



STATE OF MICHIGAN
PUBLIC SERVICE COMMISSION
DEPARTMENT OF CONSUMER & INDUSTRY SERVICES

Jennifer M. Granholm
GOVERNOR

January 13, 2003

Chairman Michael K. Powell
Commissioner Kathleen Q. Abernathy
Commissioner Michael J. Copps
Commissioner Kevin J. Martin
Commissioner Jonathan S. Adelstein
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Dear Commissioners:

The Michigan Public Service Commission is pleased to notify you that today we issued an affirmative recommendation that SBC be authorized to provide interLATA communication services in Michigan. As will be demonstrated in our consultative report, we conclude that SBC has complied with the provisions of section 271 of the Federal Telecommunications Act. This report states that while some third party testing and issue resolution will continue under the supervision of this commission, the evidence demonstrates that the SBC network is irreversibly open to competitors on a non-discriminatory basis.

In addition, we are pleased to submit that competitive market share in SBC's Michigan service territory exceeds 20% and is growing, a clear signal that competition is flourishing in Michigan.

We believe that this significant competitive market share, pre-271, is attributable to hard work by this commission over the last several years and a firm commitment to competition consistent with the 1996 Federal Act and the Michigan Telecommunications Act. Michigan was among the first states to establish wholesale network prices that CLECs found acceptable for mass-market entry, and to adopt a wholesale performance measurement system. We also issued an order in February of 2000 which clearly set forth a 271 blueprint for Michigan. We have worked for nearly three years with an independent third party and the CLEC community to evaluate and improve SBC's OSS.

Some may suggest that it is premature to recommend 271-approval because some elements of testing are ongoing. We firmly believe that the overwhelming evidence shows that the competitive market is thriving. To ensure that no backsliding occurs after 271 approval and to further improve the interfaces between SBC and competitors, we also issued an order today requiring SBC to develop a supplemental compliance plan for selected issues which will be implemented with the full scrutiny of this commission.

Laura Chappelle, Chairman • David A. Svanda, Commissioner • Robert B. Nelson, Commissioner

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We do issue one caveat, the Michigan competitive market is significantly dependent on availability of the Unbundled Network Element-Platform (UNE-P). We believe that the elimination or severe curtailment of UNE-P would adversely impact our competitive market. Our recommendation is predicated on the FCC's continuation of policies and rules that allow competitors access to UNE-P for the foreseeable future and throughout an orderly transition to facilities-based competition. In fact, we support UNE-P as consistent with the methods of competition specified in the 1996 Federal Act, including resale, facilities-based and unbundled network elements.

We urge the FCC to issue a reasoned and practical set of network unbundling rules that will assure the vitality of competitive providers by allowing them a viable business model based upon continued access to all necessary network elements, and under the continued supervision of the state commissioners.

With that concern expressed, we look forward to the benefits for Michigan citizens of vigorous competition in both local and long distance communications markets that will be advanced upon FCC approval of SBC's application, which we expect to be filed this week.

We are prepared to answer any of your questions about the long and rigorous road that has taken us to this point, the voluminous record that has been established and the conclusions we have reached.

Sincerely,

Chairman Laura Chappelle

Commissioner David A. Svanda

Commissioner Robert B. Nelson