



# **The Status of Local Telephone Competition in South Carolina** 2019 Annual Report

South Carolina  
Office of Regulatory Staff



# ORS.SC.GOV / Telecommunications

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2020

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## OVERVIEW

- Status of competition in the local telephone exchange market
- Impact of changes in 2019
- Consumer complaints received and resolved by ORS

## Introduction

South Carolina Code Ann. § 58-9-280 (G)(3) (Supp. 2015) requires the South Carolina Office of Regulatory Staff (ORS) to compile information to monitor the status of local telephone competition in South Carolina. To compile this information, ORS requires all local exchange carriers (as defined in South Carolina Code Ann. § 58-9-10(12)) to report annually to ORS the total number of access lines providing local exchange telecommunications services to an end user in South Carolina. ORS must maintain a copy of all written complaints received regarding the impact broadband services may be having on the competitive local exchange market. This information must be compiled and made available prior to May 15<sup>th</sup> of each year.

ORS sourced information for South Carolina from reports compiled and published by the Federal Communications Commission (FCC) Form 477, information reported to ORS by the communication carriers in the 2018 Annual Report, and the 2019 South Carolina Universal Service Fund (SC USF) Worksheet.

## **Notable Telecommunications Events of 2019**

In 2019, ORS was notified of telephone companies filing for Chapter 11 bankruptcy. One company is a Carrier of Last Resort (COLR). We continue to monitor the progress of these bankruptcies. Another notable event in 2019<sup>1</sup> is implementation of a new area code overlay in the 803-area code. The new area code will be 839. Throughout the year, telephone companies notified customers of the upcoming area code overlay and provided educational material to educate customers on the requirement that a customer will be required to dial the full 10-digit phone number. Mandatory 10-digit dialing began on April 25, 2020.

## **Local Telephone Competition**

The local telephone market is defined as the delivery of voice telephone service to residential and/or business customers over a wired or wireless communications path regardless of the technology used. Traditional wired telephone service, VoIP service, and wireless or cellular telephone service make up the local telephone market today. Each of these services allows two or more individuals to engage in a simultaneous speaking conversation, even though they are not all located in the same place and are considered direct substitutes for each other. Local competition is measured by counting the number of access lines, telephone lines, or wireless handsets sold or controlled by each provider.

Incumbent Local Exchange Carriers (ILECs) are the traditional local telephone companies that existed prior to the Federal Telecommunications Act of 1996. The term “local telephone service” is fast becoming obsolete as ILECs and Competitive Local Exchange Carriers (CLECs) are converting their services to

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<sup>1</sup> Docket No. 2018-35-C

VoIP technology, and wireless/cellular service continues to increase in dominance as the preferred personal communications device of most individuals.

The number of wired access lines in South Carolina as reported to the ORS peaked in 2002 and has gradually declined since that time. This trend may be attributed to the increasing number of households replacing their wireline telephone with a cell phone. This phenomenon has been studied extensively by the Centers for Disease Control and Prevention, National Center for Health Statistics (CDC). The most recent data published by the CDC estimates that in South Carolina, 57.7% of all households now exclusively use a wireless phone for communication, or they are “wireless-only.”<sup>2</sup> In households with children under age 18, representing younger families, the wireless-only percentage is nearly 67.2%.<sup>3</sup>

While VoIP service is gradually replacing traditional TDM-based telephone service, VoIP service is still delivered over a copper or fiber optic connection to the customer’s location. VoIP is further delineated as either interconnected or non-interconnected.<sup>4</sup> Interconnected VoIP providers are required to contribute to the state and federal Universal Service Fund (USF) and state and federal Telecommunications Relay Service Fund (TRS).<sup>5</sup> On the federal level, interconnected VoIP providers are generally being treated in many respects as traditional telecommunications carriers.

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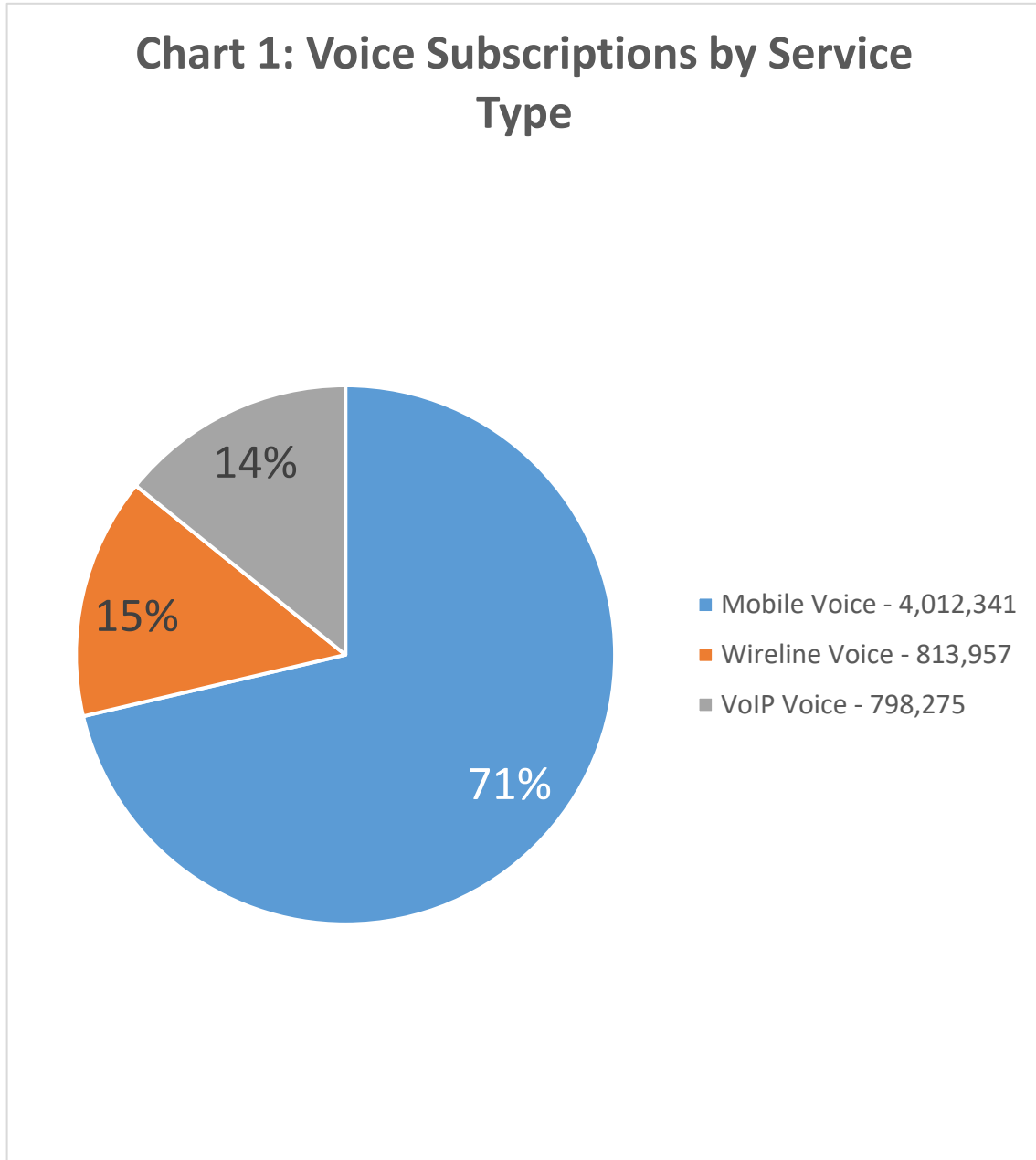
<sup>2</sup> NCHS, National Health Interview Survey, 2014–2018; U.S. Census Bureau, American Community Survey, 2013–2018; Table 1. Modeled estimates (with standard errors) of the percent distribution of household telephone status for adults aged 18 and over, by state: United States, 2017

<sup>3</sup> NCHS, National Health Interview Survey, 2014–2018; U.S. Census Bureau, American Community Survey, 2013–2018; Table 2. Modeled estimates (with standard errors) of the percent distribution of household telephone status for children under age 18, by state: United States, 2017

<sup>4</sup> See, 47 C.F.R. § 9.3 and 47 C.F.R. § 64.601(a).

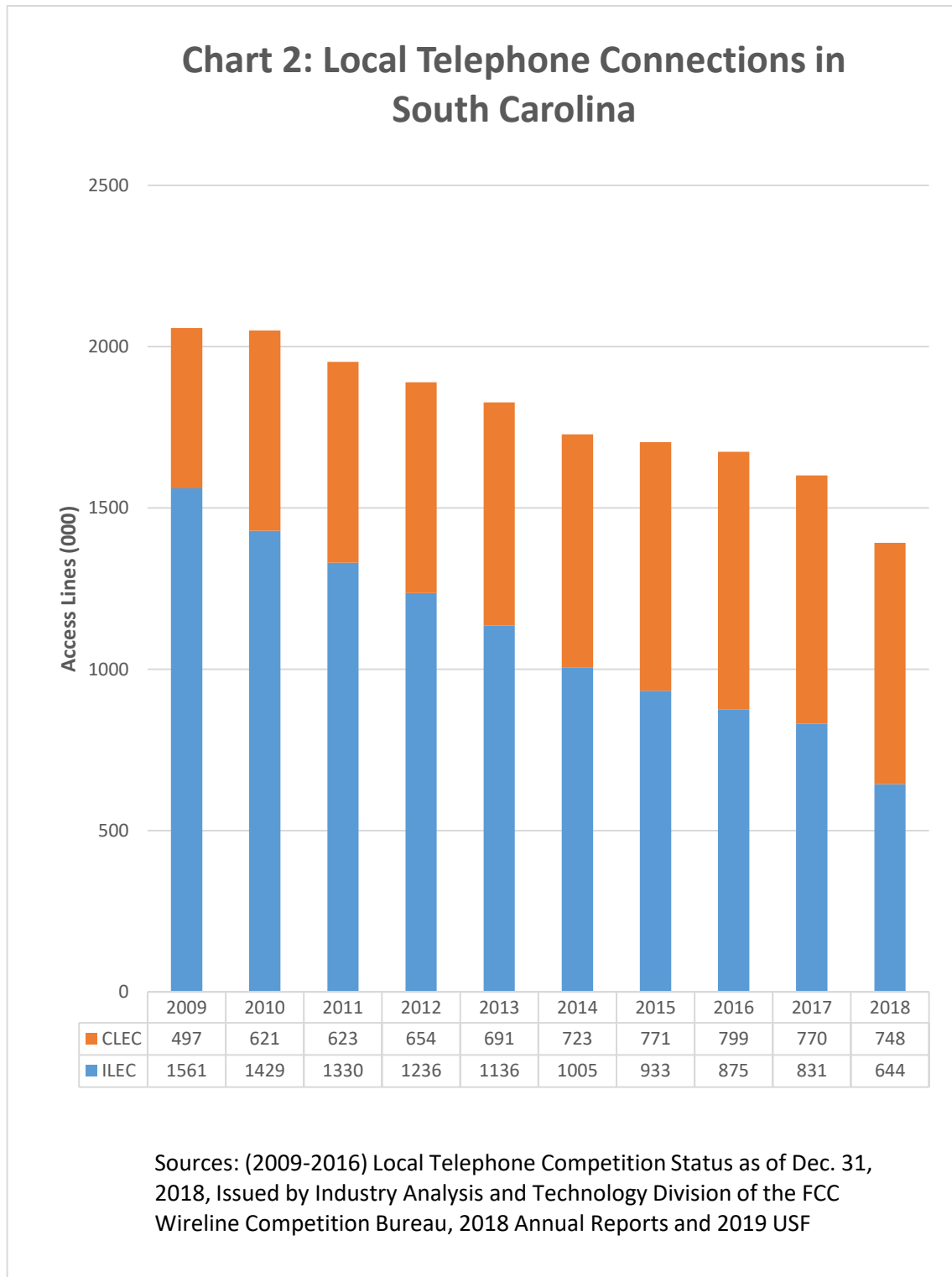
<sup>5</sup> See 47 C.F.R. § 64.604(c)(5)(iii)(A) for TRS and 47 C.F.R. § 54.706 for USF.

Chart 1 illustrates consumer subscription preference.



Source: 2017 FCC Form 477

**Chart 2:** illustrates the gradual decline in total wired access lines occurring since 2009.





## **Incumbent Local Exchange Carriers**

During 2017 the ILEC market share continued its steady decline in South Carolina, with market share at 52%. In 2018 the market share dropped by approximately 6% to 46% market share. In 2019, all ILECs in South Carolina are continuing to operate under the Alternative Regulation provisions of the Code, Section 58-9-576(B) or (C). (*See Table 1, page 11*).

## **Competitive Local Exchange Carriers**

The Federal Communications Commission (FCC) now refers to competitive carriers as "Other (Non-ILECs)," no longer as CLECs. ORS will continue to use Competitive Local Exchange Carrier (CLEC). In 2019, 131 South Carolina CLECs provided 747,808 access lines to businesses and residents of the state.

## **VoIP Providers**

As of December 2019, ORS recorded 186 registered VoIP providers serving subscribers in South Carolina. Some of these VoIP providers are certificated CLECs, and some are uncertificated providers of VoIP telephone service.

## **Wireless Carriers**

During 2019, four facilities-based, mobile wireless providers<sup>6</sup> and another 65 registered wireless resellers were operating in South Carolina. These wireless companies provided service to nearly 4.2 million wireless subscribers as reported to ORS.

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<sup>6</sup> Communications Marketplace Report et al., GN Docket No. 18-231 et al., Report, FCC-CIRC1812-07 (rel. Nov. 21, 2018).

## Broadband Deployment<sup>7</sup>

The latest Broadband Deployment Report issued by the FCC was released on May 29, 2019, and reports data for the year ending December 31, 2017. The FCC report is based on FCC Form 477 reporting by telecommunications providers and indicates the following for South Carolina:

- There are 5.024 million residents in SC
- 89.9% of SC residents have broadband at speeds of 25 Mbps down and 3 Mbps up available, while the US average is 93.5%
- 50.5% of SC residents have adopted broadband at speeds of 25 Mbps down and 3 Mbps up available, while the US average adoption rate is 60.2%

It should be noted:

- The FCC report does not address the availability of broadband to businesses.
- The FCC 477 data has not been verified or validated.

## Alternative Regulation

Prior to the development of competition in the telecommunications market, each ILEC's rates were regulated by the Commission based on the telephone utility's rate of return. With the passage of the federal Telecommunications Act of 1996, as well as legislative changes implemented in South Carolina since 1996, ILECs are regulated in a more flexible manner. Section 58-9-576(C) provides local exchange companies the ability to offer nearly all retail local service on a deregulated basis.

If an ILEC or a CLEC opts for alternative regulation pursuant to Section 58-9-576(C) or Act 7, then its retail service offerings are deregulated – thereby

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<sup>7</sup> FCC – FCC 19-44, 2019 Broadband Deployment Report, Released May 29, 2019 in GN Docket No. 18-238

allowing them the ability to set price, terms, and conditions without Commission review. In addition, an ILEC choosing Act 7 deregulation will be subject to a three-year phase-down of any SC USF support it receives, but it will continue to contribute to the SC USF. The Commission retains authority over wholesale services — for example, switched access and services sold to other carriers, as well as limited authority over stand-alone basic residential lines.

## **Lifeline – Eligible Telecommunications Carriers**

Beginning in 2007, South Carolina began accepting applications from carriers requesting permission to become Eligible Telecommunications Carriers (ETCs) offering Lifeline services to low-income households. In addition to the ILECs, South Carolina had 12 wireless Lifeline ETCs actively offering Lifeline to customers at the end of 2019, and the wireless Lifeline ETCs received approximately \$11.6 million in total Lifeline support from the federal Universal Service Fund during calendar year 2019.

The FCC's 2016 Lifeline Modernization Order outlined the need to bridge the digital divide. The Order mandated the inclusion of broadband to help connect Americans to the internet. As of December 2016, the consumers of the Lifeline Program are able to choose how to apply the benefits. The choices include:

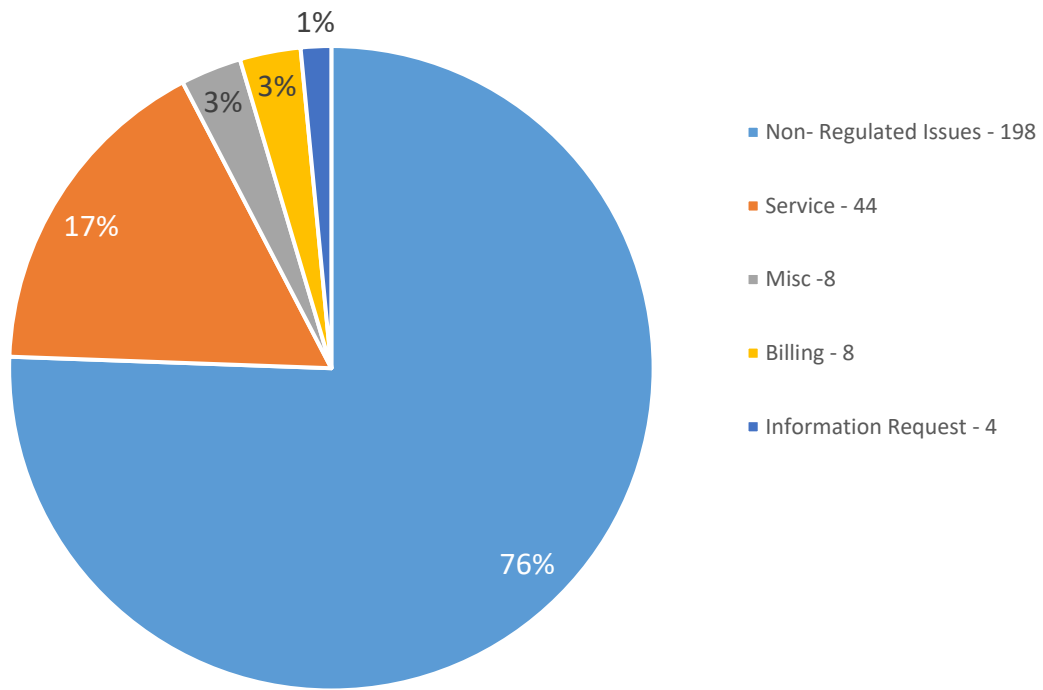
- Fixed or mobile broadband
- Fixed or mobile Voice-only (phasing out by end of 2021)
- Bundles of fixed or mobile voice and broadband

Beginning December 2019, the federal Lifeline program began a reduction of the support to providers of Voice-only service. The Order further reduces support in December 2020. Finally, the federal Lifeline program will cease the provision of support to Lifeline providers for Voice-only services in December 2021.

## Consumer Services

ORS tracks a wide range of consumer complaints related to regulated and non-regulated telecommunications services. **Chart 3** depicts a breakdown of complaint calls received by ORS during 2019. By far, the largest area of complaints in telecommunications relates to non-regulated aspects of the business (76%). Service quality (17%), billing (3%), and miscellaneous (3%) round out the top four complaint areas.

**Chart 3: Consumer Services Department:  
Telecommunications Complaints by Type, Number  
& Percentage - 2019**



**Table 1: Alternative Regulation: ILECs**

Carrier	Alt. Reg. § 58-9-576(B)	Alt. Reg. § 58-9-576(C) Act 7	Rate of Return Regulation
United Telephone Company of Carolinas dba CenturyLink, fka Embarq, fka Sprint	29-Sep-1997 <sup>8</sup>		
BellSouth Telecommunications	13-Aug-1999 <sup>7</sup>	1-Oct.-09 <sup>9</sup>	
Frontier fka Verizon South, Inc.	14-Oct-2000 <sup>7</sup>		
Windstream South Carolina	27-Sep-2002 <sup>7</sup>		
Horry Telephone Coop.	30-Jan-2003 <sup>7</sup>		
PBT Telecom	18-Feb-2006 <sup>7</sup>		
Home Telephone Co.	7-Apr-2006 <sup>7</sup>		
West Carolina Rural Tel. Coop.	16-Oct-2006 <sup>7</sup>		
Piedmont Rural Telephone Coop.	12-Jan-2007 <sup>7</sup>		
Lockhart Telephone Co.	9-Aug-2007 <sup>7</sup>		
Farmers Telephone Coop.	1-May-2008 <sup>7</sup>		
Bluffton Telephone Co.	4-Mar-2005 <sup>10</sup>		
Hargray Telephone Co.	4-Mar-2005 <sup>10</sup>		
McClellanville Telephone Co. (TDS)	30-May-2005 <sup>10</sup>		
Norway Telephone Co. (TDS)	30-May-2005 <sup>10</sup>		
St. Stephen Telephone Co. (TDS)	30-May-2005 <sup>10</sup>		
Williston Telephone Co. (TDS)	30-May-2005 <sup>10</sup>		
Fort Mill Telephone Co. dba Comporium	1-Aug-2005 <sup>10</sup>		
Lancaster Telephone Co. dba Comporium	1-Aug-2005 <sup>10</sup>		
Rock Hill Telephone Co. dba Comporium	1-Aug-2005 <sup>10</sup>		
Chester Telephone Co.	9-Aug-2007 <sup>10</sup>		
Ridgeway Telephone Co.	9-Aug-2007 <sup>10</sup>		
Chesnee Telephone Co.	23-Aug-2014 <sup>7</sup>		
Palmetto Rural Telephone Coop.	1-May-2014 <sup>7</sup>		
Sandhill Telephone Coop.	26-Jul-2019 <sup>7</sup>		

<sup>8</sup> Company requested Alternative Regulation based on interconnection agreement.

<sup>9</sup> Company requested Alternative Regulation based on Section 58-9-576(C) which effectively deregulates retail service pricing.

<sup>10</sup> Company requested Alternative Regulation based on determination that at least two wireless providers have coverage generally available in the LEC's service area.