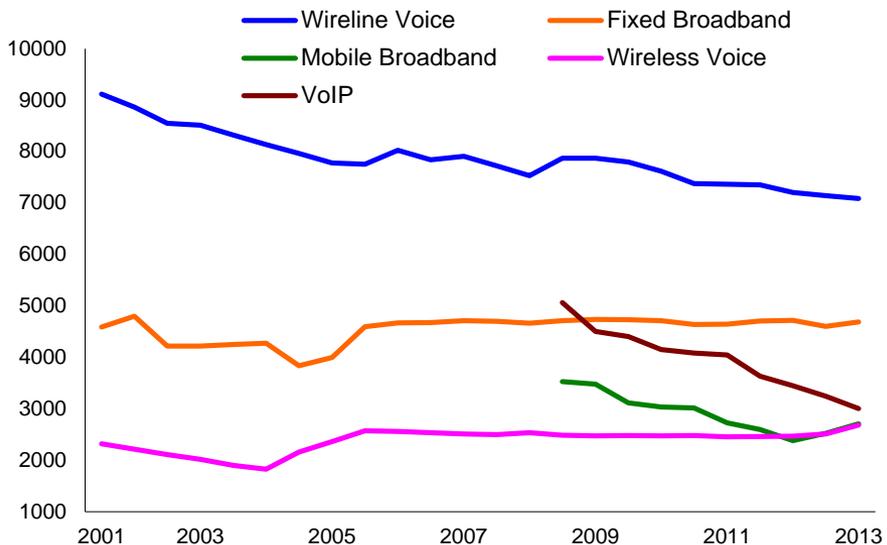




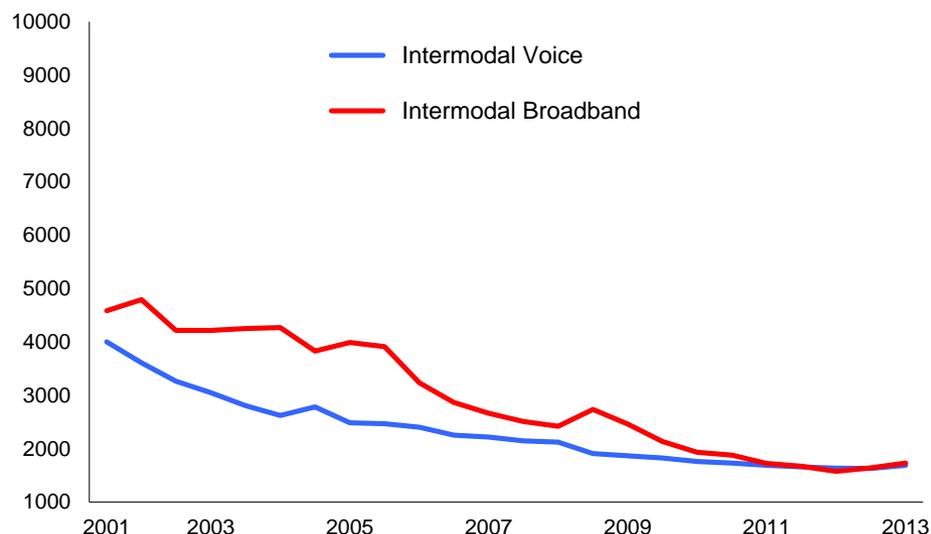
Intermodal Communications Markets and Concentration:

How Competitive are California's Communications Markets?

Single Technology Market Concentration



Intermodal Market Concentration



Concentration Measurement: Herfindahl-Hirschman Index (HHI) Value
Score of 0 to 10,000. 0 = perfect competition. 10,000 = monopoly

For more information, see Market Share Analysis of Retail Communications in California June 2001 through June 2013:
<http://www.cpuc.ca.gov/PUC/Telco/generalInfo/030326TelecommunicationsCompetition.htm>



- How Competitive are California's Consumer Communications Markets ? Is there enough competition for consumers to benefit from the free market? It all depends on how you look at them! Lens 1: by tech, Lens 2: intermodal, i.e. as a consumer sees them.
- What is intermodal communication – holistic market, not separate markets by `technology. Substitution. Reality is technologies are competing with each other. Voice = wireline + voip + wireless – substitution. D.06-08-030 2006 URF consumer choice policy The idea is to approach how competitive the market is from the consumer's perspective because, after all, that is who we are here to protect.
- Why? D.06-08-030 2006 URF consumer choice policy. Philosophy behind Deregulation is that market competition will ensure low rates, innovation, and good service. CPUC monitors competitiveness of markets to make sure consumers are getting these benefits. Concentrated markets have fewer companies and/or companies with a large share of the customers in a market.
- How do we measure if whether market concentration shows there is enough competition to benefit consumers? We use HHI, a standard market concentration index. Above 2500 = highly concentrated according to DoJ, i.e. not a competitive market
- This is statewide subscriber data, subscription counts for each type of technology from the FCC. First chart: Wireline –monopoly at dereg, still highly concentrated but getting better. VoIP better. Wireless more competitive, subject to mergers
- No individual technology below 2500. All are too concentrated to be competitive. If this were accurate, POTS would cost a fortune! Intermodal technologies below 2500 = moderately concentrated.
- So back to the original question: how concentrated are California's markets? Let's see which lens looks more accurate - the traditional single technology lens or the intermodal lens?