

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

In the Matter of)	
)	
Tenth Annual Report and Analysis of Competitive)	WT Docket No. 05-71
Market Conditions with Respect to Commercial)	
Radio Services)	
)	

COMMENTS OF TRACFONE WIRELESS, INC.

By public notice issued February 24, 2005,¹ the Wireless Telecommunications Bureau (WTB) has invited comment and data submissions from interested persons to update the indicators of competition in the Commercial Mobile Services (CMRS) market. These comments and data will be utilized by the WTB in preparing its next report to Congress on the state of competition in the CMRS market, as required by Section 332(c)(1)(C) of the Communications Act. These comments are submitted on behalf of TracFone Wireless, Inc. (TracFone).

TracFone is a provider of CMRS services. It does not own and operate network facilities. Instead, it provides service by utilizing the networks of more than thirty facilities-based CMRS operators throughout the United States. Because TracFone does not utilize facilities which it owns and operates, it is often referred to as a reseller or a mobile virtual network operator. Through its agreements with more than thirty underlying providers, TracFone service is available virtually anywhere in the United States where CMRS service is available, including such offshore locations as Hawaii, Alaska, Puerto Rico and the U.S. Virgin Islands.

¹ Public Notice – WTB Seeks Comment on CMRS Market Competition, DA 05-487, released February 24, 2005.

TracFone differs from other CMRS providers in another important respect: its services are available only on a prepaid basis. TracFone handsets can be purchased through many retail outlets throughout the United States including, for example, Wal-Mart, K-Mart, Target, Radio Shack and others. Consumers may purchase handsets and specified quantities of prepaid airtime either at those retail locations, or directly from TracFone by accessing its website (www.Tracfone.com) or by contacting via a toll-free telephone number.

CMRS resale has become an increasingly important component of the CMRS market. In addition, prepaid services, like those offered by TracFone and others, comprise a rapidly-growing portion of the overall CMRS market. For those reasons, TracFone believes that it would be useful for it to provide the WTB and the Commission with certain information regarding the prepaid market segment.

Who Are TracFone's Customers

TracFone is among the most rapidly-growing CMRS providers in the country. It now has approximately 4.5 million customers. TracFone customers tend to be lower income, lower volume consumers. Unlike traditional post-paid services, TracFone service is offered on a pay-as-you go basis. Consumers purchase only such amounts of prepaid airtime as they believe they need. When their supplies of prepaid usage near exhaustion, TracFone customers may purchase additional quantities of prepaid usage. There are no contracts, no long-term commitments, no early termination charges, no customer deposits, and no credit checks. For those reasons, TracFone service appeals to customers who want the convenience of wireless service but who are not high volume users. TracFone customers typically use the service for security and emergency purposes, to be able to remain in touch with family members and others, to be accessible by potential employers and others. Many TracFone customers are senior citizens

(persons over age 50 represent more than 32 percent of TracFone's customer base). TracFone customers also tend to be lower income consumers. Approximately 81 percent of its customers have annual incomes under \$35,000. The youth market, including teen-agers, college students and military personnel is a major component of TracFone's customer base.²

TracFone customers are on average lower volume users than are CMRS customers in general or even other providers' prepaid customers. TracFone's Average Revenue Per User (ARPU) is \$14.00 per month. The overall ARPU for the prepaid CMRS market segment is \$34.90 per month.³ TracFone anticipates that data provided by other commenters in this proceeding will demonstrate that the overall CMRS ARPU is significantly higher.

Conclusion

The growth of resale services in general and of prepaid services in particular have been substantial factors in the overall growth and increasing competitiveness of the CMRS industry. In assessing the state of CMRS competition, the Commission should thoroughly and carefully consider the extent to which consumers receive services from entities other than facilities-based

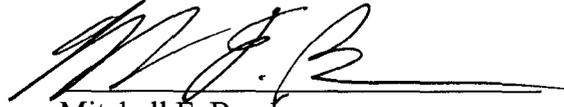
² TracFone is committed to providing affordable wireless service to low income consumers. For that reason, TracFone has applied to the Commission for designation as an Eligible Telecommunications Carrier in the states of New York, Florida, Virginia, North Carolina, Tennessee, and Alabama. Because TracFone does not provide service using its own facilities or a combination of its own facilities and resale, TracFone has petitioned the Commission for forbearance from the "facilities-based" requirement of Section 214(e) of the Communications Act. The Commission recently has extended the deadline for acting on TracFone's forbearance petition to September 6, 2005.

³ The Yankee Group 2004 Mobile User Survey.

providers and the growth of prepaid services. Some reports indicate that prepaid service may be the fastest growing segment of the CMRS market.

Respectfully submitted,

TRACFONE WIRELESS, INC.

A handwritten signature in black ink, appearing to read 'M.F.B.', written over a horizontal line.

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