

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)
)
Facilitating the Provision of Spectrum-Based) **WT Docket No. 02-381**
Services to Rural Areas and Promoting)
Opportunities for Rural Telephone Companies)
To Provide Spectrum-Based Services)

To: The Commission

**COMMENTS OF THE
NATIONAL RURAL TELECOMMUNICATIONS COOPERATIVE**

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Dated: February 3, 2003

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I. SUMMARY

The National Rural Telecommunications Cooperative is encouraged by the Commission's commitment to facilitate the delivery of spectrum-based services in rural areas. NRTC urges the Commission to explore all available options for ensuring that rural Americans receive the same quality of spectrum-based wireless services as their urban counterparts.

NRTC LLC, the nationwide 220 MHz licensee managed by NRTC, remains committed to deploying an integrated, nationwide wireless system that serves the mobile radio needs of its rural electric and telephone company members. But in addition to the inherent obstacles that any licensee would face in deploying such a system -- namely, deployment in sparsely populated rural areas -- NRTC LLC also is required to overcome regulatory obstacles imposed by the Commission's own requirements.

These regulatory obstacles are not unique to the 220 MHz service and are evident throughout the Commission's rules. In some instances, the Commission's rules expressly require licensees to deploy services in urban areas -- despite the fact that licensees have a financial incentive to do so without regulatory encouragement. Elsewhere, the rules impose minimum population coverage requirements and thereby implicitly encourage licensees not to deploy wireless infrastructure in less populated rural areas. NRTC believes that the Commission's rules should be reexamined and specifically tailored to reward, not punish, wireless buildout in rural areas.

NRTC shares the Commission's cautious optimism reflected in reports suggesting that rural Americans are gaining increased access to spectrum-based services. NRTC is concerned, however,

that the data and analysis used in the reports may overstate the actual availability of wireless service in rural and remote areas. Without fully grasping the level of competition that actually exists, the Commission cannot safely conclude that wireless competition is in fact taking hold.

The thousands of small, independent telephone companies and rural electric and telephone cooperatives already situated throughout rural America are a powerful tool through which the Commission can facilitate implementation of its policy goal of bringing wireless service to rural America. Many of these same entities helped deploy electric and telephone services to rural and remote areas beginning in the 1930's. NRTC urges the Commission to harness their unique strengths. Their intense motivation and proven track record, coupled with their strong ties to their local communities, can assist the Commission in deploying spectrum-based services throughout rural America.

* * *

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Pursuant to Section 1.430 of the Commission’s Rules and Regulations, the National Rural Telecommunications Cooperative (NRTC), by its attorneys, hereby submits these Comments in response to the Notice of Inquiry (Notice) in the above-captioned proceeding.¹ In the Notice, the Commission seeks comment on the effectiveness of its current regulatory tools in facilitating the delivery of spectrum-based services to rural areas.² NRTC appreciates the Commission’s concern and supports the Commission’s efforts to modify its rules and policies to improve the regulatory climate for the deployment of wireless services throughout rural America.

II. NRTC MISSION

1. NRTC is a not-for-profit cooperative comprised of 705 rural electric cooperatives, 128 rural telephone cooperatives and 189 independent rural telephone companies located throughout 46 states. Since its creation in 1986, NRTC’s mission has been to provide advanced telecommunications technologies and services to rural America. NRTC has long represented the

¹ Notice of Inquiry, *Facilitating the Provision of Spectrum-Based Services to Rural Areas and Promoting Opportunities for Rural Telephone Companies To Provide Spectrum-Based Services*, WT Docket No. 02-381, FCC 02-325 (released December 20, 2002).

² Notice, ¶1.

views of rural Americans on telecommunications issues pending before the FCC, the National Telecommunications and Information Agency (NTIA) and the United States Congress.

2. Through its members and affiliates, NRTC provides a variety of telecommunications services to rural America, including dial-up Internet access, long distance telephone services and automated meter reading. NRTC its members and affiliates also distribute DIRECTV Direct Broadcast Satellite (DBS) programming to approximately 1,700,000 rural households. Additionally, NRTC distributes satellite Internet access services pursuant to agreements with StarBand Communications, Inc. (StarBand) and Hughes Network Systems (DIRECWAY).

3. Along with Liberty Satellite, LLC (Liberty Media) and Intelsat USA Sales Corporation (Intelsat), NRTC also recently invested \$156 million (NRTC itself invested \$29 million) in WildBlue Communications, Inc. (WildBlue), a Ka-band satellite licensee. WildBlue is expected to be the first viable Ka-band spot beam satellite using technology designed to lower the cost of providing consumers throughout the country with high-speed Internet access via satellite.

4. NRTC's most significant spectrum-based offering to date is its 220 MHz Rural Wireless project. Consisting of nine licenses authorizing nationwide operation on 22 channels, NRTC's 220 MHz system is designed for private industrial communications systems, internal dispatch services and fixed wireless telemetry applications. Commercial services also are available.

5. Since its inception, NRTC has championed the rights of rural Americans to enjoy fair and nondiscriminatory access to wireless and other advanced telecommunications services that are readily available to consumers in more populated urban areas. NRTC strongly supports the

Commission's efforts to improve the regulatory climate for the provision of spectrum-based services to rural America.

III. COMMENTS

A. NRTC's 220 MHz Rural Wireless Project.

6. NRTC is the Manager of NRTC LLC, which is the holder of nine FCC licenses granting the exclusive use of twenty-two 220 MHz radio channels nationwide: (1) a 5 channel Phase I Nationwide license; (2) a 10 channel Phase II Nationwide license; and (3) seven 7 channel Phase II Regional licenses (two in Region 3 and one in each of the five remaining geographic regions) covering the entire continental United States.

7. Consistent with its responsibilities as FCC licensee of the system, NRTC LLC makes these channels available to NRTC's members primarily for wireless communications systems that support the members' electric distribution systems and other core business operations.³ NRTC has worked to provide scalable packaged solutions for private industrial communications systems, internal dispatch services and wireless telemetry applications such as Supervisory Control And Data Acquisition (SCADA) systems necessary to manage and control electric distribution systems. Commercial services also may be provided, consistent with the Commission's requirements.

8. NRTC currently maintains relationships with two equipment providers in furtherance of its 220 MHz project. The first, Microwave Data Systems (MDS), supplies its fixed telemetry radios for use in NRTC's wireless telemetry systems. NRTC also acquires advanced digital meters and software solutions from Power Measurement Limited (PML). PML's meters and

³ Currently, 11 members of NRTC LLC have obtained rights to use NRTC LLC's 220 MHz frequencies in 19 states. An even larger number of rural electric cooperatives are benefiting from the services being provided by these 11 members. For example, in Kansas, 15 electric cooperatives are utilizing the 220 MHz system and in Georgia that (continued . . .)

software packages can be scaled from small introductory systems to large enterprise systems that provide solutions for data acquisition, monitoring, analysis, energy cost management and control. NRTC's approach to its wireless program is to be its members' primary source for affordable spectrum and equipment utilizing the nationwide channels licensed by the FCC.⁴

1. Obstacles Encountered During Development of the 220 MHz Project.

9. NRTC LLC's licenses effectively comprise a single, 22 channel 220 MHz Nationwide Land Mobile Radio System designed to satisfy spectrum needs of NRTC members serving rural America. Yet despite NRTC's strong motivation to deploy its integrated system in rural areas, significant regulatory obstacles have been encountered as a result of the Commission's rules and policies.

10. Rather than being subject to one uniform construction benchmark for its integrated, nationwide system, each of NRTC's three types of 220 MHz licenses (*i.e.*, Phase I National, Phase II National, Phase II Regional) were subject to substantially different and somewhat conflicting construction requirements under the Commission's rules. Phase I Nationwide licenses were governed solely by geographic buildout requirements;⁵ Phase II Nationwide

number is anticipated to reach 20. Other states -- particularly Alabama, Alaska and Texas -- provide service to a large number of rural electric cooperatives as well.

⁴ Equipment availability has been a recurring issue in the 220 MHz band. While other manufacturers are gaining type acceptance, the business case for manufacturing 220 MHz equipment is generally based on the urban markets. As a result, rural equipment supply is directly linked to urban equipment applications.

⁵ 47 C.F.R. § 90.725(a). The Phase I Nationwide license was subject to buildout requirements dictating that: 1) 10% of the geographic area was built out within 2 years of grant; 2) 40% of the geographic area was built out within 4 years of grant; 3) 70% of the geographic area was built out within 6 years of grant; and 4) 100% of the geographic area was built out within 10 years of grant.

licenses were governed by either geographic or population buildout requirements;⁶ and Phase II Regional licenses were governed solely by population buildout requirements.⁷

11. In addition to different build-out requirements, each license was subject to different milestone dates. Despite the near-identical nature of NRTC LLC's two nationwide licenses, the timing for meeting their respective milestones was substantially different. For example, within 6 years of the grant of its Phase I Nationwide license, NRTC LLC was required to have 70% of its geographic area constructed (*i.e.* July 13, 2000). Yet within 5 years of the grant of its Phase II Nationwide license, NRTC LLC was required to have only 37.5% of the population covered (*i.e.* November 6, 2003).⁸

12. The construction requirements applicable to NRTC LLC's 220 MHz system were adjusted only after NRTC requested a waiver from the Wireless Telecommunications Bureau.⁹ Even then, the Bureau's ultimate decision was only a partial solution that did not address all of NRTC's concerns.¹⁰ While the Bureau allowed NRTC to "roll-up" its Phase I Nationwide construction requirements into its Phase II Nationwide requirements, it still retained separate and

⁶ 47 C.F.R. § 90.769(a). The Phase II Nationwide license was subject to buildout requirements dictating that: 1) 750,000 sq. km. or 37.5% of the population was built out within 5 years of grant; and 2) 1,500,000 sq. km. or 75% of the population was built out within 10 years of grant.

⁷ 47 C.F.R. § 90.767(a). The Phase II Regional licenses were subject to buildout requirements dictating that: 1) 1/3 of the population in the REAG was built out within 5 years of grant; and 2) 2/3 of the population in the REAG was built out within 10 years of grant.

⁸ Memorandum Opinion and Order, *In the Matter of National Rural Telecommunications Cooperative, LLC; Request for Waiver and Consolidation Of 220 MHz Construction Requirements*, 15 FCC Rcd 13402, ¶4 (released August 4, 2000) (*220 Order*). A geographic benchmark was also available.

⁹ See Request of NRTC, LLC for Waiver and Consolidation of 220 MHz Construction Requirements filed February 29, 2000 (*Waiver Request*); Petition for Reconsideration of NRTC, LLC in Response to the *220 Order* (*NRTC Petition*). NRTC LLC subsequently withdrew its *NRTC Petition*. See Letter from Jack Richards of Keller and Heckman LLP, Counsel to NRTC, to Roger Noel, Deputy Chief, Commercial Wireless Division, Wireless Telecommunications Bureau (dated Jan. 4, 2002).

¹⁰ Memorandum Opinion and Order, *National Rural Telecommunications Cooperative, LLC, Request for Waiver and Consolidation of 220 MHz Construction Requirements*, DA 00-1762, Released August 4, 2000 (*MO&O*). The Commission also established an "Interim Benchmark" in addition to the 5 and 10 year construction requirements in order to ensure expeditious construction of the system.

distinct coverage requirements for each of NRTC LLC's nine Regional licenses. In other words, NRTC LLC will be required to buildout its system "evenly" throughout each Region, even though demand for services -- and rural coverage areas -- vary Region by Region.

13. As a result, in addition to the Phase II Nationwide construction requirements that are now applicable to the 15 channels reflected in NRTC's Phase I Nationwide and Phase II Nationwide licenses, NRTC also is required to comply in each individual Region with the revised Regional requirements applicable to 7 channels of its 22 channel system.¹¹ Moreover, all 22 channels in the entire system, including the Regional channels, were subject to the interim construction benchmark, while the seven Regional channels also were separately subject to independent requirements.¹²

14. By imposing separate, independent construction requirements for each Phase II Regional license, the Bureau artificially impeded NRTC's ability to construct and operate a nationwide system custom-designed to serve rural America. In its decision, the Bureau seemed more intent on the preserving the integrity of the licensing requirements for each type of license, rather than on NRTC's broader public interest goals in serving lower populated areas.

15. Despite the Commission's decision, however, NRTC satisfied the Commission's first interim population benchmark for the entire 22 channel system.¹³ As of July 15, 2002, NRTC LLC's system covers 19.4% of the population (54.5 million individuals), which exceeds the 12.5% requirement.

¹¹ *Id.* ¶10.

¹² *Id.* ¶11.

¹³ *See* Letter from Jack Richards of Keller and Heckman LLP, Counsel to NRTC LLC, to William Kunze, Chief, Commercial Wireless Division, Wireless Telecommunications Bureau (dated July 15, 2002) (ULS File Number 0000963435).

B. Commission Policies Should Be Tailored to Encourage Wireless Buildout in Rural Areas.

16. Although the Commission identifies deployment of spectrum-based services in rural areas as an important policy objective, its rules are not crafted with an eye toward achieving this goal. Instead, the Commission's rules at times have the opposite effect by encouraging licensees to deploy their systems *away* from rural areas.

17. NRTC believes the Commission can and should tailor its regulations and policies to best ensure that licensees deploy their services in rural areas. The Commission's construction requirements, for instance, should reward, not punish, licensees who seek to serve less populated, less lucrative areas.

18. The Commission's construction requirements for licensees are generally measured through one of two benchmarks: population coverage (POPs) or geographic coverage. Licensees are free, however, to determine which portions of the populace or which geographic areas they will built out. Because such decisions are left to the licensee, and because there is no incentive -- economic, regulatory or otherwise -- to build out rural areas, the path most often taken is the one of least resistance. It is the path that achieves regulatory compliance while at the same time obtaining the highest profits with the least amount of investment.

19. In practical terms, this means licensees will naturally tend to build out more densely populated (*i.e.* non-rural) areas to satisfy Commission established construction milestones. Despite the Commission's broad policy goal of rural spectrum deployment, licensees are driven

by practical economic realities to achieve precisely the opposite result. This economic reality has been confirmed in a number of reports by the Commission, NTIA and others.¹⁴

20. In fact, some of the Commission's rules actually prescribe *urban* deployment while at the same time remaining silent on rural deployment. For example, the Commission's rules regarding Construction requirements for the Phase I Nationwide licenses in the 220 - 222 MHz band mandate that base stations be constructed in a minimum number of specific "urban areas."¹⁵ This same rule section, however, is silent on any licensee obligations to deploy services in rural areas. In effect, the Commission is compelling licensees to deploy services where no such incentive may be needed (*i.e.* in urban areas), while remaining silent with respect to the provision of much needed service in less lucrative rural markets.

21. In NRTC's case, this requirement is particularly onerous. In developing the 220 MHz system, NRTC's focus is on rural, not urban, deployment. Nevertheless, NRTC is required to incur the considerable expense necessary to construct and maintain the requisite number of 220 MHz urban sites to satisfy this Commission requirement.

22. Elsewhere, the Commission's rules at times implicitly "carve out" rural areas from receiving service by effectively placing a ceiling on licensee coverage requirements. Under the Commission's rules, decisions about whether to increase coverage above a mandated "cap" -- for

¹⁴ For example, the Commission discussed a recent survey that identified the "major barriers" to expanding advanced services in rural areas. These barriers included: the length of the loop; the high cost of deployment; low demand by consumers; and the lack of cost-effective equipment scaled for smaller companies." *Third Report*, ¶113. In addition, a publication released by the Computer Science and Telecommunications Board, National Research Council discussed in detail the inherent problems with rural broadband deployment, as well as possible solutions. *See Broadband: Bringing Home The Bits*, National Academy Press, pp. 194 - 215 (2002).

¹⁵ *See e.g.* 47 C.F.R. 90.725(a)(1).

instance, 75% of the geographic area -- are often left to the operators.¹⁶ As a result, licensees who achieve their 75% buildout requirements will often cease deployment of any additional infrastructure in left-over rural portions of their service territory. There is simply no economic (or regulatory) incentive to do otherwise.

23. A review of the Commission's most recent Commercial Mobile Radio Service (CMRS) Report seems to support this analysis.¹⁷ While on the one hand the Commission reports that TDMA and iDEN technology cover 93% and 86% of the population, respectively, a review of the coverage maps associated with each shows massive coverage gaps in rural America. For example, while the Commission touts the 86% coverage for iDEN technology, the associated coverage map indicates that only very small portions of several rural states actually have iDEN coverage.¹⁸ Alaska, Montana, North Dakota and Vermont have no coverage whatsoever.

24. A similar result can be found in the Commission's report regarding the 93% coverage rate for TDMA technology. Despite a near 100% coverage rate, the relevant map suggests a huge coverage gap in the rural states of Montana, Wyoming, North Dakota, South Dakota and Nebraska. Montana and Vermont lack any coverage whatsoever, and a number of other rural states have only limited coverage areas.¹⁹

¹⁶ The Commission has buildout rules for geographic area licenses, although they do not require operators to deploy networks such that the entire geographic area of a specific license receives coverage. For example, the construction requirements for 30 megahertz broadband PCS licenses state that an operator's network must serve an area containing at least one-third of the license area's population within five years and two-thirds of the population within 10 years. See 47 C.F.R. § 24.203(a). Similarly, the construction requirements for 10 and 15 megahertz broadband PCS licenses state that an operator must cover one-quarter of a license area's population, or provide "substantial service," within five years of being licensed. See 47 C.F.R. § 24.203(b).

¹⁷ Seventh Report, *In the Matter of Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services*, 17 FCC Rcd. 12985 (released July 3, 2002) (CMRS Report).

¹⁸ The map shows that Wyoming, South Dakota, Nebraska, Kansas, Maine, New Hampshire, New Mexico and West Virginia have -- at best -- small pockets of coverage. CMRS Report, Appendix E, Map 8.

¹⁹ For example, the Map identifying states with TDMA/GSM-based coverage suggest only small areas of coverage for the states of Arizona, New Hampshire, Nevada and Utah. CMRS Report, Appendix E, Map 7.

25. The Commission's decision to use milestones based on geographic or population statistics is counterproductive to consumers residing in truly rural areas. Once licensees have built out the urbanized portions of their licensing areas, only the more densely populated rural areas are targeted for further buildout. In fact, the Commission noted in its most recent broadband competition report that "even within the most sparsely-populated zip codes, density appears to be a major positive factor, with high-speed service deployed in those areas where the bulk of the population is concentrated."²⁰

26. Terrestrial wireless licensees should be given some form of incentive to build out less densely populated (*i.e.* rural) areas in order to achieve the Commission's often articulated goal of providing service to unserved areas. The Commission already has identified a wide range of suggestions on how best to promote the deployment of advanced services to all Americans.

27. The Commission's recommendations, many of which are addressed in the Notice, include changes to its existing technical and operational rules; development of secondary markets; and increased use of unlicensed spectrum.²¹ Construction or auction bidding credits are also possible. Other incentives to "reward" rural buildouts also should be considered. For groups outside of its purview, the Commission has identified better coordination between Federal, State, and Local entities; tax credits or their equivalents; loan guarantees; grants and support of public/private partnerships as options that are available for promoting the deployment of advanced services to consumers residing in rural areas.²² With appropriate adjustments to its

²⁰ Third Report, *In the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable And Timely Fashion*, 17 FCC Rcd. 2844, n. 81 (released February 6, 2002) (*Third Report*).

²¹ Spectrum Policy Task Force, pp. 58 - 68.

²² *Third Report*, ¶¶169 - 177.

rules and policies, NRTC is optimistic that the Commission will achieve its spectrum deployment goals in rural areas.

C. The Commission Needs Better Data to Assess the Status of Spectrum-Based Services in Rural Areas.

28. NRTC agrees with the recent comments of the National Telecommunications Cooperative Association (NTCA) in the Commission's ongoing CMRS Notice of Inquiry.²³ In that proceeding, NTCA stated "it is not the quantity of competitors that is relevant; rather, it is the quality of service provided to customers in rural America."²⁴ NTCA believes -- as does NRTC -- that rural consumers deserve the same access to quality wireless services as their urban counterparts.

29. Although all Americans are gaining increased access to spectrum-based services, rural consumers still remain the most vulnerable. For example, the Commission's most recent broadband report noted that while deployment of wireless and other advanced services in rural areas has improved, "there continues to be a significant disparity in access to advanced services between those living in rural population centers and those living in sparsely-populated outlying areas."²⁵

30. Moreover, NRTC is concerned that the available data may be leading the Commission to underestimate the scope and effect of the problem of access to wireless services in rural America. Most recently, in the video context, the Commission essentially disclaimed its

²³ Comments Of The National Telecommunications Cooperative Association, Notice of Inquiry, *In the Matter of Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services*, WT Docket No. 02-379 (released December 13, 2002) (*NTCA Comments*).

²⁴ *NTCA Comments*, p. 3.

²⁵ *Third Report*, ¶109. NRTC hopes to eliminate the urban/rural disparity in broadband access through deployment of high-speed WildBlue satellite Internet services.

previous finding that 97% of homes are “passed” by cable.²⁶ The Commission concluded that any statistic regarding cable availability should be used “with a good deal of caution . . . as a trend indicator, rather than a precise estimate.”²⁷

31. NRTC applauds the Commission’s reevaluation and clarification of its cable Homes Passed statistic. However, the Commission’s terrestrial wireless statistics may be suffering from the same type of flawed analysis. For example, the Commission’s most recent CMRS Report stated that “94 percent of the total U.S. population, have three or more different operators (cellular, PCS, and/or digital SMR) offering mobile telephone service in the counties in which they live.”²⁸ While this 94 percent statistic may sound promising at first blush, by the Commission’s own admission there are “several important caveats” to note when considering the data.

32. First, the Commission points out that an entire county will be considered “covered” so long as an operator offers service “in a portion of that county.” Second, operators reported by the Commission as “covering” a county are not necessarily providing service to the same *portion* of that county. Finally, if *any* portion of the county is covered, the Commission’s analysis counts *all* of the POPs and every square mile in a county as having coverage.

33. For instance, three separate providers serving three separate areas in a county will be reported as granting consumers three choices of provider, when, in fact, there may be no choice

²⁶ Ninth Annual Report, *In the Matter of Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, 17 FCC Rcd. 26905, ¶¶ 17 - 19 (released December 31, 2002) (*Ninth Report*).

²⁷ *Id.* ¶18. As NRTC had argued for more than two years, the Commission finally recognized in its Ninth Cable Competition Report that the actual number of Homes Passed could vary from 97% to as low as 78%, depending on the data source and the universe used for comparison. *Ninth Report*, ¶¶17-19. In gross numbers, the lower percentage represents an additional 18,000,000 homes that are *not* passed by cable and must rely on other, non-wire technologies (e.g., DBS) to received multichannel video programming.

²⁸ *CMRS Report*, p. 24.

of provider in many parts of the county. Such an analysis simply creates the artificial appearance of competition where none in fact exists.

34. The Commission's willingness to count *all* of the POPs and every square mile in a county as being covered if *any* portion of the county is covered, also covers up the fact that countless Americans living in rural areas actually may have *no* access to any type of wireless services. By the Commission's own admission, these types of analytical flaws "overstate[] the total coverage in terms of both geographic areas and populations covered."²⁹

35. This problem is further compounded by the fact that the Commission analyzes its data on a national -- as opposed to local -- scale. Fortunately, this may be a problem of which the Commission is already aware. In its most recent CMRS Report, the Commission expressed its desire to obtain a better understanding of the state of competition below the national level, in particular in rural areas.³⁰ The primary difficulty for the Commission in this task is the lack of data specific to rural markets.³¹

36. NRTC believes -- as does the Commission -- that such accurate information may provide insight relating to the true level of deployment across the country. We encourage the Commission to obtain and analyze the relevant data from the providers.

²⁹ *CMRS Report*, p. 24.

³⁰ *Id.*, p. 36.

³¹ Similarly, in last year's broadband report, the Commission identified the utility of collecting additional information regarding the availability of services in specific regions. *Third Report*, ¶176.

D. Local Community Ties Are an Invaluable Tool for Deployment of Spectrum-Based Services to Rural America.

37. In its Notice, the Commission asks how it can modify its policies to promote the further development and deployment of spectrum-based services in rural areas.³² While policy adjustments are essential to achieving this goal, it may perhaps best be achieved by tapping into the thousands of established small, independent telephone companies and rural electric and telephone cooperatives already situated throughout rural America. These entities are best suited to bring advanced telecommunications service to rural America based on their strong ties to their local communities and their strong, proven motivation to serve those communities.

38. The Notice asks whether “rural carriers [are] better positioned to serve the needs of rural America than nationwide carriers?”³³ Clearly, the answer is “yes.” In fact, the Commission recently identified “the strength of local community efforts to increase the level of deployment” as one of three main factors resulting in the deployment of advanced telecommunications capability.³⁴

39. Not-for-profit organizations and small independent telephone companies are ideally suited to achieve widespread deployment of spectrum-based services in rural areas. Unlike their larger, publicly traded, for-profit counterparts, not-for-profit organizations need not demand high returns on their investments to satisfy shareholders. Similarly, small, independent telephone companies while organized on a for-profit basis, are more geared to the needs (and feedback) of their customers than their nationwide counterparts.

³² Notice, ¶1.

³³ Notice, ¶19.

³⁴ *Third Report*, ¶133.

40. A representative from the NTIA spoke to these local strengths in recent comments to the National Exchange Carriers Association's National Symposium on Rural Telecom Issues. In his comments, Senior Advisor Jack Zinman referred to such companies as "stable, family-owned enterprises that have been part of the telecommunications business for several decades." He noted that "over [the] years, your companies have built close customer relationships. You work and live in the same communities with your customers and this gives you unique insights into what your customers want . . . talk to them, figure out what they want, and then give it to them."³⁵

41. The goals of the Commission as outlined in its Notice are remarkably similar to the goals of the rural electrification and telephone programs of the 1930's: delivery of a critical service -- taken for granted by most Americans -- to America's rural communities. The success of these rural programs was largely attributable to the rural utility cooperatives organized in response to the establishment of the Rural Electrification Administration (REA) (now the Rural Utilities Service) and related government programs.

42. While the establishment of the REA acknowledged that there was a need for government involvement for rural America to become electrified and later to have access to telephone services, the true catalyst of rural utilities was the direct involvement of the rural communities and their associated rural cooperatives and small, independent telephone companies.

43. Then -- as now -- large for-profit, private sector providers were hesitant to construct the necessary infrastructure due to the maximum costs associated with the build-out coupled with

³⁵ Senior Advisor Jack Zinman, Remarks at the NECA National Symposium on Rural Telecom Issues, *The Future Of Rural Telecommunications*, (September 16, 2002) (available at (continued . . .))

its limited financial return. As a result, the ultimate solution for rural utilities was the member-owned cooperatives and small locally owned businesses which were newly organized and established for the sole purpose of providing essential services otherwise not available in rural areas.

44. NRTC is justifiably proud of what it and its members have achieved in partnership with the REA and now the Commission. This partnership has brought affordable and reliable electric and telecommunications services to the most remote reaches of our nation -- and in many cases to people living in areas where no other utilities were willing to serve. NRTC and its members stand poised to continue their efforts to deploy advanced telecommunications services throughout rural America.

IV. CONCLUSION

The Commission should continue to encourage policies and programs that will hasten deployment of spectrum-based services in rural areas. Through carefully tailored regulations and policies, the Commission will ensure that all Americans have access to essential spectrum-based services regardless of their location. Rural America's small, independent telephone companies and electric and telephone cooperatives stand ready to assist the Commission in attaining this goal.

http://www.ntia.doc.gov/ntiahome/speeches/2002/JZNECA_91602.htm) (visited January 30, 2003).

Respectfully Submitted,

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February 3, 2003

CERTIFICATE OF SERVICE

I, HEREBY CERTIFY that on this 3rd day of February, 2003, a true and correct copy of the foregoing Comments of the National Rural Telecommunications Cooperative in the Matter of the Facilitating the Provision of Spectrum-Based Services to Rural Areas and Promoting Opportunities for Rural Telephone Companies To Provide Spectrum-Based Services (WT Docket No. 02-381) was submitted via electronic filing to the Federal Communications Commission and served via courier or electronic mail upon the following:

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