup> to restrict AT&T from implementing a different ordering system – used by CLECs to provision network elements leased from AT&T – than was in use at the time the complaint was filed. The initial request was denied by the Commission, but audits of AT&T's system were ordered and the parties were directed to attempt to negotiate their differences. At issue through-out the pendency of the dispute has been the error rate some CLECs experience when attempting to

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<sup>89</sup> Docket No. 110234-TP, Complaint and petition for relief against Halo Wireless, Inc. for breaching the terms of the wireless interconnection agreement, by BellSouth Telecommunications, LLC d/b/a AT&T Florida.

<sup>90</sup> Docket No. 090538-TP, In re: Amended Complaint of Qwest Communications Company, LLC against MCImetro Access Transmission Services (d/b/a Verizon Access Transmission Services); XO Communications Services, Inc.; tw telecom of florida, l.p.; Granite Telecommunications, LLC; Broadwing Communications, LLC; Access Point, Inc.; Birch Communications, Inc.; Budget Prepay, Inc.; Bullseye Telecom, Inc.; DeltaCom, Inc.; Ernest Communications, Inc.; Flatel, Inc.; Navigator Telecommunications, LLC; PaeTec Communications, Inc.; STS Telecom, LLC; US LEC of Florida, LLC; Windstream NuVox, Inc.; and John Does 1 through 50, for unlawful discrimination.

<sup>91</sup> Docket No. 090430-TP – Amended petition for verified emergency injunctive relief and request to restrict or prohibit AT&T from implementing its CLEC OSS-related releases, by Saturn Telecommunication Services, Inc. d/b/a Earthlink.

order network elements from AT&T. The parties dispute the cause of the errors and at its February 2, 2012 Commission Conference, the Commission directed its staff to pursue specific areas of inquiry aimed at resolving the dispute.

## **6. Wholesale Performance Measurement Plans**

Wholesale performance measurement plans provide a standard against which the Commission can monitor performance over time to detect and correct any degradation in the quality of service ILECs provide to CLECs. The Commission adopted performance measurements for AT&T in August 2001, for CenturyLink in January 2003, and for Verizon in June 2003. Trending analysis is applied to monthly performance measurement data provided by each ILEC.

AT&T is the only ILEC that is required to make payments to CLECs when certain performance measures do not comply with established standards and benchmarks. AT&T's approved Performance Assessment Plan consists of 47 measurements, of which 24 measurements have remedies applied to them. For the calendar year 2011, AT&T paid approximately \$1,043,011 in remedies to CLECs, an increase of 35 percent from 2010.

CenturyLink's current Performance Measurement Plan contains 36 performance measures designed to ascertain if the ILEC is providing nondiscriminatory service to CLECs. For the 2011 calendar year, CenturyLink's monthly compliance with established standards ranged from 88.5 percent to 96.0 percent.

Verizon's current Performance Measurement Plan contains more than 40 measures. For the calendar year 2011, Verizon's monthly compliance with approved standards ranged from 82.4 percent to 92.5 percent.

### ***B. Telephone Relay Service***

In January 2011, the Commission initiated a competitive bidding process for a three-year contract to provide telecommunications relay service for telecommunications customers who are deaf, hard of hearing, deaf and blind, or speech impaired,<sup>92</sup> to take effect June 1, 2012. Based on discussions between staff and potential bidders, a request for proposals (RFP) was developed and issued.

Bids were received from AT&T Corp., Sprint Communications Co., L.P. (the incumbent provider), and Hamilton Telecommunications Co. At a Commission Conference in September 2011, the Commission determined the initial RFP was flawed and could result in the awarding of the contract to a company which ultimately would not be the lowest bidder over the life of the contract. The Commission rejected all bids, directed staff to redraft the RFP and rebid the contract. In February 2012, the Commission awarded the contract to AT&T. As part of its

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<sup>92</sup> Docket No. 110013-TP – Request for submission of proposals for relay service, beginning in June 2012, for the deaf, hard of hearing, deaf/blind, or speech impaired, and other implementation matters in compliance with the Florida Telecommunications Access System Act of 1991.

proposal, AT&T committed to establish a Miami Relay Call Center creating an estimated 30 Florida jobs.

### **C. Florida Broadband Grant Projects**

The Florida Department of Management Services received federal grant funding in January 2010 for \$2.5 million to develop a broadband map for Florida and broadband planning for the state. In September 2010, the Department was awarded an additional \$6.3 million to extend the mapping project through 2014 and initiate four additional broadband projects. The four projects are library technology assessments, E-rate assistance, broadband grants assistance, and regional broadband planning.

**Broadband Mapping** – Efforts to maintain the map are ongoing, focusing on building Florida’s database for household broadband availability and broadband use by anchor institutions. The most recently compiled data will be submitted for the national broadband map in October 2012.<sup>93</sup> Data will be updated bi-annually through the end of 2014.

**Library Technology Assessment** – This project inventoried and reported on Florida’s 180 public libraries and was completed by the end of the 2<sup>nd</sup> quarter of 2012. The assessment helped to identify libraries whose broadband needs are the greatest.

**E-rate Assistance** – In 2011, comparably populated states such as California, New York, and Texas received significantly more E-rate funding than Florida.<sup>94</sup> In an effort to improve Florida’s benefit from the program, the E-rate assistance team provided technical training seminars throughout the state to assist potential applicants and served as a technical resource on multiple school and library E-rate applications, including follow-up assistance and application monitoring. The project is funded through 2014.

**Grants Assistance** – In Fiscal Year 2010, Florida ranked 48th in federal program grant funds per capita.<sup>95</sup> The grants assistance team seeks out broadband related grant funding opportunities, matches them to prospective recipient anchor institutions, and provides technical assistance in grant writing applications. The group recently assisted a group of panhandle and south Georgia hospitals in their efforts to secure grant funding for a regional telehealth broadband network.

**Regional Broadband Planning** – This project will develop and provide Florida communities with a broadband planning process, tool kits, and training to local communities and regions who wish to develop broadband plans as part of their economic development efforts. This two-year project is approximately 50 percent complete and will soon enter the pilot phase in South Central and Southwest Florida, including Polk, Charlotte, Lee and Collier counties.

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<sup>93</sup> The Florida broadband map can be accessed online at <<http://www.connect-florida.org/>>.

<sup>94</sup> FCC, "Universal Service Monitoring Report, CC Docket 98-202, 2011 (data received through October 2011)," December 2011, <[http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-311775A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-311775A1.pdf)>, accessed on June 21, 2011.

<sup>95</sup> "Federal Aid to States for Fiscal Year 2010," U.S. Census Bureau, Economics and Statistics Administration, U.S. Department of Commerce, Figure 5, issued September 2011, <<http://www.census.gov/prod/2011pubs/fas-10.pdf>>, accessed on June 20, 2012.



## Chapter VI. Federal Activities

### A. Universal Service

Consumers in Florida pay significantly more into the federal Universal Service Fund (USF) than what is returned to eligible service providers in Florida.<sup>96</sup> For this reason, the FPSC continues to actively monitor and participate in ongoing proceedings at the FCC and with the Federal-State Joint Board on Universal Service (Joint Board). Table 6.1 shows Florida's estimated contribution and receipts for 2010. For the second year in a row, Florida was a net recipient in the Low Income support programs (Lifeline and Link-up), which is one of four broad support categories that comprise the federal universal service program.

**Table 6-1. 2010 Federal Universal Service Programs in Florida**  
(Annual Payments and Contributions in Thousands of Dollars)

	2008	2009	2010	2010	2010
	Estimated Net 2008	Estimated Net 2009	Payments to Service Providers	Estimated Consumers Contributions 2010	Estimated Net 2010
High-Cost	(\$219,566)	(\$215,511)	\$67,693	\$279,131	(\$211,439)
Low Income	(30,033)	6,431	88,201	86,055	2,146
Schools & Libraries	(40,365)	(49,183)	107,719	149,287	(41,568)
Rural Health Care	(3,009)	(3,189)	226	5,622	(5,395)
Total <sup>97</sup>	(\$304,268)	(\$273,936)	\$263,839	\$526,991	(\$263,152)

Source: FCC 2011, 2010, and 2009 Universal Service Monitoring Report, Table 1.12

### 1. Reform of Universal Service

On November 18, 2011, the FCC released its Report and Order and Further Notice of Proposed Rulemaking (Order and FNPRM) addressing reform for both the federal high-cost

<sup>96</sup> FCC, "Universal Service Monitoring Report," CC Docket No. 98-202, released December 2011, Table 1.12, <[http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-311775A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-311775A1.pdf)>, accessed on April 25, 2012.

<sup>97</sup> The total contribution in this table includes approximately \$105 million in administrative expenses for the Universal Service Administrative Company.

universal service programs and intercarrier compensation (ICC).<sup>98</sup> Many of the issues relating to reform of the high-cost fund have been under consideration for a number of years. This Order represents one of the most meaningful reforms of the program in the last decade and is over 700 pages in length. In general, the results of this Order will expand support beyond voice services to explicitly support the deployment of broadband networks. Comments of the FPSC were cited in a number of places in the Order.

### **a. Establishing the Connect America Fund**

The FCC created the Connect America Fund (CAF), which will ultimately replace all existing high-cost support mechanisms. The goal of the CAF is to make broadband available in areas that do not, or would not otherwise, have broadband. This includes mobile voice and broadband networks. The FCC also created a Mobility Fund that will provide up to \$300 million in one-time support to accelerate deployment of networks for mobile voice and broadband services in unserved areas. Ongoing Mobility Fund support of up to \$500 million per year is planned in areas where services would be unavailable absent federal support.

#### **Budget & Enforcement**

The FCC established a budget for the high-cost programs. The annual funding target is set at no more than \$4.5 billion per year over the next 6 years. This represents the same funding level as the high-cost program for Fiscal Year 2011. The administrator of the fund is directed by the FCC to forecast total high-cost demand at “no less than \$1.125 billion” per quarter.<sup>99</sup> Excess contributions will be credited to a new Connect America Fund reserve account, as opposed to lowering consumers’ contribution factor in subsequent quarters. The FPSC addressed similar issues in reply comments to the FCC urging the FCC to reduce the burden on consumers by lowering the assessment factor, even if the lower rate would only be temporary.<sup>100</sup>

If the budget is projected to be exceeded, an automatic review will be triggered. While the Order states that this budget will ensure that individual consumers will not pay more in contributions, the Order does not impose a cap as was used with both the Schools and Library Program or the Rural Healthcare Program. The FCC states that this budgetary target will remain in place until changed by a vote of the FCC, and that it may adjust the appropriate size of each of the remaining high-cost programs within the budget as needed. In comments before the FCC, the FPSC supported capping the size of the high-cost fund and conditioned support of expanding supported services to include broadband only if there was no additional growth to the size of the fund.<sup>101</sup>

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<sup>98</sup> FCC 11-161, Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 10-90, In the Matter of Connect America Fund, released November 18, 2011, ¶560, <<http://www.fcc.gov/document/fcc-releases-connect-america-fund-order-reforms-usficc-broadband>>, accessed on May 24, 2012.

<sup>99</sup> *Ibid.*, ¶560.

<sup>100</sup> Reply Comments, WC Docket No. 05-337, October 21, 2010.

<sup>101</sup> Comments, WC Docket No. 05-337, April 14, 2011; Reply Comments, August 11, 2010; Ex Parte Comments, December 15, 2009; Reply Comments, December 2, 2008; Comments, March 24, 2008.

### **Identical Support Rule**

The FCC eliminated the identical support rule that determines the amount of support for competitive Eligible Telecommunication Carriers (ETCs) today. The Order freezes identical support per study area as of year end 2011, and phases down existing support over a five-year period beginning on July 1, 2012. The gradual phase down it adopts, in conjunction with the new funding provided by the Mobility Fund, is intended to ensure that over \$900 million is provided to mobile carriers for each of the first 4 years of reform (through 2015). The FPSC supported the elimination of the identical support rule in numerous comments and reply comments before the FCC.<sup>102</sup>

### **Broadband Performance Requirements**

The FCC adopted an initial minimum broadband speed benchmark for Connect America Fund (CAF) recipients of 4 Mbps downstream and 1 Mbps upstream.<sup>103</sup> In reply comments to the FCC, the FPSC supported a broadband speed benchmark of 3 Mbps downstream and 768 kbps upstream to minimize the impact expanding supported services would have on the size of the high-cost fund.<sup>104</sup>

### **Eliminating Support for Areas with an Unsubsidized Competitor**

The FCC concluded that it would phase out all high-cost support received by incumbent rate-of-return carriers over three years in areas where an unsubsidized competitor(s) meets certain criteria. The unsubsidized carrier must offer voice and broadband service that meets its performance obligations and serve 100 percent of the residential and business locations in the incumbent's study area.

## **2. Reform of Lifeline and Link-Up<sup>105</sup>**

On June 21, 2011, the FCC released a Report and Order (Order) to address waste in the universal service Lifeline and Link-Up programs.<sup>106</sup> It specifically addressed duplicative program payments for multiple Lifeline-supported services to the same individual. These measures will ensure that Lifeline support is limited to the amount necessary to provide access to telecommunications service to qualifying low-income consumers. The low-income programs doubled over the last decade to almost \$1 billion.<sup>107</sup> According to the Universal Service

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<sup>102</sup> Comments, WC Docket No. 05-337, April 14, 2011; Reply Comments, December 2, 2008; Comments, March 24, 2008.

<sup>103</sup> Ibid, ¶93.

<sup>104</sup> Comments, WC Docket No. 05-337, April 14, 2011.

<sup>105</sup> The Lifeline and Link-Up programs under the Universal Service Fund provide support to qualifying low-income consumers to ensure access to telephone service.

<sup>106</sup> FCC, Report and Order, FCC 11-97, WC Docket Nos. 11-42 and 03-109, CC Docket No. 96-45, released June 21, 2011, <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2011/db0621/FCC-11-97A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2011/db0621/FCC-11-97A1.pdf)>, accessed on June 5, 2012 .

<sup>107</sup> FCC, "2010 Universal Service Monitoring Report," released December 2010, Table 2.2, <[http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-303886A4.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-303886A4.pdf)>, accessed June 5, 2012.

Administrative Company, competitive ETCs, including wireless ETCs, now have more Lifeline subscribers than incumbent ETCs.<sup>108</sup>

The FPSC filed comments in the proceeding supporting many of the reforms contained in this Order on April 6, 2011.<sup>109</sup> The FCC Order clarified its rules to expressly bar more than one benefit per subscriber per household, and will notify consumers with multiple subsidies that they are only allowed to have one. The FCC's Order takes the following actions:

- The Universal Service Administrative Company (USAC) must notify consumers receiving multiple Lifeline benefits that they are allowed only one Lifeline-subsidized phone service.
- Consumers have 30 days to choose which subsidized phone service to keep (consistent with FPSC comments).
- The company or companies not chosen by the consumer must de-enroll the consumer from Lifeline within five days after notification by USAC of the consumer's choice.
- At the end of the process, consumers will have no more than one Lifeline phone service.
- The rules adopted do not address issues of disqualification based on non-usage (as recommended in FPSC comments), but will be addressed in a future reform order.

## ***B. Intercarrier Compensation***

As part of its comprehensive effort to reform both intercarrier compensation and federal high-cost support, the FCC moved to change the existing intercarrier compensation regime.<sup>110</sup> A key component of the reform is the decision to transition intrastate access charges to mirror interstate access charges. This transition will reduce intrastate access charge rate levels thereby reducing intrastate revenues for local exchange carriers. The FCC preempts states that have jurisdiction over intrastate access charges, and asserts that states should assume responsibility for continuing to assist in the negotiation of interconnection agreements. The FCC also suggests that states should continue serving as arbiters for interconnection disputes. The FCC believes that revisions outlined in the Order will result in:

- Reduced rates and improved service quality for wireless and long distance customers.
- More innovative communications offerings.

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<sup>108</sup> In 2010, 54.65 percent of low-income program disbursements went to competitive ETCs, while incumbent ETCs received 45.35 percent of low-income disbursements. Universal Service Administrative Company, 2010 Annual Report, at 13 (2010), <[http://usac.org/\\_res/documents/about/pdf/usac-annual-report-2010.pdf](http://usac.org/_res/documents/about/pdf/usac-annual-report-2010.pdf)>, accessed on June 5, 2012.

<sup>109</sup> The associated Notice of Proposed Rulemaking that was released by the FCC on March 4, 2011.

<sup>110</sup> Bill-and-keep is a pricing arrangement for the interconnection of two telecommunications carriers under which each network agrees to terminate calls from the other network at no charge.

- Improved fairness and efficiency of subsidies flowing into high-cost rural areas.
- The elimination of barriers to the transformation of today's telephone networks into all-IP broadband networks.

Some states have already appealed the FCC's legal authority over preemption of intrastate access ratemaking relative to access charges and the transition to bill-and-keep.<sup>111</sup> The FPSC does not have explicit legislative authority to address intrastate access charge reform. Section 364.163, F. S., previously capped the intrastate access rates, however, those caps sunset on July 1, 2010.

### **1. Access Stimulation**

The FCC sought to address access stimulation in its Order. Access stimulation is a form of competitive distortion that occurs when a LEC with high switched access rates enters into an agreement with a provider of high call volumes. This results in inflated access minutes terminated to the LEC, and the LEC then agrees to share a portion of its increased access revenues with the subscriber. Access stimulation artificially inflates the cost of interstate calls and cost long-distance carriers more than \$2.3 billion over the past 5 years.<sup>112</sup> The Order establishes conditions which, if met, require a LEC to reduce its interstate switched access rates to parity with the rates of the price cap LEC in the state with the lowest rates.<sup>113</sup>

### **2. Phantom Traffic**

The FCC's Order establishes new rules to combat phantom traffic. Phantom traffic is traffic that terminating networks receive lacks identifying information that allows carriers to properly assess terminating access charges. Phantom traffic makes up anywhere from 3-20 percent of traffic on carriers' networks and has the potential to cost consumers hundreds of millions of dollars annually.<sup>114</sup> Carriers also claim that they are forced to divert resources in order to investigate and pursue billing disputes. The Order modified federal rules to require originating providers to supply certain information, including calling party number, for all voice traffic, regardless of jurisdiction. The FCC also prohibited interconnecting carriers from stripping or altering call signaling information.

## **C. National Broadband Plan**

According to the FCC's progress report on the National Broadband Plan (NBP), the actions described in the plan are 87 percent completed, with some work remaining primarily on

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<sup>111</sup> States that have filed appeals include Arizona, Kansas, Ohio, Pennsylvania, and Vermont.

<sup>112</sup> FCC 11-161, Order, WC Docket No 10-90, released on November 18, 2011, p. 213.

<sup>113</sup> The first condition that would have to be met is a complaint regarding a provider that has entered into a revenue sharing agreement. The second condition occurs when a LEC's traffic volume either has a three-to-one interstate terminating-to-originating ratio in a calendar month or has more than 100 percent growth in switched access minutes-of-use in a month.

<sup>114</sup> FCC 11-161, Order, WC Docket No 10-90, released on November 18, 2011, p. 227.

the public safety network and E-Rate program reform.<sup>115</sup> The National Broadband Map designed in the NBP has been updated twice and now contains data submitted from nearly 1,800 broadband providers. The map is also now accessible as a mobile site and is updated twice a year with a searchable database currently containing over 20 million records collected from providers in all 50 states.<sup>116</sup>

The FCC released application criteria and a timeline for implementation of the broadband adoption Lifeline Pilot Program (Pilot Program) that was discussed in the NBP. The Commission budgeted \$25 million for the Pilot Program which will be used to support subsidized broadband through a number of ETCs over a 12-month period. The Wireline Competition Bureau is tasked with selecting a “diverse array” of projects that include different demographic areas and technology types. The entire program will last 18 months, with 3 months initially for administrative work, 12 months of subsidized service, and 3 months for data analysis. Applicants will be selected in the fall of 2012 to participate.<sup>117</sup>

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<sup>115</sup> A complete list of FCC completed actions relating to the National Broadband Plan can be found at <<http://www.broadband.gov/plan/broadband-progress-report.html>>.

<sup>116</sup> Joan Engebretson, “Upgraded National Broadband Map Draws on Broader Database,” *telecompetitor*, March 5, 2012, <<http://www.telecompetitor.com/upgraded-national-broadband-map-draws-on-broader-database/>>, accessed on June 14, 2012.

<sup>117</sup> FCC 12-683, Public Notice, released April 30, 2012, <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2012/db0430/DA-12-683A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0430/DA-12-683A1.pdf)>, accessed on June 14, 2012.

## Appendix A. List of Certificated CLECs as 12/31/11

\*\*Indicates that the company did not respond to the Commission's data request.

360networks (USA) inc.	Birch Telecom of the South, Inc. d/b/a Birch Telecom d/b/a Birch d/b/a Birch Communications
365 Wireless, LLC	Bright House Networks Information Services (Florida), LLC
AboveNet Communications, Inc.	Broadband Communities of Florida, Inc.
Absolute Home Phones, Inc.	Broadband Dynamics, L.L.C.
Access Communications, LLC.	BroadRiver Communication Corporation
Access Media 3, Inc.	**Broadstar, LLC d/b/a PrimeCast
Access One, Inc.	Broadview Networks, Inc.
Access Point, Inc.	Broadvox-CLEC, LLC
Access2go, Inc.	Broadwing Communications, LLC
ACN Communication Services, Inc.	Brydels Communications, LLC
Advanced Communications Southeast, Inc.	BT Communications Sales LLC
Aero Communications, LLC	Budget PrePay, Inc. d/b/a Budget Phone
Affordable Phone Services, Inc.	BudgeTel Systems, Inc.
Airespring, Inc.	BullsEye Telecom, Inc.
ALEC, Inc.	Business Telecom, Inc. d/b/a BTI
Alternative Phone, Inc.	Callis Communications, Inc.
**American Fiber Network, Inc.	Cbeyond Communications, LLC
American Telephone Company LLC	Centennial Florida Switch Corp.
Americatel Corporation	Century Tel Fiber Company II, LLC d/b/a LightCore, a CenturyLink limited liability company
ANEW Broadband, Inc.	Cincinnati Bell Any Distance Inc.
Assurance Home Phone Services, Inc.	City of Daytona Beach
Astro Tel, Inc.	City of Gainesville, a municipal corporation d/b/a GRUCom
AT&T Communications of the Southern States, LLC d/b/a AT&T	City of Lakeland
ATC Outdoor DAS, LLC	City of Ocala
Atlantic.Net Broadband, Inc.	City of Quincy d/b/a netquincy d/b/a netquincy.com d/b/a www.netquincy.com
ATN, Inc. d/b/a AMTEL NETWORK, INC.	Clear Rate Communications, Inc.
Backbone Communications Inc.	Cogent Communications of Florida LHC, Inc.
**Baldwin County Internet/DSSI Service, L.L.C.	Comcast Business Communications, LLC d/b/a Comcast Long Distance
Bandwidth.com CLEC, LLC	Comcast Phone of Florida, LLC d/b/a Comcast Digital Phone d/b/a CIMCO, a Division of Comcast Business Services
BCN Telecom, Inc.	
BellSouth Long Distance, Inc. d/b/a AT&T Long Distance Service	
BellSouth Telecommunications, Inc. d/b/a AT&T Florida d/b/a AT&T Southeast	
Benchmark Communications, LLC d/b/a Com One	
BetterWorld Telecom LLC d/b/a BetterWorld Telecom	
Birch Communications, Inc.	

## Appendix A. List of Certificated CLECs as 12/31/11

Comtech21, LLC  
Convergia, Inc.  
CoreTel Florida, Inc. d/b/a CoreTel  
Covista, Inc.  
Cox Florida Telcom, L.P. d/b/a Cox  
    Communications d/b/a Cox Business  
    d/b/a Cox  
Crexendo Business Solutions, Inc.  
Custom Network Solutions, Inc.  
Dedicated Fiber Systems, Inc.  
DeltaCom, Inc.  
Dialtone Telecom, LLC  
DIECA Communications, Inc. d/b/a Covad  
    Communications Company  
Digital Express, Inc.  
DIGITALIPVOICE, INC.  
DPI Teleconnect, L.L.C.  
DRS Training & Control Systems, LLC.  
DSCI Corporation  
DSL Internet Corporation d/b/a DSLi  
DSLnet Communications, LLC  
DukeNet Communications, LLC  
Easy Telephone Services Company  
ElectroNet Intermedia Consulting, Inc.  
Embarq Communications, Inc. d/b/a  
    CenturyLink Communications  
ENA Services, LLC  
Enhanced Communications Network, Inc.  
    d/b/a Asian American Association  
Entelegent Solutions, Inc.  
Ernest Communications, Inc.  
EveryCall Communications, Inc.  
Excelacom Light, LLC.  
Express Phone Service, Inc.  
ExteNet Systems, Inc.  
FiberLight, LLC  
First Choice Technology, Inc.  
First Communications, LLC  
FL CLEC LLC  
FLATEL, Inc.  
FlatPhone, Inc. d/b/a FlatPhone  
Florida Hearing and Telephone Corporation  
    d/b/a Florida Hearing and Telephone  
Florida Multi Media Services, Inc. d/b/a  
    Florida Multi Media  
Florida Phone Systems, Inc.  
Florida Telephone Services, LLC  
Fort Pierce Utilities Authority d/b/a  
    GigaBand Communications  
FPL FiberNet, LLC  
France Telecom Corporate Solutions L.L.C.  
Frontier Communications of America, Inc.  
General Computer Services, Inc. d/b/a  
    BeCruising Telecom  
Georgia Public Web, Inc.  
Global Connection Inc. of America (of  
    Georgia)  
Global Crossing Local Services, Inc.  
Global Response Corporation  
Gracias VRS, LLC.  
Granite Telecommunications, LLC  
Great America Networks, Inc.  
GTC Communications, Inc.  
Harbor Communications, LLC  
Hayes E-Government Resources, Inc.  
Home Town Telephone, LLC  
Hotwire Communications, Ltd.  
Hypercube Telecom, LLC  
IBC Telecom Corp.  
IDT America, Corp. d/b/a IDT  
Image Access, Inc. d/b/a NewPhone, Inc.  
inContact, Inc. d/b/a UCN  
iNetworks Group, Inc.  
Infotelecom, LLC  
IntelePeer, Inc.  
Intellicall Operator Services, Inc. d/b/a ILD  
Intellifiber Networks, Inc.  
Interactive Services Network, Inc. d/b/a ISN  
    Telcom  
InterGlobe Communications, Inc.  
International Integrated Solutions, LLC  
    d/b/a International Network Solutions,  
    LLC  
Internet & Telephone, LLC  
Intrado Communications Inc.  
ITS Telecommunications Systems, Inc.



## Appendix A. List of Certificated CLECs as 12/31/11

J C Telecommunication Co., LLC  
Kenarl Inc. d/b/a Lake Wellington  
Professional Centre  
Kissimmee Utility Authority  
Knology of Florida, Inc.  
Latin American Nautilus, U.S.A., Inc.  
\*\*Legacy Global Telecom  
Level 3 Communications, LLC  
Liberty Bell Telecom, LLC d/b/a Dish  
Network Phone & Internet  
Lightspeed CLEC, Inc.  
Lightyear Network Solutions, LLC  
Likwid Communications, Inc.  
Linkup Telecom, Inc.  
Litestream Holdings, LLC  
Madison River Communications, LLC d/b/a  
CenturyLink  
\*\*Local Telecommunications Services-  
Florida, LLC  
Marco Island Cable, Inc.  
Maryland TeleCommunication Systems, Inc.  
MassComm, Inc. d/b/a Mass  
Communications  
Matrix Telecom, Inc. d/b/a Matrix Business  
Technologies also d/b/a Trinsic  
Communications also d/b/a Excel  
Telecommunications also d/b/a VarTec  
Telecom also d/b/a Clear Choice  
Communications  
MBC Telecom LLC  
MCC Telephony of Florida, LLC  
McGraw Communications, Inc  
MCImetro Access Transmission Services  
LLC d/b/a Verizon Access Transmission  
Services  
McLeodUSA Telecommunications Services,  
LLC.  
Metropolitan Telecommunications of  
Florida, Inc. d/b/a MetTel  
Miami-Dade Broadband Coalition, Inc.  
Micro Comm, Inc.  
Mitel NetSolutions, Inc.  
Momentum Telecom, Inc.  
MOSAIC NETWORKX, LLC  
Mountain Communications, LLC  
MULTIPHONE LATIN AMERICA, INC.  
Navigator Telecommunications, LLC  
\*\*NET TALK.COM, INC.  
Network Billing Systems, LLC  
Network Operator Services, Inc.  
Network Telephone Corporation d/b/a  
Cavalier Telephone d/b/a Cavalier  
Business Communications  
Neutral Tandem Florida, LLC  
New Edge Network, Inc. d/b/a New Edge  
Networks  
New Horizons Communications Corp.  
New Talk, Inc.  
NextG Networks of NY, Inc. d/b/a NextG  
Networks East  
Nexus Communications, Inc. d/b/a Nexus  
Communications TSI, Inc.  
North County Communications Corporation  
Norstar Telecommunications, LL  
North American Telecommunications  
Corporation  
NOS Communications, Inc. d/b/a  
International Plus d/b/a O11  
Communications d/b/a The Internet  
Business Association d/b/a I Vantage  
Network Solutions  
\*\*Novus Communications, Inc.  
One Voice Communications, Inc.  
OneTone Telecom, Inc.  
Opextel LLC d/b/a Alodiga  
Optical Telecommunications, Inc. d/b/a  
HControl Corporation d/b/a SH Services  
LLC  
Orlando Telephone Company, Inc. d/b/a  
Summit Broadband  
Pac West Telecomm, Inc.  
PaeTec Communications, Inc.  
Peerless Network of Florida, LLC  
PeerTel Communication, LLC  
Phone Club Corporation

## Appendix A. List of Certificated CLECs as 12/31/11

PNG Telecommunications, Inc. d/b/a  
PowerNet Global Communications d/b/a  
CrossConnect d/b/a Thr!ve  
Communications  
Preferred Long Distance, Inc.  
Primus Telecommunications, Inc.  
Protection Plus of the Florida Keys, Inc.  
d/b/a ENGAGE COMMUNICATIONS  
Public Wireless, Inc.  
QuantumShift Communications, Inc.  
Qwest Communications Company, LLC  
Reliance Globalcom Services, Inc.  
ReTel Communications, Inc.  
Rightlink USA, Inc.  
Ring Connection, Inc.  
RNK Inc. d/b/a RNK Communications Inc.  
Rosebud Telephone, LLC  
Sage Telecom, Inc.  
Sago Broadband, LLC  
Sandhills Telecommunications Group, Inc.  
d/b/a SanTel Communications  
Saturn Telecommunication Services Inc.  
d/b/a STS Telecom  
Servi Express Caracol d/b/a Telefonica  
Express  
Shands Teaching Hospital and Clinics, Inc.  
Sign Language Access, Inc. d/b/a callVRS  
SIP Interchange Corporation  
SKYNET360, LLC  
Smart City Networks, Limited  
Partnership  
Smart City Solutions, LLC d/b/a Smart City  
Communications  
\*\*SNC Communications, LLC  
Southeastern Services, Inc.  
Southern Light, LLC  
Southern Telecom, Inc. d/b/a Southern  
Telecom of America, Inc.  
Spectrotel, Inc. d/b/a One Touch  
Communications d/b/a Touch Base  
Communications  
Sprint Communications Company Limited  
Partnership  
STS Telecom, LLC  
Sun Tel USA, Inc.  
Sunesys, LLC  
T3 Communications, Inc. d/b/a Tier 3  
Communications d/b/a Naples  
Telephone and d/b/a Fort Myers  
Telephone  
Talk America Inc. d/b/a Cavalier Telephone  
d/b/a Cavalier Business  
Communications  
TCG South Florida  
TelCentris Communications, LLC  
Telco Experts, LLC  
TelCove Operations, Inc.  
Tele Circuit Network Corporation  
Telecom Management, Inc. d/b/a Pioneer  
Telephone  
Teleconnect of California, LLC d/b/a  
Teleconnect LLC  
TeleDias Communications, Inc.  
Telepak Networks, Inc.  
TelOps International, Inc. d/b/a AmTel  
Telovations Inc.  
Telrite Corporation  
Tennessee Telephone Service, LLC d/b/a  
Freedom Communications USA, LLC  
Terra Nova Telecom, Inc.  
The Boeing Company  
The Other Phone Company, Inc. d/b/a  
Cavalier Telephone d/b/a Cavalier  
Business Communications  
The Ultimate Connection, L.C. d/b/a  
DayStar Communications  
Think 12 Corporation d/b/a Hello Depot  
Touchtone Communications Inc. of  
Delaware  
TQC Communications, Corp.  
Tristar Communications Corp.  
tw telecom of florida l.p.  
U.S. Metropolitan Telecom, LLC  
US LEC of Florida, LLC d/b/a PAETEC  
Business Services  
US Signal Company, L.L.C.  
US Telesis, Inc.

## Appendix A. List of Certificated CLECs as 12/31/11

Utility Board of the City of Key West d/b/a  
Keys Energy Services  
Vanco US, LLC  
VBNet, Incorporated  
Velocity The Greatest Phone Company  
Ever, Inc.  
Verizon Florida LLC  
Verizon Select Services Inc.  
Vixxi Solutions Inc.  
VoDa Networks, Inc.  
Voxbeam Telecommunications Inc.  
Wholesale Carrier Services, Inc.

Wide Voice, LLC  
WiMac Tel, Inc.  
Windstream KDL, Inc.  
Windstream Norlight, Inc.  
Windstream NTI, Inc.  
Windstream NuVox, Inc.  
WonderLink Communications, LLC  
WTI Communications, Inc.  
XO Communications Services, Inc.  
XYN Communications of Florida, LLC  
YMax Communications Corp.  
Zone Telecom, Inc.



## Appendix B. Summary of Complaints Filed By LECs

Carrier		Date Opened	Complaint or Docket Number	Description	Date Closed	Resolution
AstroTel	Windstream	02/03/11	0993164T	Complaint regarding having difficulty getting customer's lines set up in a timely fashion/technical errors with installation.	03/29/11	The order was corrected and customer's account was properly set up.
AstroTel	Windstream	02/03/11	0993215T	Same as above.	03/29/11	Same as above
AstroTel	Verizon	02/03/11	099323T	Same as above.	02/28/11	Same as above
AstroTel	Windstream	02/11/11	0994518T	Same as above.	03/29/11	Same as above
AstroTel	Verizon	03/07/11	0997959T	Complaint about Verizon failing to properly expedite an order with an address issue.	04/13/11	The order was corrected and expedited.
Easy Telephone Services	Bellsouth	03/09/11	110065-TP	Dispute over cash back promotions.	06/02/11	Commission issued an order and complaint was closed.
Express Phone Service	Bellsouth	03/15/11	110071-TP	Complaint regarding interpretation of the interconnection agreement	02/03/12	Express Phone voluntarily dismissed the complaint without prejudice.
AstroTel	Verizon	10/14/11	1034468T	Complaint against Verizon for incorrectly setting up service to a consumer's home and then refusing to correct the issue, resulting in the customer going without service.	10/14/11	Loop provided/problem corrected same day the complaint was filed



<b>Glossary</b>	
Access Line	The circuit or channel between the demarcation point at the customer's premises and the serving end or class 5 central office.
Backhaul	In wireless networks, the connection from an individual base station (tower) to the central network (backbone). Typical backhaul connections are wired high-speed data connections (T1 line, etc.), but they can be wireless as well (using point-to-point microwave or WiMax, etc.).
Broadband	A term describing evolving digital technologies offering consumers integrated access to voice, high-speed data services, video on demand services, and interactive information delivery services.
Circuit	A fully operational two-way communications path.
CLEC	<i>Competitive Local Exchange Company.</i> Any company certificated by the Florida Public Service Commission to provide local exchange telecommunications service in Florida on or after July 1, 1995.
DSL	<i>Digital Subscriber Line.</i> A family of technologies (including variations such as asynchronous DSL, high bit-rate DSL, very high bit-rate DSL, etc.) that provides high-speed Internet access. DSL is typically provided by traditional wireline telecommunications companies via a copper loop to the customer's premises. DSL is the principal non-wireless competition of cable modems.
Exchange	An ILEC's central office or group of central offices, together with the subscribers' stations and lines connected thereto, forming a local system which furnishes means of telephonic communication without toll charges between subscribers within a specified area, usually a single city, town, or village.
FiOS	FiOS is Verizon's suite of voice, video, and broadband services provisioned over fiber optic cable directly to the customer premises. FiOS can currently provide Internet access with maximum download speed of 300 Mbps and upload speed of 65 Mbps.
ICA	<i>Interconnection Agreement.</i> An interconnection agreement is a contract that establishes the rates, terms and conditions that govern the business relationship between telecommunications companies.
ILEC	<i>Incumbent Local Exchange Company.</i> Any company certificated by the FPSC to provide local exchange telecommunications service in Florida on or before June 30, 1995.
Intermodal	The use of more than one type of technology or carrier to transport telecommunications services from origination to termination. When referring to local competition, intermodal refers to nonwireline voice communications such as wireless or VoIP.

## Glossary

Internet Protocol (IP)	The term refers to all the standards that keep the Internet functioning. It describes software that tracks the Internet address of nodes, routes outgoing messages, and recognizes incoming messages.
Resale	The 1996 Act requires ILECs to offer to its competing telecommunications carriers, at wholesale rates, any telecommunications service that the ILEC provides to its customers at retail rates, so that the competing carriers can resell the services.
Spectrum	In wireless, this refers to the radio portion of the electromagnetic spectrum. The radio spectrum spans a certain limited frequency range. The range of frequencies useful for cell phones is small. The FCC oversees the allocation of these frequencies in the U.S. Sections of spectrum are called "bands." Each of these bands are further subdivided into blocks, and these blocks are then licensed to individual wireless carriers.
Switched Access	Local exchange telecommunications company-provided exchange access services that offer switched interconnections between local telephone subscribers and long distance or other companies. Long distance companies use switched access for origination and termination of user-dialed calls.
Telecommunications Act of 1996 (the 1996 Act)	The federal Telecommunications Act of 1996 established a national framework to enable CLECs to enter the local telecommunications marketplace.
U-verse	U-verse is the brand name of AT&T for a group of services provided via Internet Protocol (IP), including television service, Internet access, and voice telephone service. Similar to Verizon's FiOS service, AT&T's U-verse is deployed using fiber optic cable.
Universal Service	This term describes the financial support mechanisms that constitute the national universal service fund. This fund provides compensation to telephone companies or other communications entities for providing access to telecommunications services at reasonable and affordable rates throughout the country, including rural, insular, high-cost areas, and public institutions.
VoIP	<i>Voice over Internet Protocol</i> . The technology used to transmit voice conversations over a data network using Internet Protocol.
Wireline	A term used to describe the technology used by a company to provide telecommunications services. Wireline is synonymous with "landline" or land-based technology.