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Federal Communications Commission
Small Business Market Entry Barriers Forum
under
Section 257 of the Telecommunications Act of 1996
hosted by the Office of General Counsel
and
Office of Communications Business Opportunities

GN Docket No. 96-113

September 24, 1996
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Testimony of Alan R. Shark, Panelist
President and CEO
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Washington, DC

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Testimony of Alan R. Shark, AMTA President & CEO
FCC Small Business Forum -- September 24, 1996

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Panel I -- General Market Entry Barriers

I. Introduction

AMTA is the leading trade association for the specialized mobile radio (SMR) industry, a formerly private land mobile radio service now reclassified as CMRS under the Budget Act of 1993 (to the extent that licensees offer service that is interconnected with the public switched telephone network). While a few SMR licensees seek to offer wide-area service that will be competitive with mass market services such as PCS and cellular, the vast majority of the industry, and AMTA's members, are very small businesses (specifics in a moment). Given the rapid changes occurring both in the wireless industry and in the FCC's regulatory posture, we are therefore very interested in this proceeding, and welcome the chance to provide the Commission with details of small business concerns.

II. AMTA Small Business Survey

A. Business Profile -- In response to the FCC's *Notice of Inquiry* into small business market entry barriers, AMTA conducted a survey seeking details about the size of our members and about their major concerns, both in conducting business in general and in dealing with the FCC. We received more than 50 responses; here is a summary of the business profile of those responding:

-- nearly all respondents are FCC licensees; two-thirds have fewer than 15 employees (the only size question we asked -- we believe that many actually have no more than 5 employees).

-- These small systems generally have fewer than 5,000 total subscribers, with 38% having fewer than 500.

-- While most provide SMR service, some respondents offer a mix of SMR, paging or paging resale, operate community repeaters, sell equipment and repair service and occasionally operate antenna towers.

*** -- half of all those responding have annual gross revenues of less than \$1 million. All operators responding had revenues of less than \$15 million.

B. General Market Entry Barriers -- another part of our survey sought details concerning general difficulties facing small businesses.

-- About 60% noted that the reduced access to capital afforded small businesses

greatly affected them;

- more than 80% emphasized that their smaller asset bases made it difficult to obtain financing without contributing a large percentage of their operating capital;
- 85% noted that they are restricted to cash flow, venture capital or hard-won loans to expand their businesses, while larger businesses may make public offerings;
- almost three-quarters complained that large businesses often dominate a market through temporary "low-balling" to drive out smaller competitors, or by buying up the competition.

III. FCC Opportunities

A. Industry and the FCC can work together successfully to eliminate market entry barriers where the FCC has jurisdiction, such as licensing. AMTA worked closely with the Wireless Bureau prior to the auction of remaining 900 MHz SMR spectrum, which resulted in the "very small business" category of \$3 million annual average gross revenue in that auction, one of two small business categories. Most of the license winners qualifying as small businesses fell under the "very small business" definition. Also, we welcome the FCC's call for industry consensus on regulatory issues, and are hopeful that the Commission will give weight to the consensus positions they receive in response.

B. While AMTA agrees with the Commission that enabling diverse new entrants to enter the telecommunications industry is a laudable goal, we urge the FCC not to abandon its incumbent licensees in pursuit of the goal. There are many telecommunications industry segments that are highly competitive -- SMR is a good example -- these operators wish to remain so, but cannot if the Commission's rules and policies favor only large or only new businesses.

C. More than any other issue, small commercial wireless businesses are concerned about the effect of FCC auctions on the regulatory landscape. They aren't worried about additional competition -- these businesses have been competing successfully for years -- they are worried that the reliance on auctions to meet all licensing situations means that they will never be able to expand their businesses, because they will never be able to win a license from larger bidders. Small credits really don't help -- "entrepreneurs' block" rules, really tailored to the true size of these businesses, might. Also, those designing auction rules should remember the limited resources of small businesses, which can be severely strained by such requirements as dialing in to bid on a "900" telephone number and trying to participate in several

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rounds of bidding per day.

In addition, AMTA calls the FCC's attention to congressional intent in granting auction authority -- already-congested spectrum with a mix of commercial and non-commercial licensees, for example, is probably not a good candidate for an auction.

Thank you for this opportunity to participate in the Small Business Forum -- additional details of AMTA's position will be included in its comments on the *Notice of Inquiry*.