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RURAL TELECOMMUNICATIONS GROUP

the voice of rural wireless telecommunications providers

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Washington, DC 20036

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OFFICE OF THE SECRETARY

November 20, 1998

BY HAND DELIVERY

Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, NW Room 222
Washington, DC 20554

Oral *Ex Parte* Presentation

Re: ***In re* Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996.**
CC Docket No. 98-146

***In re* Deployment of Wireline Services Offering Advanced Telecommunications Capability**
CC Docket No. 98-147

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Dear Ms. Salas:

On Thursday, November 19, 1998, Gregory W. Whiteaker and Ken C. Johnson, of Bennet & Bennet, PLLC, representing the Rural Telecommunications Group ("RTG"), met with members of the Federal Communications Commission's ("FCC's" or "Commission's") Office of Plans and Policy ("OPP"), Wireless Telecommunications Bureau ("WTB") and Common Carrier Bureau ("CCB") concerning issues related to the deployment of broadband advanced services to rural areas. Also participating in the presentation, via conference call, were RTG members Central Texas Telephone Cooperative ("CTTC"), represented by Delbert Wilson, General Manager; and Leaco Rural Telephone Cooperative, represented by John Smith, General Manager. FCC staff present at the meeting were: Walter D. Strack and Joseph A. Levin of WTB; John R. Williams and Johnson Garrett of OPP; and, Jennifer Fabian of CCB.

The representatives of RTG discussed arguments contained in RTG's comments and reply comments in the above captioned proceedings and arguments contained in CTTC's comments in CC Docket No. 98-147. Pursuant to rule Section 1.1206(b)(2), attached is a memorandum summarizing the substance of new data and arguments discussed at the meeting.

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Should the Commission desire additional information regarding this matter, please contact the undersigned counsel.

Sincerely,

Gregory W. Whiteaker
Regulatory Counsel

attachment

cc Walter D. Strack
Joseph A. Levin
John R. Williams
Johnson Garrett
Jennifer Fabian

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MEMORANDUM

To: **Magalie Roman Salas, Secretary**
Federal Communications Commission

From: **Gregory W. Whiteaker, Regulatory Counsel**

Date: **November 20, 1998**

Re: **Oral *Ex Parte* Presentation--November 19, 1998**

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The representatives of RTG discussed arguments contained in RTG's comments and reply comments in the above captioned proceedings and arguments contained in CTTC's comments in CC Docket No. 98-147. Pursuant to rule Section 1.1206(b)(2), two originals and two copies of this memorandum and accompanying cover letter are being herewith submitted to the Secretary of the Commission summarizing additional data and arguments presented at the meeting.

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RTG, through its member-companies, CTTC and Leaco, provided the Commission with information regarding the length and condition of local loops in CTTC's and Leaco's territories and discussed the capability of those loops to support xDSL. RTG reported that rural consumers, particularly small businesses and telecommuters residing in rural areas, are increasingly demanding greater bandwidth capacity and speeds.

RTG explained that rural telephone companies, because of their commitment to and presence in their rural communities, have a social and political incentive to provide advanced services to rural areas that other companies do not. CTTC and Leaco both have demonstrated a historical commitment to providing broadband services to schools, at a loss, in order to support their communities. RTG further explained that if rural schools fail, so does the rural community. RTG explained that companies backed by venture capitalists and even for-profit stock corporations generally lack an economic incentive to provide advanced services to residential and small business consumers in rural areas.

RTG discussed the relative economies and technological limitations of providing advanced services using wireless versus wireline technologies. Although hard cost data is not yet available, RTG reasons, based on its experience and the tremendous cost of upgrading wired facilities, that in rural areas, generally, it will be far more cost effective to deploy advanced services using wireless technologies, such as Multichannel Multipoint Distribution Service ("MMDS"), Local Multipoint Distribution Service ("LMDS") and unlicenced spread spectrum, than using wireline technology. RTG and the Commission staff discussed the relative capabilities and limitations of each of these technologies.

Unfortunately, many rural telephone companies have not been able to secure spectrum to provide wireless services. In response to questions from the staff, RTG explained that, contrary to popular perception, spectrum in rural areas is often expensive to obtain. For example, in the LMDS auction, the four most expensive Basic Trading Areas ("BTAs") on a per/POP basis were four predominantly rural BTAs in New Mexico.[1] Accordingly, many rural telephone companies have had great difficulty acquiring spectrum at auction. RTG advised the Commission that the use of large license areas such as Economic Areas ("EAs") and Major Trading Areas ("MTAs") effectively precludes rural telephone companies from acquiring spectrum through the auction process. RTG also advised the Commission that licensees of large license areas are typically unwilling to partition small rural areas because: 1) the licensees intend to sell the license in the near future and do not want to carve-up the area; or, 2) the transactional costs of negotiating and administering such agreements is prohibitive.

RTG informed the Commission that when rural telephone companies do successfully acquire spectrum they can deploy systems and provide competition to other incumbent local

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[1] Of the fifteen most expensive BTAs on a per/POP basis, ten were below 100,000 POPs, and include such rural areas as Roswell, New Mexico, McAlester, Oklahoma, and Kalispell, Montana. Carlsbad, New Mexico sold for $17.28 per/POP, more than double what WNP, Inc. paid for Boston, Massachusetts (the seventh most expensive market) on a per/POP basis.

exchange carriers ("ILECs") and cable operators only by building on their existing infrastructure and experience. In the absence of such synergies, even deployment of wireless facilities becomes cost prohibitive. For example, any Commission policies that limit a rural telephone company's ability to build off its existing resources will render deployment of LMDS highly questionable in rural areas.

Finally, consistent with comments filed in the above captioned proceedings, RTG advised the Commission that the structural separation standards for advanced services affiliates proposed in Docket No. 98-147 do not provide rural telephone companies with an alternative path for deploying advanced services.