

Julie Parsley
Commissioner

Paul Hudson
Chairman

Barry T. Smitherman
Commissioner

W. Lane Lanford
Executive Director



Public Utility Commission of Texas

January 14, 2005

Honorable Members of the Seventy-Ninth Texas Legislature:

We are pleased to submit our 2005 Report on the Scope of Competition in Telecommunications Markets, as required by Section 52.006 of the Public Utility Regulatory Act (PURA).

Since the previous report on telecommunications, the Commission has continued to make significant progress in managing the transition to a competitive local telecommunications market during very difficult economic times and amidst federal regulatory uncertainty. While fewer new local providers have entered the market, several have left or struggled to remain. Meanwhile, the market share held by competitive providers is approaching 21 percent statewide.

In the last Scope Report, the Commission reported that competitive providers were capturing more customers in the larger urban and suburban areas, but noted that competition in rural areas was limited. That situation still has not changed. As of June 2004, CLECs served only 9 percent of the local customers in rural areas.


The ability of certain types of CLECs to sustain themselves in the local market is more uncertain than ever given recent and pending FCC actions pertaining to access to ILEC unbundled network elements at TELRIC rates.

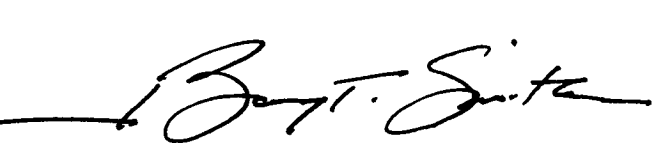
The Report also highlights some of the emerging issues, and provides a description of the debate surrounding voice over internet protocol and broadband over power line. The Report concludes with a Commission recommendation for the Legislature to consider in the 79th legislative session.

We look forward to continuing to work with you on this and other policy objectives. If you need additional information about any issues addressed in the report, please call on us.

Sincerely,


Julie Parsley
Commissioner


Paul Hudson
Chairman


Barry T. Smitherman
Commissioner



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