

THE STATUS OF TELECOMMUNICATIONS COMPETITION IN UTAH



Seventh Annual Report to the Governor,
Legislature, and the Public Utilities and Technology
Interim Committee

Utah Public Service Commission
www.psc.utah.gov

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INTRODUCTION

The Utah Public Service Commission submits this “Seventh Report on the Status of Telecommunications Competition in Utah” to the Governor, the Legislature, and the Public Utilities and Technology Interim Committee. The report, prepared with the assistance of the Division of Public Utilities (“Division”), outlines access line growth, market share of competing industry participants, alternative service technology providers, and economic changes impacting the current state of competition in the telecommunications industry. The Utah Telecommunications Act of 1995 and the Federal Telecommunications Act of 1996 (“Telecom Act”) contain a number of provisions that are intended to open local markets to competition. We have been monitoring and analyzing the level of competition annually since our first report on local competition was issued in 1998. Through the years, we have been responsible for enforcing the public policy goals assigned in both pieces of legislation and have worked to meet the longstanding public policy goal of universal service and competition throughout Utah’s telecommunication’s markets. This has benefitted consumers through lower prices, higher quality services, and the rapid deployment of new telecommunications technologies.

In this report we recognize economic alternatives have emerged as substitutes or possible future substitutes for the traditional landline telephone service. The recent technological advances are transforming the competitive framework that was originally established as traditional voice service provided over landlines. This creates an entirely new world for telecommunications that provides the opportunity to make a telephone call over power lines, wireless transmission, or even the computer via the Internet. However, the industry is in a state of flux due to the questions of jurisdictional issues as we await major rulings from the Federal Communications Commission (“FCC”).

COMMISSION ACTIONS TO FURTHER COMPETITION

The Utah Public Service Commission plays a key role in monitoring market developments in the telecommunications industry within our jurisdiction. We work to protect consumers, assure network reliability and customer service, execute universal service policies, provide emergency services to Utah citizens, and at the same time encourage the transition to competitive markets with just rules and fair pricing policies.

We have taken specific actions to reduce the regulatory burden imposed on the telecommunications industry by reducing reporting requirements. For example, beginning next year telecommunication carriers will only have to file one annual report that includes all year-end information and information that will be used for purposes of this report as well. Previously companies were required to report biannually.

During this reporting period we have actively worked to maximize the opportunities for telecommunications utilities and competitive telecommunications providers to compete, and at the same time, worked to balance the needs and interest of Utah’s citizens. Below is a brief listing that

reflects the efforts of our work during the past year to promote the public interest and to encourage competition in telecommunications:

- Granted residential pricing flexibility to Qwest in Utah's exchanges that are also being served by competitors;
- Continued to review interconnection agreements and have approved 94 since 1995;
- Reviewed applications for certificates for Competitive Local Exchange Companies (CLECs);
- Monitored the Qwest Performance Assurance Plan ("QPAP"), whereby Qwest paid \$469,123 in FY 04 for noncompliance or failure to meet performance standards in its wholesale provisioning of service to CLECs;
- Approved a \$1.1 million reduction in various services offered by Qwest, based on a price index formula consistent with the price cap statute;
- Tracked service quality of local exchange companies and expeditiously handled complaints and customer service problems;
- Completed an audit and review of Qwest's wholesale performance standards, and continue to ensure that competitors have access at either parity or benchmark standards to Qwest's own retail services;
- Continued to work with community support groups and actively promote our Relay Utah Services for the deaf in Utah;
- Continued to implement telephone number conservation and pooling and delayed the introduction of a new area code in Utah;
- Supported rural telecommunications services and managed the State Universal Service Support Fund to assist high-cost rural telephone companies.

THE STATUS OF TELECOMMUNICATION COMPETITION IN UTAH

CLECs face a number of considerations when deciding which markets to enter, primarily whether the company can expect to achieve profitability in a reasonable time frame. Factors affecting profitability include the CLEC's own business model, the CLEC's financial strength and credit rating, the level of local rates charged by the incumbent, economies of scale and scope, and whether sufficient numbers of customers can be competitively obtained to cover investment and operating costs. Population densities, income, and customer acquisition costs are also important factors. Customer acquisition and marketing costs can be significant, as new entrants attempt to take customers away from the incumbent and retain them long enough for payback. The most common indicators of competition are market share and the number of competitors in the industry.

During 2004, there was little change from the previous year in the total number of providers authorized by the Commission to provide competitive local service. Of the 85 licensed CLECs, 34 are currently providing service. Competition continues to develop in most of Qwest's service

territory in Utah, although some areas have more competition than others such as the business markets in urban areas as outlined below:

- 85 CLECs hold certificates and 34 of them currently provide service
- 15 CLECs serve more than 1,000 local exchange lines
- Statewide there are 21 ILECs and 371 toll resellers
- 167 Interconnection Agreements
- Within Qwest's service area, Qwest's market share is 74% and the CLECs 26%.
- Within Qwest's service area, Qwest controls 53% of business lines and CLECs 47%.
- Within Qwest's service area, Qwest controls 85% of residential lines and CLECs 15%.
- The largest competitive local exchange carriers based on lines served are Comcast Phone of Utah, XO Utah, and McLeodUSA
- The largest local exchange companies based on revenues are Qwest, AT&T Communications of the Mountain States, XO Utah, and Comcast Phone of Utah

We note that the CLECs total market share continued to increase at an overall rate that is comparable to the growth observed in recent years. According to data requests collected by the Division, over the past five years, there has been a progressive growth in the percentage share of CLEC lines in Utah, from 4% total market share in 1999 to 26% market share in 2004. Qwest's share of the business sector's access lines has continued to decrease (from 64 to 53 percent). The CLECs market share of the residential market continues to increase (up to 15 percent from the previous year's 11 percent). We also note that total access lines served by Qwest and the CLECs decreased by about 1 percent from the previous year, which could be the result of customers switching to wireless phones, dropping second or third lines, or customers migrating to Voice over Internet Protocol (VoIP) services. Considering the population of Utah grew and that the economy continued to recover during the past year, a drop in the total number of lines served is significant.

Nearly all of Qwest's sixty exchange areas in Utah have at least one CLEC provider operating in each serving area. However, the companies may not be serving the entire exchange and may only offer service to a portion of that service area. The competitors present throughout the state are represented in Table A1 in the Appendix.

Qwest's presence in the interstate long distance market has not been as robust as was expected after the company received authority to compete in December 2002. Qwest announced a job reduction of 1,550 jobs, or 4% of its staff nationally, and reported a \$776 million loss in revenue in the second quarter of 2004. Many of the lost local access lines are due to the fact that consumers have dropped their second lines. In the early 1980s, there was a spike in access line growth due to the fact that people were adding second and third residential lines. It appears that now the peak has leveled back to the initial projected line growth that reflects a steady but slow climb.

On August 21, 2003, the FCC released its Triennial Review Order ("TRO") in the proceeding concerning issues related to Unbundled Network Elements ("UNEs"). Competitive local exchange carriers purchase UNEs from incumbents in order to provide service to consumers. As a result of the TRO, the FCC voted to eliminate line sharing, which gives competitors access to the high-

frequency portion of a local loop to provide digital subscriber line service, without the need to purchase the low-frequency portion used for voice service. However, the FCC's UNE rules were vacated in June of this year after the D.C. Circuit Court of Appeals vacated substantial portions of the TRO, including controversial regulations governing wholesale access to UNEs. The FCC issued interim unbundling rules that freeze existing network interconnection agreements and UNE rates for six months, so the full effects of the legal decision vacating the rules have not been manifested in the marketplace yet. Qwest and Verizon have asked a Federal Appeals Court to block this FCC action.

CLECs claim that they will not be able to use the UNE platform ("UNE-P") strategy to attract new subscribers under the FCC's new interim rules, because after the six-month freeze, if new permanent UNE rules are not implemented, they will be subject to UNE-P pricing based on the ILEC's notion about the market value of UNE-P, if it is available at all. A CLEC providing end-user service via UNE-P can operate with significantly less up-front capital investment in telecommunications infrastructure than if they purchased or built networks directly. Therefore, the availability and price of all UNEs, especially UNE-P, are key determinants of CLEC market entry, and the lack of UNE-P as a market entry method may well be a significant barrier to entry. Uncertainty in the marketplace over the outcome of litigation in this area plagues the competitive marketplace and has recently chilled competition in markets throughout the nation, including Utah.

UNE-P accounted for 26% of the competitive lines used to serve customers in 2004. This represents 48% of UNEs, or 76,942 total lines served via UNE-P. As predicted by the critics of the District Court's and the FCC's current approach, the results of this case have begun to trickle down. AT&T has already announced plans to stop marketing residential phone service in Utah as well as the rest of the nation as a result of the court ruling that eliminates most unbundled network element rules. The company plans to service its current Utah residential customers and will continue to focus on its business segment, but will not invest money to obtain new residential customers. AT&T also announced plans to raise its rates in most of several local calling plans throughout the nation in order to increase revenues from its residential business to cover the higher costs it expects to pay for the lines it leases.

ALTERNATIVE FORMS OF COMPETITION

Besides the narrow concept of wireline-based competitive service providers, several other alternative technology providers are increasingly influencing the competitive landscape in Utah's telecommunications industry. According to the Telecom Act, opening the local exchange markets to competition was to pave the way for enhanced competition in all telecommunications markets. These alternative technologies include broadband, wireless services (both mobile and fixed), cable telephony, and Voice over Internet Protocol ("VoIP"). Although wireless service (and possibly other telecommunications services as well) are regulated at the federal level only and are not within our state jurisdiction, we, nevertheless, consider these services in our competition analysis, as more consumers are beginning to rely on them for their local and long distance communications needs.

Computer to computer calls have existed for some time, but have thus far been inferior in quality and performance. VoIP is an improved technology used to transmit voice conversations over a data network using the Internet Protocol. In some cases, the Internet is being used directly to carry voice traffic traditionally carried over the existing telecommunications network, known as the public switched network. In other cases, Internet technology is being used in combination with the public switched network. VoIP is the term used to describe all variations of this new method of providing service.

The increasing use of VoIP is a salient regulatory concern that may impact current regulations and have possible effects on the existing paradigm. Some of the concerns that have surfaced pertain to assuring universal telecommunications service and the compensation of telecommunications carriers for use of their facilities by other carriers. Providers of VoIP do not pay traditional carriers for use of their networks, nor do they contribute to universal service funds. The ability of VoIP carriers to avoid these charges has generated a great deal of controversy in how the network will be maintained and improved without jeopardizing the expansion of the existing public switched telephone network. Additionally, there are also concerns about E911 service and ability of some VoIP providers to fulfill their obligations under the Communications Assistance for Law Enforcement Act of 1994 (CALEA). We opened a docket to investigate the implications and concerns of all parties (Docket No. 04-999-02).

In Utah's market, we have summarized the current VoIP service offerings and what we can expect in the next year:

- Qwest already launched "Oneflex," a VoIP service for business customers in Idaho, Colorado, Minnesota, and Arizona. Qwest announced September 27, 2004 that business customers in the Salt Lake City market could begin ordering Oneflex. Qwest has stated that it plans to offer the service in other Utah markets in 2005.
- AT&T has perhaps the biggest interest in VoIP of all the traditional phone companies and has announced that it plans to have a million subscribers by 2005. At the current time, we are unaware of any subscribers in Utah using its "CallVantage" service.
- MCI plans to offer a consumer VoIP service in Utah later this year.
- Covad will offer VoIP to business customers in most U.S. markets by the end of 2004.
- Verizon, the nation's largest phone company, just began marketing VoIP with its VoiceWing broadband phone service that will be made available to Utah customers in 2005.
- Vonage offers VoIP in Utah with local area codes in Park City, American Fork, Tooele, Bountiful, Clearfield, Holladay, Kaysville, Kearns, Lehi, Magna, Midvale, Murray, Ogden, Payson, Pleasant Grove, Salt Lake, Spanish Fork, and Springville. Vonage boasts more than 200,000 VoIP lines nationally. It is offering service throughout most the United States and Canada.
- Comcast plans to offer VoIP in the near future.

VoIP has many selling points: unlimited local and long-distance dialing plans that are offered at competitive prices, dialing from any broadband connection, and being able to choose a phone number within any area code (or even multiple area codes for the same account) regardless of location. The loss of power, the inability to ensure emergency 911 services, and quality of service concerns are some of the drawbacks. During a power outage, a VoIP phone is only as good as any battery backup on hand, because delivering power through the broadband connection is not possible on a commercial basis. Emergency 911 calls over VoIP are usually routed through a third party, and there have been problems with occasionally routing the number to an emergency call center in the wrong part of the country.

Despite its drawbacks, VoIP is attracting a growing number of consumers, but currently little public information is available to track the impact of VoIP. However, there is information on the number of wireline lines. Many people are dropping their traditional phone lines and relying either on a cell phone or a VoIP account. The FCC reports that there were 182.8 million traditional phone lines last June 2003 – 5 million fewer connections than six months earlier and 10 million less since December 2000. The vast majority of the decline in wireline accounts is accounted for by people switching to wireless, but VoIP contributes to the decline. Depending on how many of VoIP's technical drawbacks can be overcome, the FCC's final decision of whether to regulate VoIP as an information service or a telephone service, and the resolution of other jurisdictional issues we might see a significant growth in the number of customers choosing VoIP over traditional phone service in the near future. We are in the process of working through the regulatory and jurisdictional issues raised by VoIP, and await the FCC's Interim Order.

The Utah Public Service Commission does not regulate wireless providers. This has hampered our ability to collect statistical data on wireless carriers. However, information pertinent to Utah gathered by the FCC on the wireless industry from its report on "Local Telephone Competition" is included here.¹ The FCC reported that by December 2003, Utah had 1,154,992 wireless subscribers, a 10% increase from December of 2002. The FCC reported that nationwide, wireless subscribers increased 13% in a twelve-month period between December 2002 and December 2003. The FCC's report also indicated that Utah had 14 wireless carriers at the end of 2003. According to the National Telecommunications Information Association, the wireless industry has grown 400% since 1996.

On November 24, 2003, the FCC began allowing customers who stay at the same location to keep their telephone numbers when they change from one local wireline service provider to a wireless provider, or from one wireless provider to another wireless provider. Competition for customers between wireline and wireless carriers is expected to increase as wireless service becomes a more attractive service option.

¹Federal Communications Commission, "Local Telephone Competition: Status as of December 31, 2003," Industry Analysis and Technology Division, Wireline Competition Bureau, published June 2004, can be accessed at: www.fcc.gov/wcb/stats.

CONCLUSION

Based on the current regulatory uncertainty and hard-to-quantify substitution of alternative services, the future of competition in the basic local exchange markets is unknown. The significant steady growth of access lines that began in the late 1980s and continued to increase through the 1990s and into the early 2000s appears to have reversed. Whether the number of access lines will increase or decrease in the near future is unclear. The impact of CLECs not being able to enter the market via UNE-P has yet to be determined, but may potentially bar competitors that would have entered the market having little or no initial capital, and may require potential competitors to build duplicate facilities to enter the market. It is likely that the current trend will continue with various services being offered in bundles, such as wireless, local and long distance, and broadband packages. We will continue to work to balance the interests of incumbents, competitors, and customers while promoting competitive choice in the telecommunications market in Utah.

Appendix

Table A1 - Utah's Local Service Market 2004

Exchange Area	Competitors Present	Percentage of Lines Provided By CLECs	
		Residential	Business
Alta	American Fiber Networks, AT&T Communications, Level 3, Qwest, XO Utah	4.4	15.4
American Fork	1-800-Reconex, ACN Communications, AT&T Communications, Comcast, *DIECA, Electric Lightwave, Eschelon, Excel, First Digital, Granite Telecom, Integra, Level 3, MCI Metro Access, McLeodUSA, *New Edge Networks, Qwest, Sprint, Tel-West, Vartec, XO Utah, Z-Tel	7.5	38.9
Beaver	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Level 3, McLeodUSA, Qwest, Sprint, Z-Tel	3.5	15.6
Bountiful	1-800-Reconex, ACN Communications, AT&T Communications, Bulls Eye Telecom, Ceristar, Comcast, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, Granite Telecom, Integra, Level 3, MCI Metro Access, McLeodUSA, Qwest, SBC, Sprint, *Suburban Access, TCG of Utah, Vartec, XO Utah, Z-Tel	11.1	42.8
Brianhead	AT&T Communications, Comm South, Excel, McLeodUSA, Qwest	0.3	8.3
Brigham City	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Electric Lightwave, Eschelon, Excel, Integra, Level 3, McLeodUSA, *New Edge Networks, Qwest, Sprint, Z-Tel	8.2	40.3
Cedar City	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Electric Lightwave, Eschelon, Excel, Granite Telecom, Integra, Level 3, McLeodUSA, *New Edge Networks, Qwest, Sprint, Z-Tel	3.9	30.3

Clearfield	1-800-Reconex, ACN Communications, American Fiber Networks, AT&T Communications, Brooks Fiber, Bulls Eye Telecom, Ceristar, Comcast, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, Granite Telecom, Integra, Level 3, MCI Metro Access, McLeodUSA, *New Edge Networks, Qwest, SBC, Sprint, *Suburban Access, TCG, Tel-West, Vartec, XO Utah, Z-Tel	12.2	42.7
Corrine	Qwest	0.0	0.0
Cottonwood	Brooks Fiber, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, First Digital, MCI Metro Access, McLeodUSA, Qwest, Sprint, *Suburban Access, Vartec, XO Utah	4.7	65.0
Draper	Brooks Fiber, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, First Digital, MCI Metro Access, McLeodUSA, Qwest, Sprint, Vartec, XO Utah	5.1	43.7
Farmington	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Electric Lightwave, Eschelon, Excel, First Digital, Integra, MCI Metro Access, McLeodUSA, Qwest, Sprint, TCG of Utah, Vartec, XO Utah, Z-Tel	11.6	28.8
Grantsville	Excel, McLeodUSA, Qwest, Sprint	3.0	8.5
Heber City	1-800-Reconex, ACN Communications, AT&T Communications, Eschelon, Excel, Granite Telecom, McLeodUSA, Qwest, Sprint, Tel-West	5.3	26.5
Holladay	1-800-Reconex, ACN Communications, American Fiber Networks, AT&T Communications, Comcast, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, Granite Telecom, Integra, Level 3, MCI Metro Access, McLeodUSA, Qwest, SBC, Sprint, TCG of Utah, Vartec, XO Utah, Z-Tel	16.0	54.6
Huntsville	1-800-Reconex, Comm South, Eschelon, MCI Metro Access, McLeodUSA, Qwest, Sprint	5.1	17.6
Hurricane	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Eschelon, Excel, McLeodUSA, Qwest, Sprint, Z-Tel	7.1	22.5
Hyrum	1-800-Reconex, ACN Communications, AT&T Communications, Excel, Integra, McLeodUSA, Qwest, Tel-West, Z-Tel	12.5	34.7

Kaysville	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, Granite Telecom, Integra, Level 3, MCI Metro Access, McLeodUSA, *New Edge Networks, Qwest, SBC, Sprint, TCG of Utah, Tel-West, Vartec, XO Utah, Z-Tel	10.8	44.9
Kearns	1-800-Reconex, ACN Communications, AT&T Communications, Comcast, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, Granite Telecom, Integra, Level 3, MCI Metro Access, McLeodUSA, Qwest, SBC, Sprint, TCG of Utah, Vartec, XO Utah, Z-Tel	31.3	41.8
Layton East	1-800-Reconex, Electric Lightwave, Eschelon, MCI Metro Access, McLeodUSA, Qwest, Sprint, Tel-West, XO Utah	3.6	63.4
Leeds	Comm South, Excel, Qwest	0.2	2.9
Lehi	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Electric Lightwave, Eschelon, Excel, Granite Telecom, Integra, Level 3, McLeodUSA, Qwest, Sprint, TCG of Utah, Vartec, XO Utah, Z-Tel	8.7	46.7
Logan	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Electric Lightwave, Eschelon, Excel, Granite Telecom, Integra, Level 3, McLeodUSA, *New Edge Networks, Qwest, Sprint, Tel-West, Z-Tel	8.8	32.2
Magna	1-800-Reconex, ACN Communications, AT&T Communications, Brooks Fiber, Comcast, Comm South, Electric Lightwave, Eschelon, Excel, Integra, MCI Metro Access, McLeodUSA, Qwest, SBC, Sprint, TCG of Utah, XO Utah	24.9	28.4
Midvale	1-800-Reconex, ACN Communications, American Fiber Networks, AT&T Communications, Brooks Fiber, Bulls Eye Telecom, Ceristar, Comcast, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, First Digital, Granite Telecom, Integra, Level 3, MCI Metro Access, McLeodUSA, Qwest, SBC, Sprint, TCG of Utah, Vartec, XO Utah, Z-Tel	22.4	69.3
Monroe	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Excel, Level 3, Quantum Shift, Qwest,	5.6	45.0
Morgan	1-800-Reconex, ACN Communications, AT&T Communications, Electric Lightwave, McLeodUSA, Qwest	7.1	30.4

Mountain Green	Excel, Qwest, Sprint	0.6	0.0
Murray	1-800-Reconex, ACN Communications, American Fiber Networks, AT&T Communications, Brooks Fiber, Bulls Eye Telecom, Ceristar, Comcast, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, First Digital, Granite Telecom, Integra, Level 3, MCI Metro Access, McLeodUSA, Quantum Shift, Qwest, SBC, Sprint, TCG of Utah, Vartec, XO Utah, Z-Tel	22.2	51.8
Nephi	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Excel, Granite Telecom, Level 3, McLeodUSA, Qwest, Sprint	6.1	16.5
Ogden	1-800-Reconex, ACN Communications, American Fiber Networks, AT&T Communications, Brooks Fiber, Bulls Eye Telecom, Ceristar, Comcast, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, First Digital, Granite Telecom, Integra, Level 3, MCI Metro Access, McLeodUSA, *New Edge Networks, Qwest, SBC, Sprint, TCG of Utah, Tel-West, Vartec, XO Utah, Z-Tel	23.0	47.3
Orem	1-800-Reconex, Ceristar, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, Granite Telecom, MCI Metro Access, McLeodUSA, *New Edge Networks, Qwest, Sprint, Vartec, XO Utah, Z-Tel	2.1	37.6
Park City	1-800-Reconex, ACN Communications, All West Utah, American Fiber Networks, AT&T Communications, Brooks Fiber, Comcast, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, Granite Telecom, Integra, Level 3, McLeodUSA, Qwest, Sprint, *Suburban Access, XO Utah, Z-Tel	7.8	34.6
Parowan	1-800-Reconex, AT&T Communications, Comm South, Excel, Level 3, McLeodUSA, Qwest, Sprint, Z-Tel	3.6	26.2
Payson	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Electric Lightwave, Excel, Integra, MCI Metro Access, McLeodUSA, Qwest, Sprint, Vartec, XO Utah, Z-Tel	11.8	26.6
Pleasant Grove	1-800-Reconex, ACN Communications, AT&T Communications, Bulls Eye Telecom, *DIECA, Electric Lightwave, Eschelon, Excel, Integra, MCI Metro Access, McLeodUSA, *New Edge Networks, Qwest, Sprint, Vartec, XO Utah, Z-Tel	9.0	39.4

Provo	1-800-Reconex, ACN Communications, American Fiber Networks, AT&T Communications, Bulls Eye Telecom, Ceristar, Comcast, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, Granite Telecom, Integra, Level 3, MCI Metro Access, McLeodUSA, *New Edge Networks, Qwest, Sprint, TCG of Utah, Tel-West, Vartec, XO Utah, Z-Tel	40.0	48.8
Richfield	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Eschelon, Excel, Granite Telecom, Level 3, McLeodUSA, Qwest, Z-Tel	4.2	21.0
Richmond	1-800-Reconex, ACN Communications, AT&T Communications, Excel, Level 3, McLeodUSA, Qwest, Sprint	9.1	46.6
Riverton	*DIECA, Electric Lightwave, Eschelon, Excel, MCI Metro Access, MCI Metro Access, McLeodUSA, Qwest, Sprint, Vartec, XO Utah	4.2	33.5
Salem	1-800-Reconex, Comm South, McLeodUSA, Qwest, Sprint, *Suburban Access	2.4	16.6
Salina	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Level 3, McLeodUSA, Qwest, Sprint	4.0	15.0
Salt Lake	1-800-Reconex, ACN Communications, American Fiber Networks, AT&T Communications, Brooks Fiber, Bulls Eye Telecom, Ceristar, Comcast, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, First Digital, France Telecom, Granite Telecom, ICG Communications, Integra, Level 3, MCI Metro Access, McLeodUSA, Quantum Shift, Qwest, SBC, Sprint, TCG of Utah, Tel-West, Universal Access, Vartec, XO Utah, Z-Tel	15.7	51.3
Santaquin	Excel, McLeodUSA, Qwest, Sprint, Vartec	0.7	16.2
Smithfield	1-800-Reconex, ACN Communications, AT&T Communications, Excel, Level 3, McLeodUSA, Qwest, Sprint, TCG of Utah	10.6	33.3
Spanish Fork	1-800-Reconex, ACN Communications, AT&T Communications, Ceristar, Comcast, Electric Lightwave, Eschelon, Excel, Integra, McLeodUSA, Qwest, Sprint, TCG of Utah, Tel-West, Vartec, XO Utah, Z-Tel	14.2	31.5
Springdale	AT&T Communications, Comm South, McLeodUSA, Qwest	2.7	8.3

Springville	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Electric Lightwave, Excel, Integra, MCI Metro Access, McLeodUSA, *New Edge Networks, Qwest, Sprint, Vartec, XO Utah, Z-Tel	10.1	33.2
St. George	1-800-Reconex, ACN Communications, American Fiber Networks, AT&T Communications, Comm South, *DIECA, Electric Lightwave, Eschelon, Excel, Granite Telecom, Integra, Level 3, MCI Metro Access, McLeodUSA, *New Edge Networks, Quantum Shift, Qwest, Sprint, Vartec, Z-Tel	11.5	25.9
Tooele	1-800-Reconex, ACN Communications, AT&T Communications, Comm South, Electric Lightwave, Eschelon, Excel, Integra, Level 3, McLeodUSA, Qwest, Sprint, *Suburban Access, Tel-West, XO Utah	7.2	17.7
Veyo	Comm South, Excel, Qwest, Sprint	0.3	2.3
Washington	MCI Metro Access, Qwest, Sprint	0.9	0.1
West Jordan	1-800-Reconex, Brooks Fiber, Comm South, Eschelon, Excel, MCI Metro Access, McLeodUSA, Qwest, Sprint, Tel-West, Vartec, XO Utah, Z-Tel	7.9	29.4

*Provide DSL service only

As can be seen in the table above, the number of competitors per wire center varies greatly throughout the state, but competition is spreading throughout most of Qwest's service territory.

Table A2 - Market Share of the Qwest Region 2001 to 2004

Qwest CLEC Market Share						
Year	Total Market		Residential Market		Business Market	
	Qwest	CLEC	Qwest	CLEC	Qwest	CLEC
2001	84%	16%	94%	6%	68%	32%
2002	83%	17%	92%	8%	67%	33%
2003	80%	20%	89%	11%	62%	38%
2004	74%	26%	85%	15%	53%	47%

As mentioned in the main body of the report CLECs continued to gain lines in both the residential and business markets in Utah. The CLEC market share in both the residential and business markets has increased each year we have published this report. We note that as the significant uncertainty regarding the obligation of Qwest to lease certain types of UNEs to CLECs is resolved in the coming year that significant changes in this developing market's historical trends are possible.

Table A3 - Annual Growth, CLECs 2001 to 2004

Data as of June 30	2001 % Growth		2002 % Growth		2003 % Growth		2004 % Growth	
	Number of Local Access Lines Served	101,899	113%	161,218	58%	221,252	37%	289,560
Residential	6,094	638%	45,305	643%	77,090	70%	100,974	24%
Business	95,805	104%	115,913	21%	144,162	24%	188,586	24%

The total number of lines served by CLECs increased in both the residential and the business markets. Interestingly the growth rate in the business sector held steady at 24%, demonstrating that competition for the business customer is becoming well established in certain areas of the state.