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Demand for Personal Communications Services (PCS) in Rural Areas of the United States

Prepared Remarks of

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FEDERAL COMMUNICATIONS COMMISSION
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To

The PCS Task Force
Federal Communications Commission

April 11, 1994

Thank you for inviting me to comment on PCS demand in rural areas of the United States. My comments are being made on behalf of the Rural Telephone Coalition which consists of the National Rural Telecom Association, the National Telephone Cooperative Association (NTCA) and the Organization for the Protection and Advancement of Small Telephone Companies (OPASTCO). My purpose will be to discuss the differences between the nationwide studies of PCS demand and the work we have done on PCS demand in rural areas. I think there are some important observations about rural PCS demand that have implications for the Commission's PCS policies.

1. In the context of PCS (and communications generally) the critical characteristic of "rural" areas is that there are relatively few people per unit of geography. That is, for the purpose of studying demand for communications services, rural means low population density. "Rural" is not a demographic definition, although some people think of "rural" (incorrectly) in demographic terms (income level, educational attainment, type of employment, etc.).
2. People in rural areas tend to use communications services at least as intensively as people in urban areas. Communications services are at least a partial solution to the relative isolation of rural areas. We see this consistently in studies for long distance calling in urban and rural areas. Also, we see robust demand for enhanced services and features in rural areas.
3. Given similar types of PCS services and PCS prices, the probability of subscription to PCS should be no lower in rural than in urban areas. That is, we have discerned no difference in the intensity of demand for PCS among potential customers in urban and rural areas. The demand problem in rural areas is a problem of density—fewer potential customers per square

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mile—rather than the probability of subscription or amount of usage per customer, which are similar to urban areas.

4. These observations lead to several implications for PCS demand in rural areas.
 - a. Extended-range cordless phones will be in high demand in rural areas. (A 200-foot range may be fine in an urban apartment, but not on a several hundred acre farm or ranch.)
 - b. The greater distances of travel in rural areas will require that PCS provide higher-speed mobility than in dense urban areas, where there is more foot traffic and congestion.
 - c. There are, of course, fewer potential customers per square mile than in urban areas, and these customers are not evenly distributed. Undoubtedly, there are concentrated pockets of PCS demand in rural areas, defined by geography and terrain. Isolated pockets of PCS demand may be the dominant pattern in mountainous or forested areas.
5. These demand-side implications lead me to make a few observations about how best to serve this rural PCS demand.
 - a. Relatively low customer density suggests that there may be greater economies of scope with existing communications networks in rural areas. By encouraging rural telephone companies to build-out the PCS networks in their wireline service areas, rural customers may obtain benefits of PCS that would otherwise take years to bring to rural America. Further, by maximizing the interworkability of rural PCS, cellular and telephone networks, for example, network costs may be reduced and the range of wireless services enhanced. In this context, restrictions on ownership of cellular and PCS would be bad for customers in rural areas.
 - b. Limitations on transmitter power and requirements for population coverage are important drivers of cost in rural areas, because of the relatively low subscriber density. Relaxation of such requirements, or adoption of policies which off-set these requirements, may bring more affordable PCS to rural areas faster.
 - c. Bringing PCS to the pockets of demand economically may require some creative use of technology, such as dual-mode cellular/PCS phones. Also, in order to increase rural

subscribership to PCS (thereby reducing average unit costs), the Commission may want to explore flexible ways to integrate PCS with wireline telephone systems.

In summary, there is significant demand per rural citizen for the enhanced services promised by PCS. There is just less demand per unit of geography. The demand and supply characteristics of rural PCS suggest the need for regulatory policies tailored to rural areas.

Thank you again for the opportunity to address you today. I hope that the work of this committee will bring enhanced and affordable personal communications services to all areas of the United States as quickly as possible.