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EX PARTE OR LATE FILED

December 10, 1997

William A. Caton
Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

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DEC 1 0 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ex-parte CC Docket No. 97-208

Dear Secretary Caton:

On Monday, December 8, 1997, Maureen Lewis and Sylvia Rosenthal, representing the Alliance for Public Technology, Albert Clark and Jordan Clark, representing the United Homeowners Association, and Angela Ledford, representing Keep America Connected, met with Commissioner Furchtgott-Roth to discuss BellSouth's application to offer long distance service in the state of South Carolina.

The enclosed material was inadvertently left out of the original package submitted to you on Tuesday, December 9, 1997.

Finally, during the meeting Commissioner Furchtgott-Roth asked about APT's participation in the universal service proceedings. In response, I submitted the attached transmittal letter and accompanying materials.

Thank you.

Sincerely,

Maureen Lewis

Maureen Lewis
General Counsel

enclosures

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Attendees discussed the consumer benefits of competition in the long distance market, including lower rates, new incentives for investment in advanced infrastructure, and incentives for IXCs and CLECs to serve the local residential market.

The enclosed materials were left with Commissioner Furchtgott-Roth and his staff.

Thank you.

Sincerely,

Maureen A. Lewis

Maureen Lewis
Counsel

enclosures

Consumers On Hold:

A National Consumer Survey of Local Telephone Service

November 10, 1997

A study by

Keep America Connected!

A National Campaign for Affordable Telecommunications

Executive Summary

Keep America Connected evaluated the state of competition in local telephone service in thirteen states including Arizona, California, Florida, Georgia, Louisiana, Massachusetts, Michigan, Mississippi, Montana, New York, Oklahoma, South Carolina, and Texas. We surveyed service providers, interviewed regulators, and reviewed press reports. We learned that:

- Companies offering local service are clearly cherry picking the most lucrative customers -- big businesses.

- Brisk competition exists for business customers. In the cities we surveyed, fifty companies provided local service to business customers. Businesses in all but five cities surveyed had four or more choices for local service.

- Only consumers in New York and Los Angeles had any significant choice in local service -- residential consumers can choose between four alternative local providers in LA and three in New York. In the cities surveyed, we found fifteen companies providing local service to residential consumers.

- Rural areas have the least number of potential competitors and few currently have choices. Arizona, Mississippi, and South Carolina had the fewest certified providers.

- Only three of the companies providing local residential service are actively advertising that service to all consumers.

- Small companies admit profitability is the reason for cherry picking the business consumers.

- Essential legal and regulatory hurdles, including certification and interconnection agreements, have been cleared in all thirteen states surveyed, making it possible for competitors to offer service to business and residential consumers.

- State regulators see clear differences between stated intentions of new entrants and actual services being offered.

- Company sales representatives are scripted to advance corporate, regulatory and policy goals -- sometimes at the expense of the truth.

- Companies who "plan to serve" the residential market estimated they would begin offering service in as little as one year or as many as six years from now.

Summary of Results

State	*# of certified providers*[1]	*# of companies surveyed*	*# serving local business*	*# serving local residential*	*# actively advertising residential service*
Arizona	18	5	2	0	0
California	> 100	8	7	4	1
Florida	> 100	5	4	0	0
Georgia	> 40	7	6	2	0
Louisiana	30	5	4	0	0
Massachusetts	30	7	5	2	1
Michigan	30	7	5	1	0
Mississippi	23	5	2	0	0
Montana	252[2]	4	0	0	0
New York	75	8	5	3	1
Oklahoma	20	6	3	2	0
South Carolina	14	4	2	0	0
Texas	> 150	7	5	1	0
Total #	~882	78	50	15	3

Conclusions

Interviews with providers, regulators and our review of press reports indicate that the regulatory environment and the market incentives conspire against the development of competition in the residential local service market. Robust, nationwide competition in the residential market is more likely when the long distance companies begin to enter the market seriously. Until then, regional

[1] State commissions provided this information. Sometimes commission staff were only able to provide estimates due to the fact that the number of certified providers changes daily.

[2] The Montana PSC does not have a formal certification process, it only requires companies to register with the commission. This number came from the Commission's list of registered providers which includes all telecommunications competitors not just those providing local service.

niche players may make inroads, but we will not see full scale competition. The long distance companies have no incentive to market local service as long as staying out of residential service protects their core business. The FCC and Justice Department rulings that keep the local phone companies out of the long distance market help the IXCs protect their profits while they cherry pick the lucrative business customers in the local service market.

Cherry picking, as a way to build infrastructure and raise capital, may be a rational business plan, but it can lead to detrimental outcomes for consumers.

First, it puts upward pressure on local rates. When the business customers leave the network, the residential customers all must share a greater portion of the costs.

Second, it undermines the incentives to invest in network infrastructure that can bring modern telecommunications services to consumers. Competition will drive the investment of all providers. If competition is only in the business market, innovation and improvement will go there first.

Third, it limits competition in the long distance market that the local phone companies could provide and it prevents consumers from buying all their telecommunications services from one supplier. Consumers would like to see long distance rates fall. More importantly, consumers would like to save money on their total communications bill. If consumers can combine their demand for services and purchase them from one company, they get convenience and and are more likely to see savings.

As long as the FCC blocks Bell entry into long distance, there is no market incentive for long distance companies and other alternative local service providers to serve the residential market. Since it is unlikely that Congress or the states will mandate that all providers of local service to business customers also serve residential, market incentives must be created to bring competition to consumers.

Once local phone companies are allowed into the long distance market, all competitors will have an incentive to provide full service packages to consumers. Companies that can't provide consumers local and long distance service will be at a competitive disadvantage. The long distance companies will then have a tremendous economic incentive to provide local residential service as a way of keeping their long distance customers. Then, and only then, will it make economic sense for them to actively seek local residential customers.

The FCC should move to create these market incentives as quickly as possible. The state regulators and the FCC are charged with ensuring that local phone companies have opened their market to competition before they grant them the authority to provide long distance service. If a state has made the determination that the Bell company in their state has met the fourteen point checklist criteria, the FCC should not stand in the way. Consumers have been on hold long enough.

Introduction

Consumers are still waiting to see the benefits of the 1996 Telecommunications Act. The big three -- AT&T, MCI and Sprint -- continue to dominate the long distance market and residential consumers have no options for an alternative local provider. Policy makers are asking "why?" The Act brought with it the promise of a new era of competition in telecommunications. The pro-competitive environment was supposed to bring more consumer choices, lower rates, better service and economic growth. However, the anticipated competition and the resulting benefits for consumers are far from reality.

There has been a great deal of speculation about why competition does not seem to be developing as predicted. Despite the accusations of the IXCs that the local phone companies are blocking the development of competition, press reports reflect explanations ranging from unrealistic expectations on the part of the politicians and the public, poorly developed or non-existent business plans of the new entrants, and deliberate business plans that were based on cherry picking the most lucrative customers from the market.

Two other reports have been released recently that offer views on the state of competition. Peter Huber, one of the nation's leading industry consultants, produced a report that concluded that there is enormous competition in the local service market, but that it is all concentrated in 30% of the market -- high-end business customers.[3]

In San Diego, where there has been local service competition, a consumer group reported on how it is working. The Utility Consumers' Action Network (UCAN), a San Diego-based utility watchdog organization, described the local service market in San Diego as "a disaster area." UCAN found that currently a competitive local service market in San Diego and across California has not materialized for small customers. The few customers that are aware of competitive alternatives have experienced a wide range of service quality abuses including substandard customer service and incompetent service representatives. These problems combined with the tepid marketing effort by new competitors discourage consumers from switching local carriers. [4]

Keep America Connected[5] sought to find out the state of local service through the eyes and ears of consumers. We wanted to find out whether companies were offering local service to residential customers -- and if they weren't, why not? We set out to answer these questions the easy way. We asked them.

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[3] Peter Huber, "Local Exchange Competition Under the 1996 Telecom Act: Red-lining the Residential Customer," November 4, 1997.

[4] Bradley Fikes, "San Diego Area Local Telephone Competition A Mess, Watchdog Groups Says," *North County Times*, Escondido, CA, October 15, 1997.

[5] Keep America Connected is a coalition of organizations representing older Americans, people with disabilities, rural and inner city residents, people of color, lower income citizens, labor and local phone companies who work together to ensure affordable access to modern telecommunications for all Americans.

Consumer Survey of Competitive Local Service Providers

Consumer surveyors encountered a variety of problems in requesting service from alternative local service providers. Identifying the potential providers was the first difficulty. Since few of the providers are advertising, consumers were unaware of the local service options in their area. Second, getting connected to a sales representative that could answer their questions often took several calls and a long wait on the phone. When our surveyors finally reached a customer representative, they often received vague or conflicting answers to their questions.

The consumers wanted to know four things:

- do you offer local service to residential customers?
- do you offer local service to businesses?
- why don't you offer local residential service?
- do you plan to offer local service to residential customers?

While it is reasonable to expect varying levels of knowledge among the different service representatives, particularly about the companies future business plans, it is also reasonable to expect that someone charged with selling a service would know what services are available. The frequency with which our surveyors were told, "I'm not sure" or "Maybe" was quite surprising.

Overall, our consumer surveyors found that even where local service was technically available, most companies were not actively signing up residential customers. With the exception of Los Angeles, few are really seeking out customers. AT&T is offering local residential service in four of the cities we surveyed and MCI in three of the cities, but rarely are they advertising the service, beyond some limited marketing to their long distance customers, and often they aren't even doing that.

We did find several smaller companies (competitive local exchange carriers) that are actively recruiting residential local service customers. RCN in Boston is one example of this kind of "niche" marketing that seems to be happening in the residential local service market.

Our surveyors found that most of the companies did offer local service to business customers. They were often told that the company had chosen that market over residential because it is more profitable. Some companies claimed to be serving business customers first to finance their building of a network that would ultimately serve both business and residential consumers. Others had no plans to enter the residential market.

Phoenix, Arizona

Consumers making inquiries into the availability of residential service in Phoenix had difficulty reaching company sales representatives and getting a clear picture of what their service options are. It turns out there are no alternatives to local service for residential consumers:

- AT&T: After being put on hold for seven minutes by AT&T, a consumer was disconnected. In her second call she was told that no local services were being offered, but the representative could not explain why or whether business customers could sign up for local service.

- MCI: Consumers were told that no local residential service is being provided. When asked whether MCI was offering local service to business customers the representative replied, "Well, since there isn't service offered to local residential customers I don't think we are offering service to business customers; we wouldn't do that." However, this statement contradicts the information provided on MCI's own webpage which indicates that local business service is indeed available in Phoenix.

- Sprint: A consumer was told that Sprint was not offering local service to either business or residential customers. When asked if they planned to provide service, the representative responded, "I don't think we are ready yet; but in the future, I am sure we will be providing service."

- MFS: A consumer calling MFS was switched to WorldCom and had trouble getting through. When she finally reached a sales representative she was told, "We are not serving residential customers for local service." When the consumer asked why, she was told, "I'm not sure and can't say why, but it's not being offered." The consumer asked if they were serving businesses and was told, "Yes."

- TCG: Consumers were told, "No, we are not serving residential local customers." Why? "Not sure but we will in the future, not sure when though." What about businesses? "Well, if it's a small business we require three lines for service."

Phoenix Consumer Survey Results

	Serving Business	Serving Residential
AT&T	No	No
MCI	Yes	No
Sprint	No	No
TCG	Yes	No
MFS	No	No

Los Angeles, California

California has been considered a laboratory for local competition. When consumers called to inquire about local service in Los Angeles, they found that there are local service alternatives but they are hard to find.

- AT&T: It took two calls to get through to AT&T to find that it is currently reselling local residential service from Pacific Bell and plans "to move onto GTE next month."

- MCI: After three phone calls and a nine minute wait, we found that MCI is reselling both GTE and Pacific Bell services to local business and residential consumers. MCI local service rates are higher in GTE territory than in Pacific Bell-served regions.

- Sprint: After two calls, a Sprint representative said that they are reselling both Pacific Bell and GTE lines to offer residential and business local service. However, "it will take four weeks to get service."

- Brooks Fiber: Brooks Fiber "offer[s] simple business services but [has not] gotten into residential yet." The representative was uncertain whether new owner, WorldCom, would be interested in the residential market.

- TCG: After two calls, we were told that TCG is focusing on big businesses -- "that is ten lines or more and apartment buildings." They are not serving residential customers and "probably [won't] for a long time," according to a TCG customer representative.

- MFS: MFS is only providing local service to "major corporations." They "have no idea" when they will begin offering other services.

- Winstar: Winstar is only serving small to medium businesses. When asked why it was not serving residential customers, the representative responded, "It us not our market currently, but it may be in the future." Why? "I can't really say, I'm not sure."

Los Angeles Consumer Survey Results

	Serving Business	Serving Residential
AT&T	No	Yes
MCI	Yes	Yes
Sprint	Yes	Yes
Brooks Fiber	Yes	No
CalTech	Yes	Yes
MFS	Yes	No
TCG	Yes	No
Winstar	Yes	No

Orlando, Florida

Consumers who called companies to inquire about local residential service found that no companies were currently offering that service. When consumers asked the companies if and when they would be serving residential consumers, they received a variety of responses.

- AT&T: AT&T diplomatically said that they plan to provide local service when they can offer the value and service desired.
- MCI: MCI representative said he knew of "no plans" to provide residential service.
- Sprint: Sprint representatives skirted around the issue of why they provide business but not residential service until he/she finally said that they will have residential service "soon."
- Time Warner: Despite stated intentions to enter the residential market last year, Time Warner representatives had no knowledge of any plans to move into the telephone business.
- Intermedia: Intermedia provides local service to businesses, but not residential.

Orlando Consumer Survey Results

	Serving Business	Serving Residential
AT&T	Yes	No
MCI	Yes	No
Sprint	Yes	No
Time Warner	No	No
Intermedia	Yes	No

Atlanta, Georgia

Atlanta consumers who called to inquire about the availability of residential service were told by most companies that no residential service was being provided. In one case, where a company was offering local residential service, the consumer was actually discouraged from switching local carriers.

- AT&T: Consumers found it difficult to contact AT&T, but ultimately learned that it was providing residential local service. However, sales representatives discouraged our consumer from signing up, saying that the rates weren't significantly different from BellSouth's. The representative did suggest, however, that if the consumer was an AT&T long distance customer, it might then be to his advantage to use AT&T for local service.

- MCI: In spring of 1997, consumers were told that "MCI fiber optic line in Atlanta only provides service to corporate businesses with 20 or more lines. Residential service may be provided in the future through resale of Bell lines." Consumers this fall were told that there were no plans to move into residential.

- Sprint: Sprint representatives said they had no plans for providing any type of local service.

- MFS: In Spring of 1997, consumers were told, "MFS is strictly commercial. MCI and AT&T are looking to resell local regional Bell service. We do not want the residential business. That is not our market. The residential apartment business is too high debt, people move in and out, advertising costs are too high. We have always supported the major business districts. That is where the money makers are." However, this fall they heard residential service was "always a possibility."

- Winstar: Winstar representatives said the company would not be moving into local residential service "because we are still young."

- MediaOne: MediaOne appeared to be the only provider with serious plans for providing residential service, but even it is rolling its service out to high-end consumers first.

Atlanta Consumer Survey Results

	Serving Business	Serving Residential
AT&T	Yes	Yes
MCI	Yes	No
Sprint	No	No
ACSI	Yes	No
Intermedia	Yes	No
MFS (WorldCom)	Yes	No
MediaOne	Yes	In 2 areas

New Orleans, Louisiana

Consumers called customer representatives from various companies to ask about local service. Some representatives were very direct about their company's plans not to provide local residential service, others offered vague responses to consumer questions about local service.

- AT&T: Callers to AT&T were told that local service was coming to New Orleans "soon."
- MCI: MCI told callers that it would begin offering residential service after January 1998.
- Sprint: Sprint told consumers that it offered only business service in New Orleans and had no plans to provide residential local service.
- ACSI: ACSI offers local business service and does not plan to offer residential service.
- Cox Fibernet: One representative of Cox claimed that residential service would be offered after January 1, 1998; another said that residential service "was possible."

New Orleans Consumer Survey Results

	Serving Business	Serving Residential
AT&T	Yes	No
MCI	No	No
Sprint	Yes	No
ACSI	Yes	No
Cox Fibernet	Yes	No

Boston, Massachusetts

Consumers had difficulty reaching companies to inquire about their local service options in Boston. Once they did, they found that the companies providing local service are mainly serving business customers.

- AT&T: After two phone calls and a six minute wait on hold, an AT&T representative stated that he "had no idea when service will be offered," but that "if they did offer local service, they would offer both residential and business."

- MCI: Contacting MCI took two phone calls, two transfers and a voice mailbox. Ultimately calls were returned to the consumer and we learned that MCI is providing local service in Boston.

- Sprint: Consumers calling Sprint were told, "No, we don't offer local service in this city. We are only in California. Maybe we'll expand. I really don't know."

- MFS: After getting through to MFS, a consumer was told that although they do not offer local residential service, MFS does provide service to businesses. When asked why, the representative said that they plan to provide local residential service in the future but right now they are only offering it to businesses because "you have to start at where you make the most revenue so that you can generate a good infrastructure. Usage levels are dictating where we are going."

- TCG: A TCG representative stated, "We are not offering residential service. However, we are working with businesses in providing them service." When asked why they were not serving residential consumers, the representative said he was "not totally sure, maybe in the future. We "primarily service businesses that need a T-1 level network."

- RCN: RCN is providing local service to "everyone in the area code" and selling the service at a 5% discount from NYNEX (Bell Atlantic). It is in the process of installing its own switches and facilities everywhere they offer service. In the meantime they are "reselling the NYNEX lines." Representatives offered specific information about rates and services.

- Winstar: Calling Winstar resulted in a rapid busy signal on two attempts. On the third attempt, our surveyor spoke with a representative that stated, "Local service is only being offered to small and medium size businesses." The representative defined a small business as having "8 lines." When asked why they were not providing residential service the representative said, "Because the cost to set-up local residences is too high. Maybe [we'll offer residential service] down the road or so but it won't be up for quite awhile." The customer asked if it was the cost keeping them from serving the residential consumers. "Yeah," said the representative, "and the technical challenges of wiring networks for service. Right now we are targeting business buildings, they are our primary target because once a building is wired it's easier to provide phone lines to business customers in that building."

Boston Consumer Survey Results

	Serving Business	Serving Residential
AT&T	No	No
MCI	Yes	Yes
Sprint	No	No
MFS	Yes	No
RCN	Yes	Yes
TCG	Yes	No
Winstar	Yes	No

Detroit, Michigan

Consumers had difficulty reaching many of the companies to inquire about local service in Detroit. When companies were finally contacted, consumers found that alternative providers for residential service were virtually non-existent.

- AT&T: Consumers calling AT&T learned that it is offering local service if you are currently served by Ameritech. A representative told our consumer about the three packages for local service.

- MCI: According to one MCI customer representative, MCI is offering both residential and business local service. However, a representative of MCI Local said it is only serving business customers.

- Sprint: A Sprint representative told our consumer that it is not offering services in this area, and currently is only offering local service to California residents on a trial basis. When asked if they planned to provide service, the representative said, "I have no idea about plans. I suggest you call back to check."

- Brooks Fiber: Brooks Fiber is not offering any service in the Detroit area and currently, has no plans to do so. The company, however, does serve residential customers in Grand Rapids and parts of Lansing.

- MFS: An MFS representative said, "No, we are not currently offering service to local residential customers" but, "yes, we do serve business customers." Why only business? "Not sure, you will have speak with our corporate offices to get more details."

- TCG: TCG only provides local service to businesses; it does not serve residential consumers.

- Winstar: Winstar is "focusing on business first" but in order to receive local business service the customer must meet a certain number of qualifications.

Detroit Consumer Survey Results

	Serving Business	Serving Residential
AT&T	Yes	Yes
MCI	Yes	No
Sprint	No	No
Brooks Fiber	No	No
MFS	Yes	No
TCG	Yes	No
Winstar	Yes	No

Jackson, Mississippi

Consumers calling companies to find out about the availability of local service found that few companies were providing any type of local service. For those offering local business service, residential service was a "way off in the future" consideration.

- AT&T: AT&T's residential consumer line representatives indicated that no local service was being provided to residential customers at this time in Mississippi, but wasn't sure about service for businesses.

- MCI: MCI has not yet applied for authority to provide service. When trying to call MCI to inquire, a consumer was disconnected once and then told that the MCI only provides residential service in California and New York. The consumer then asked about local business service and was transferred to the business department who could not answer questions about local service.

- Sprint: Sprint is certified to provide local service but is not offering local service to either local business or residential consumers.

- Brooks Fiber: Brooks Fiber currently offers local service primarily to downtown businesses. When asked if service would be provided to residential consumers, a Brooks Fiber representative stated that, "If we do it will be way off [in the future] because our primary focus is the business sector, we're running our fiber there. [Moreover, residential service] is very expensive."

- ACSI: ACSI provides local service to business customers only and estimates that any potential entry into local residential service was 3-6 years away.

Jackson Consumer Survey Results

	Serving Business	Serving Residential
AT&T	No	No
MCI	No	No
Sprint	No	No
ACSI	Yes	No
Brooks Fiber	Yes	No

Billings, Montana

Consumers who called companies about local service in Billings, received different responses from different sales representatives of the same companies. In addition to receiving conflicting responses, consumers found virtually no local service options in Billings.

- AT&T: A consumer who called AT&T to request local residential service in Montana, was first told by one salesperson that they do offer some packages and then told by another that they do not but that they are planning to in "a year . . . six months, they don't tell us that." When asked if AT&T offers local service to businesses, the representative replied that they do not, because if they did they "would automatically offer it to residential customers."

- MCI: An MCI representative told the caller that it does not offer local service because "the local companies are fighting tooth and nail to keep the long distance companies out." When asked about local business service the same representative replied that "when [MCI does] go in an area they'll go with everything, they don't go with just residential or business services."

- Sprint: Sprint told the consumer that the only state in which it offers local service is California and it is like a "test market to see how it goes." When asked about future plans for local service, the representative replied, "I don't know about any plans to move beyond California."

- Citizens Telecom: One representative told a consumer that, "Yes, we offer both local service to residential and business customers in Billings, Montana." However, a different representative said that "we only offer local service in Eureka, Libbie and Troy, not Billings." When asked about future plans, the second representative said that he was not aware of any.

Billings Consumer Survey Results

	Serving Business	Serving Residential
AT&T	No	No
MCI	No	No
Sprint	No	No
Citizens Telecom	No	No

New York, New York

New York was one of the few cities where consumers had a choice in local carriers. However, to date competition in New York has been focused mainly on medium to large businesses and high-end residential consumers. Consumer callers inquiring about local service in New York City found that this was true of most companies they called.

- AT&T: AT&T is only serving the Rochester County region in New York.

- MCI: MCI representatives told our consumer, "Yes, we are serving the New York City area including the five boroughs." When asked about business service he replied that "we are serving businesses in the same area, if we can serve residences we'll serve the businesses in that area."

- Sprint: Sprint is not offering local service to businesses or residential customers.

- Winstar: A Winstar representative was very candid in his response to why the company serves local business but not residential customers. He stated that it's "currently not in the company's interest because it's more expensive to serve residential customers."

- Citizens Telecom: Citizens Telecom offers facilities-based residential and business local service mainly in central and upstate New York. They do not provide local service in New York City. However, while business service is widely offered, residential service is only provided in a limited area because, according to a customer representative, "it's not practical to get any more residential, the company is basically just trying to get business." When asked if that is because business service is more profitable, the representative replied, "Definitely."

- MFS: A customer representative said that they do not offer local residential service but they plan to look into providing it. Currently they do not even provide service for small businesses, only major businesses and corporations.

- TCG: TCG offers residential local service but only in a limited area. According to the customer representative, "I can't tell you if we can serve you without the prefix of your number or the prefix of your neighbor's number." When asked why the service varies, the representative said he was "not sure but it does and I can't confirm service until I have a number."

- RCN: RCN is reselling lines in the 212, 718, 516, and 914 area codes and is planning to build facilities. When asked if they were offering service to businesses as well, a representative said they were but "I don't know the details. I would have to transfer you to another department."

New York City Consumer Survey Results

	Serving Business	Serving Residential
AT&T	No	No
MCI	Yes	Yes
Sprint	No	No
Citizens Telecom	No	No
MFS	Yes	No
TCG	Yes	Yes
RCN	Yes	Yes
Winstar	Yes	No

Spartanburg/Greenville, South Carolina

Consumers who called companies to ask about local service in the Spartanburg/Greenville areas of South Carolina had trouble even reaching a customer representative at some of the companies. When they did make contact, consumers found very few companies providing local service and those that did were only serving a small number of business customers.

- AT&T: Consumers made twenty-two attempts to reach an AT&T representative. Each attempt was met by either a busy signal or no answer.
- MCI: An MCI representative told our consumer that were not providing local service at this time but they were planning a large scale roll out in the next five months for both business and residential service.
- Sprint: Sprint is not providing local service to business or residential customers.
- ACSI: ACSI said that they are offering local service to businesses but they had "no plans for serving residential in the near future."

Spartanburg/Greenville Consumer Survey Results

	Serving Business	Serving Residential
AT&T	Yes	No
MCI	No	No
Sprint	No	No
ACSI	Yes	No

Oklahoma City, Oklahoma

Our consumer inquiries revealed that there was little local competition currently in Oklahoma City. Most companies when asked about their intentions to provide local service said vaguely that they planned to in the future.

CLECs that are providing local service in Oklahoma City include Brooks Fiber, Cox and Logix. A Brooks Fiber representative told a consumer caller that "currently we serve primarily businesses in the central portion or business district of the city. Later next week we will begin rolling out residential service in areas around the city." Cox Fibernet offers local service to large businesses but not to residential consumers. When asked why a sales representative replied, "I guess because the cost associated with building the switches isn't justified by the usage." He went on to say that they may provide residential service "maybe in early 1999."

- AT&T: AT&T is not offering either local residential or business service. A representative said that they plan to "in the future, but [he was] not sure when."

- MCI: MCI is not providing local residential or business service. When asked if they plan to offer service, a representative replied that they plan to "in the future, but not at this time." When asked why they were not providing service he said that "the local companies are fighting tooth and nail to keep us out."

- Sprint: According to a customer representative Sprint is only providing local service in California.

- Brooks Fiber: When our consumer called Brooks Fiber they were told that they were not offering residential service today, but "later next week we will begin rolling out the residential service in areas around the city. Currently we serve primarily businesses in the central portion or business district of the city." When asked why they are currently serving business but not residential the representative said he was "not sure, you'd have to talk to someone in the corporate offices for that information."

- Cox: The Cox representative said that they were not offering residential local service because "we are focusing on large businesses that require a T-1 system." When asked the reason for this focus, he replied, "I guess because of the cost associated with building the switches isn't justified by the usage." The representative told our caller that they had plans to provide local residential service "maybe in early 1999."

- Logix: A consumer caller was told that "Yes, we offer local residential service but if you take the local you have to take our package of both local and long distance service." When the consumer said, "What if I don't want it?" she was told that "You don't have to make any long distance calls using our system but you still have to be a subscriber."

Oklahoma City Consumer Survey Results

	Serving Business	Serving Residential
AT&T	No	No
MCI	No	No
Sprint	No	No
Brooks Fiber	Yes	Yes
Cox Fibernet	Yes	No
Logix	Yes	Yes

Dallas, Texas

Consumers who called companies to inquire about local service in the Dallas/Fort Worth area found that though the residential customer had very limited options, competition in the business market was starting to grow. All of the CLECs called by our consumers were offering local business service but not residential. Customer representatives from each of the companies were rather vague in their responses to the questions of if and when they planned to provide residential service.

- AT&T: AT&T is providing service to both local business and residential customers.
- MCI: MCI told consumers that they were not sure if or when they will offer either local residential or business service. A customer representative then said he "guessed [they would offer service] next year sometime."
- ACSI: A representative from ACSI said that they would probably offer residential service in the next twelve months.
- Brooks Fiber: Brooks Fiber was not sure when they would serve residential customers but said that they "plan to in the future."
- Winstar: A Winstar representative told a consumer caller that they were "looking into it" but they were not currently providing local residential service because of "regulatory reasons." Winstar is, however, serving local business customers.

Dallas/Fort Worth Consumer Survey Results

	Serving Business	Serving Residential
AT&T	Yes	Yes
MCI	No	No
Sprint	No	No
ACSI	Yes	No
Brooks Fiber	Yes	No
TCG	Yes	No
Winstar	Yes	No

What The Regulators Are Saying:

Interviews with regulators were conducted to determine the number and types of local service providers in the states and to get their sense of how competition is developing in their state. It was at the recommendation of the regulatory commission staff people that we conducted the consumer surveys. Regulators know that companies are filing for approval to provide local service to both residential and business markets as a way to guarantee they get certified so they can seek out business customers. Information provided to regulators about a company's plans to provide local residential service was seen as no guarantee to consumers that that company will, in fact, provide that service.

Arizona

Eighteen companies have been granted the authority to provide local service in Arizona. Of the certified companies, approximately thirteen have arbitration decisions and/or approved interconnection orders and some, including AT&T have filed tariffs. According to a public service commission representative, there is "very little competition for business customers" and "virtually no alternative local carriers for residential consumers."

California

Over one hundred companies are certified to be competitive local carriers in California. Tariffs have been filed by thirty-five of these companies. CPUC representatives stated, however, that the only way to determine which services the companies are actually providing is to call the companies themselves.

Louisiana

Thirty companies are certified to provide local service in Louisiana and approximately thirty-four applications for authority are pending. As of late August only two of the certified companies were actually marketing service to small pockets of business customers in a handful of the state's largest cities.[6]

"Residential phone customers, who make up the bulk of the local phone market, will have to wait for the long distance giants to enter the market before they have a choice among local service providers, industry observers say. Those are the companies with the resources to serve large numbers of residential customers at a low profit margin."[7] "There is more money involved and more concentration [in the local business market.] In the Central Business District in New Orleans, for example, there is more money to be made than, say, one street of residential customers in Baton Rouge," said Janet Britton, a staff attorney for the Public Service Commission.[8]

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[6] Keith Darce, "Competition is Calling," *The Times Picayune*, August 17, 1997, pg. F1.
[7] Ibid.
[8] Tom Guarisco, "New Local Phone Service Starts in Baton Rouge," *The Advocate*, April 1, 1997, p.1C.