

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of )  
 )  
Implementation of Section 6002(b) of the )  
Omnibus Budget Reconciliation Act of 1993 ) WT Docket No. 02-379  
 )  
Annual Report and Analysis of Competitive )  
Market Conditions With Respect to Commercial )  
Mobile Services )

**COMMENTS OF  
THE NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION**

The National Telecommunications Cooperative Association (NTCA) hereby submits its comments in the above referenced proceeding.<sup>1</sup> NTCA is a not-for-profit association established in 1954. It represents more than 555 rate-of-return regulated rural telecommunications companies. NTCA members are full service telecommunications carriers providing local, wireless, cable, Internet, satellite and long distance services to their communities. All NTCA members are small carriers that are defined as “rural telephone companies” in the Telecommunications Act of 1996.<sup>2</sup> Approximately half of NTCA member companies are organized as cooperatives, and half are small commercial companies.

NTCA welcomes the opportunity to participate in the Federal Communications Commission’s (FCC’s, or Commission’s) Notice of Inquiry (NOI), and the ability to contribute to the Eighth Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services (“Eighth Report”).

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<sup>1</sup> In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, *Notice of Inquiry*, WT Docket No. 02-379 (NOI) (released December 13, 2002).

NTCA will focus its comments on this Notice of Inquiry on wireless markets in rural areas, where its members live and serve. NTCA believes that attaining comparable quality of wireless service in rural and urban areas should be the Commission's primary goal in establishing commercial mobile radio service (CMRS) and wireless policies. Artificially creating competition for competition's sake could ultimately have the opposite effect from that intended—poorer quality service, or, in the extreme, no service at all in remote rural areas. Introducing four or five carriers into an area that can support no more than one or two creates a substantial risk that all may fail. NTCA believes that it is possible to introduce the benefits of competition to rural America while avoiding such risks.

**I. OVERALL QUALITY OF SERVICE IN RURAL AREAS IS MORE IMPORTANT THAN THE EXTENT OF COMPETITION**

The Commission asks for comment on whether there exists meaningful competition among mobile telephone providers in rural areas.<sup>3</sup> NTCA respectfully suggests that this may not be the proper question to be asked. More relevant than the existence of “meaningful competition” is the quality of service to which rural Americans have access. NTCA's member companies have consistently shown that they are more than capable of providing high quality service to rural America.

Many of the rural areas served by NTCA member companies are so sparsely populated that they cannot support but a single grocery store, bank, or service station. Yet that fact, by itself, does not mean that the residents are being underserved. If the

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<sup>2</sup> 47 U.S.C. § 153(37).

market is sufficiently robust to support another grocery store in the area, then customers will benefit in terms of lower prices and greater choices. Forcing the introduction of another grocery store, however, where conditions will not support it may ultimately result in neither store being able to survive. Such an outcome would undoubtedly leave residents worse off, as they would be forced to travel a greater distance to purchase food.

This example can be applied to wireless providers, as well. Just because customers are served by one or two providers does not necessarily mean that the situation will be automatically improved through the forced introduction of competition. It is entirely possible that just the opposite of the intended outcome will occur: should artificially imposed competition result in neither carrier being able to thrive, then customers will ultimately be presented with fewer choices and poorer quality service.

One way in which the Commission may foster sustainable competition in rural areas is to license spectrum according to small geographic areas. In this manner, small rural carriers will have an opportunity to gain access to the spectrum necessary for serving their communities. Armed with an intimate knowledge of their customers and the challenges of serving their communities, these small providers can and will do an excellent job of providing wireless service to rural America if only given the opportunity.

Similarly, the Commission asks whether the greater average number of service providers in urban areas versus rural areas indicates the existence of less meaningful competition in the rural areas.<sup>4</sup> Again, NTCA strongly feels that it is not the quantity of competitors that is relevant; rather, it is the quality of service provided to customers in rural America. Even if rural customers are not served by multiple carriers, they will still

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<sup>3</sup> NOI ¶ 38.

<sup>4</sup> NOI ¶ 44.

demand access to the same services being provided to urban consumers. And, as the NTCA 2002 Wireless Survey<sup>5</sup> results indicate, many rural customers have access to the same state-of-the-art wireless technologies available to their urban counterparts.

## **II. NTCA'S ANNUAL WIRELESS SURVEY RESULTS SHOW RURAL CARRIERS SUCCEEDING, DESPITE FORMIDABLE OBSTACLES**

Providing mobile telephone service in rural areas is very different than doing so in urban areas. Population densities are substantially lower in rural areas, resulting in greater per-customer costs of providing service and a smaller customer base over which to spread fixed costs. Terrain can be especially rugged and forbidding, with the result that the lowest cost method for serving a particular customer may not be a viable option. Despite these hardships, however, NTCA's most recent wireless survey shows that consumers in rural America are receiving superior wireless service from those NTCA members who have been able to gain access to spectrum.

The survey was conducted in the late summer and early fall of 2002. Fifty-three percent of survey respondents currently hold or share an interest in a wireless license, 72% of those who do not would like to have a wireless license. Eighty-four percent of respondents believe that the ability to offer wireless services affects their standing in the community as a telecommunications carrier of choice, and nearly three-fourths said that wireless was important to their company's bottom line. Despite these responses, however, one-half of the respondents indicated that they have no plans to participate in future spectrum auctions because they cannot compete with larger carriers at auction. The scope of the auctions has covered large areas, which results in high costs for

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<sup>5</sup> *NTCA 2002 Wireless Survey Report*, October 2002. Available from the NTCA website, [www.ntca.org](http://www.ntca.org).

spectrum and large areas requiring wireless deployment. Without access to this valuable spectrum, rural service providers are not able to deliver to their customers the services they demand.

CMRS is the single largest use of wireless among survey respondents, with 63% of those offering wireless offering CMRS through either personal communication service (PCS) (37%) or cellular (35%). Less than half—45%—indicate that they are able to offer a wireless package that is competitive with the national carriers, and 94% find it hard to compete with promotions, such as free long distance, being offered by national carriers.

Based on the survey responses, NTCA's members are offering their customers a wide variety of wireless services. Survey respondents' mobile wireless customers have access to voice mail, caller ID, family plans, free long distance, three-way calling, prepaid service, bonus night and weekend minutes, and text messaging in addition to other services. Where fixed wireless is used, customers have access to broadband Internet and voice service, among others.

Financing wireless operations, however, is becoming an increasingly larger challenge for NTCA member companies, survey results indicate. In the most recent wireless survey, 84% of those with experience obtaining financing described the process as "somewhat difficult" to "virtually impossible," a significant increase from the 56% from the 2001 Wireless Survey who responded to the same question that way.<sup>6</sup> The inability to procure financing for wireless projects can have a devastating impact on a rural provider's ability to serve its customers.

The fact that NTCA member companies are doing such an exemplary job of providing wireless services to their customers in spite of the difficulties in the form of

low customer density, difficult terrain, and a dearth of readily available capital speaks to those factors which make rural carriers different from non-rural carriers. NTCA member companies not only serve small communities, they live there as well. They are well known within their service area and have a vested interest in seeing their communities thrive. These small, rural providers are community focused and service based, and ultimately are motivated by customer satisfaction rather than profit margins, unlike many of the larger providers serving the more populous urban areas. While providing a particular service to their community might not be easily accomplished from a purely business standpoint, these providers are willing to accept the challenge for the sake of their customers, who are also their friends and neighbors. Left in the hands of the larger providers, these services in many cases would be considerably more expensive, or simply not offered at all.

### **III. RURAL SERVICE AREAS SHOULD BE USED TO DEFINE RURAL FOR PURPOSES OF THE EIGHTH REPORT**

In its NOI, the FCC asks for comment on how the Commission should define rural for the purposes of the Eighth Report.<sup>7</sup> For purposes of consistency and practicality, NTCA agrees with the Commission that Rural Service Areas (RSAs) are the appropriate geographic area to use. RSAs are already used for the auctioning of wireless spectrum, and were used in the Seventh Report.<sup>8</sup> NTCA agrees that the use of RSAs effectively separates rural from urban areas, and supports their continued use in the Eighth Report.

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<sup>6</sup> *NTCA 2001 Wireless Survey Report*, September 2001. Available from the NTCA website, [www.ntca.org](http://www.ntca.org).

<sup>7</sup> NOI ¶ 43.

<sup>8</sup> Implementation of Section 60002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, *Seventh Report*, 17 FCC Rcd 12985 (2002).

#### **IV. SEVERAL NTCA MEMBER COMPANIES ARE PROVIDING FIXED WIRELESS SERVICE**

The Commission seeks input as to the state of the fixed wireless industry.<sup>9</sup> In its 2002 Wireless Survey, NTCA found that 32% of those survey respondents holding a wireless license are offering fixed wireless services.<sup>10</sup> Broken down by type of service offered, 27% are providing broadband Internet via fixed wireless, 13% voice, 6% backhaul and 4% narrowband Internet. Twenty nine percent of those respondents holding a wireless license are utilizing unlicensed 2.4 GHz spectrum to provide fixed wireless service, 18% are utilizing PCS, 15% multipoint multichannel distribution service (MMDS), 15% unlicensed 5 GHz spectrum, 7% 802.11x (Wi-Fi), and 4% local multipoint distribution system (LMDS). The bottom line is that rural carriers' use of fixed wireless provides yet another means of satisfying customers' demands for telecommunications service. Those small telcos who have access to spectrum will put it to use to provide service to their customers.

#### **V. CONCLUSION**

NTCA applauds the Commission's efforts to collect, analyze and assimilate current data on the state of the CMRS industry. NTCA further appreciates the opportunity to make the Commission aware of the concerns facing its member companies as they provide mobile telephone service to rural America.

NTCA respectfully requests that the Commission keep in mind that rural areas are different than urban areas. Rural service providers typically encounter very different

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<sup>9</sup> NOI ¶ 99.

challenges than their urban counterparts. They face obstacles both in providing service (rugged terrain, low population density, high average cost per customer) and in making what is often a very shaky business case tenable.

Clearly, “one-size-fits-all” solutions not only will not work in rural areas, but also could ultimately have disastrous consequences for rural providers and their customers. Imposing competition where it cannot be supported by business conditions is not the solution. Ensuring sustainable competition by auctioning spectrum on the basis of smaller geographic areas--as in the recent lower 700 MHz<sup>11</sup> C block auction, where spectrum was made available on a metropolitan statistical area (MSA)/rural service area (RSA) basis—will help bring to rural America a level of wireless service comparable to that available in more populous areas.

Respectfully submitted,

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<sup>10</sup> *NTCA 2002 Wireless Survey Report*, p. 10.

<sup>11</sup> Auction 44, Lower 700 MHz Band, ended September 18, 2002. A total of 734 C Block licenses were auctioned on an MSA/RSA basis. Sixty NTCA member companies were among the winning bidders.

703-351-2000

January 27, 2003

CERTIFICATE OF SERVICE

I, Gail Malloy, certify that a copy of the foregoing Comments of the National Telecommunications Cooperative Association in WT Docket No. 02-379, FCC 02-327 was served on this 27th day of January 2003 by first-class, U.S. Mail, postage prepaid, to the following persons.

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