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January 24, 1994

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

RE: Ex Parte Communication Concerning GN Docket No. 93-252,
Regulatory Treatment of Mobile Services

Dear Mr. Caton

On Monday, January 24, 1994, the attached letter from David Gusky, Executive Director of the National Cellular Resellers Association, and the attached NCRA study entitled "Comparison of Cellular Service Prices in the 30 Largest Markets for Security and Other Urgent Use: January, 1988 - January, 1994," were delivered to various parties as well as the Chairman of the Federal Communications Commission on behalf of the National Cellular Resellers Association.

Sincerely



William B. Wilhelm, Jr.

Enclosures

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. Reed Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Mr. Chairman:

Recently, the National Cellular Resellers Association undertook a comparison of monthly cellular airtime rates for personal safety and convenience use between January, 1988 and January, 1994 in the 30 largest cellular markets.¹ The results of the comparison, which are attached, are extraordinary, showing almost a **33 percent average increase** in these rates.²

The report finally puts to rest the notion, touted loudly and frequently by the licensed carriers, that cellular rates have come down for average consumers. In fact, just the opposite has occurred -- for the family or individual who simply wants the security and peace of mind offered by a cellular phone, the technology is further out of reach today than six years ago when cellular was just entering the marketplace and the number of cellular subscribers was only a fraction of the

¹ The 30 largest cellular markets encompass approximately 40 percent of the total U.S. population.

² NCRA estimates that a reasonable pattern of monthly usage for individuals using cellular phones chiefly for personal safety and convenience would be 20 minutes of airtime during peak hours and 10 minutes of airtime during off-peak hours. We estimate these individuals typically would make one cellular call, of between one and two minutes duration, every other day and most frequently during peak hours; to and from work for example.

Additional comments concerning the report's findings:

(1) The difference in rates between the A and B systems in the same markets at the same point in time for the identical amount of monthly usage is less today than in January, 1988. It would appear that, at least for low-volume users, the facilities-based carriers are not competing the rates down, but up;

(2) Six of the eight systems experiencing no change or a reduction in rates are located in states which regulate cellular -- additional evidence that state regulation, despite erroneous claims to the contrary, does not drive up cellular rates.

total number today.³

This trend certainly defies the behavior expected of a competitive industry. In markets where competition is vigorous and growth is strong, prices over time typically come down as producers strive to achieve greater efficiencies through economies of scale⁴ and other means of reducing per unit costs. A number of examples come to mind, including personal computers, video cassette recorders, long distance service, and pocket calculators.

In highly concentrated markets, however, where competition is limited, producers have both the motivation and power to keep prices high or to even raise prices for certain market segments. NCRA believes this is clearly the case in cellular. As our report shows, cellular has become *more* expensive, not less expensive, for consumers wishing to make a limited number of calls each month. The trend further restricts cellular's accessibility to all except the financially advantaged. Equally important, we believe the trend has not been driven by technology costs or supply scarcity as much as by policies which give just two carriers in each market control of essential facilities.

In the current Notice of Proposed Rulemaking on the regulatory treatment of mobile services,⁵ the Commission has the opportunity to reverse this trend and begin bringing cellular's numerous benefits within reach of millions of additional consumers. As NCRA proposed in its comments, the Commission should require facilities-based cellular carriers to interconnect at just and reasonable rates with cellular resellers. This would severely weaken the carriers' control of bottleneck services and soon create a highly competitive retail cellular market and fair rates for consumers.

In closing, we would like to point out that a key issue in the debate surrounding the development of tomorrow's "information superhighway" is accessibility, that is, how to make access to this array of critical information services both available and affordable. NCRA urges the Commission to adopt policies today that will help open up cellular and other wireless technologies, which promise to be important avenues to the superhighway, to virtually all consumers throughout the country. As we explained in our comments, cellular resellers can and should play an important role in achieving this goal.

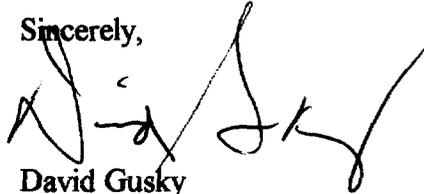
³ According to the Cellular Telecommunications Industry Association's latest Mid-Year Data Survey, released October 12, 1993, there were 1,230,855 cellular subscribers in December, 1987 and 13,067,318 in June, 1993.

⁴ As of June, 1988, capital investment per cellular subscriber was \$1,816. As of June, 1993, capital investment per cellular subscriber was \$978. CTIA Mid-Year Data Survey, October 12, 1993.

⁵ Docket No. 93-252

We appreciate your interest. Please do not hesitate to contact us if you need further information or have questions regarding this letter and attached report, which we request be made part of the record and given due consideration in GN Docket 93-252.

Sincerely,

A handwritten signature in black ink, appearing to read "David Gusky", written over the printed name below.

**David Gusky
Executive Director**

cc: Attached List.

**Attachment: NCRA Comparison of Cellular Service Prices For Personal Safety
and Convenience Use: January, 1988 - January, 1994**

NCRA

NATIONAL CELLULAR RESELLERS ASSOCIATION

**COMPARISON
OF CELLULAR SERVICE PRICES
IN THE
30 LARGEST MARKETS
FOR PERSONAL SAFETY
AND CONVENIENCE
USE:
JANUARY, 1988 - JANUARY, 1994**

January 24, 1994

1825 Eye Street, N.W., Suite 400, Washington, D.C. 20006 (202) 429-2014: FAX: (202) 857-0897

NATIONAL CELLULAR RESELLERS ASSOCIATION

COMPARISON OF CELLULAR SERVICE PRICES FOR PERSONAL SAFETY AND CONVENIENCE USE: JANUARY, 1988 - JANUARY, 1994

The following table shows the best rates available in the 30 largest cellular markets for 30 minutes of monthly airtime in January, 1988 and January, 1994. NCRA believes this amount of airtime, divided into 20 minutes of usage during peak hours and 10 minutes of usage during off-peak hours, represents a reasonable calling pattern for individuals using a cellular phone chiefly for personal safety and convenience.

1988 \$ Diff	Market #	City	System	1988	1994	% Change	1994 \$ Diff
\$3.50	1	New York	A	\$32.50	\$39.99	23.0%	
			B	\$36.00	\$45.65	26.8%	\$5.66
\$0.00	2	Los Angeles	A	\$45.00	\$45.00	0.0%	
			B	\$45.00	\$45.00	0.0%	\$0.00
\$1.00	3	Chicago	A	\$20.00	\$28.35	41.8%	
			B	\$21.00	\$24.21	15.3%	\$4.14
\$1.00	4	Philadelphia	A	\$22.95	\$34.95	52.3%	
			B	\$23.95	\$34.65	44.7%	\$0.30
\$0.00	5	Detroit	A	\$16.10	\$30.95	92.2%	
			B	\$16.10	\$30.95	92.2%	\$0.00
\$3.00	6	Boston	A	\$22.50	\$33.15	47.3%	
			B	\$19.50	\$27.95	43.3%	\$5.20
\$0.00	7	San Francisco	A	\$56.00	\$44.74	-20.1%	
			B	\$56.00	\$45.00	-19.6%	\$0.26
\$1.95	8	Wash/Balt	A	\$22.00	\$33.70	53.2%	
			B	\$23.95	\$34.65	44.7%	\$0.95
\$0.00	9	Dallas	A	\$30.00	\$42.39	41.3%	
			B	\$30.00	\$41.95	39.8%	\$0.44
\$2.75	10	Houston	A	\$28.95	\$31.99	10.5%	
			B	\$26.20	\$39.95	52.5%	\$7.96
\$0.00	11	St. Louis	A	\$23.00	\$26.95	17.2%	
			B	\$23.00	\$29.95	30.2%	\$3.00
\$4.50	12	Miami	A	\$30.00	\$52.70	75.7%	
			B	\$34.50	\$49.55	43.6%	\$3.15
\$18.75	13	Pittsburgh	A	\$14.20	\$39.99	181.6%	
			B	\$32.95	\$38.05	15.5%	\$1.94

\$6.60	15 Minneapolis	A	\$28.95	\$32.24	11.4%	\$3.61
		B	\$35.55	\$35.85	0.8%	
\$0.05	16 Cleveland	A	\$27.95	\$30.95	10.7%	\$1.20
		B	\$28.00	\$29.75	6.3%	
\$0.00	17 Atlanta	A	\$40.00	\$33.70	-15.7%	\$8.05
		B	\$40.00	\$41.75	4.4%	
\$8.35	18 San Diego	A	\$45.00	\$36.55	-18.8%	\$1.45
		B	\$36.65	\$38.00	3.7%	
\$6.05	19 Denver	A	\$29.50	\$36.59	24.0%	\$0.36
		B	\$35.55	\$36.95	3.9%	
\$11.75	20 Seattle	A	\$29.50	\$29.99	1.7%	\$0.04
		B	\$41.25	\$29.95	-27.4%	
\$1.30	21 Milwaukee	A	\$20.00	\$29.95	49.7%	\$2.95
		B	\$21.30	\$27.00	26.8%	
\$0.80	22 Tampa	A	\$26.80	\$34.95	30.4%	\$11.50
		B	\$27.60	\$46.45	68.3%	
\$0.05	23 Cincinnati	A	\$17.95	\$30.95	72.4%	\$6.04
		B	\$18.00	\$24.91	38.4%	
\$0.00	24 Kansas City	A	\$25.50	\$33.45	31.2%	\$2.40
		B	\$25.50	\$35.85	40.6%	
\$13.10	25 Buffalo	A	\$25.10	\$27.65	10.2%	\$4.30
		B	\$12.00	\$23.35	94.6%	
\$6.60	26 Phoenix	A	\$28.95	\$39.25	35.6%	\$1.00
		B	\$35.55	\$40.25	13.2%	
\$3.00	28 Indianapolis	A	\$12.00	\$26.95	124.6%	\$2.00
		B	\$15.00	\$24.95	66.3%	
\$9.40	29 New Orleans	A	\$42.90	\$33.95	-20.9%	\$0.00
		B	\$33.50	\$33.95	1.3%	
\$1.50	30 Portland	A	\$25.00	\$35.00	40.0%	\$1.50
		B	\$23.50	\$33.50	42.6%	
\$3.75	Averages		\$28.67	\$35.12	+32.4%	\$2.84

The monthly airtime charges contained in this report were calculated by using data obtained from Information Enterprises and the customer service departments of the licensed carriers in each market listed above. The monthly airtime charges reflect the best rates available on service contracts not exceeding one year in length.

CERTIFICATE OF SERVICE

I, Lula Parker, hereby certify that I have this 24th day of January, 1994, caused to be hand delivered copies of the foregoing "Comparison of Cellular Service Prices in the 30 Largest Markets for Security and Other Urgent Use: January, 1988 - January, 1994" to the following:

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