

### A. Definition of "Rural Areas"

16. As discussed, sections 309(j)(3) and 309(j)(4) direct the Commission to promote the development and deployment of spectrum-based services to "rural areas." The statute, however, does not provide a definition of what constitutes a "rural area." The federal government has multiple ways of defining "rural," reflecting the multiple purposes for which the definitions are used. The Commission has used RSAs to define "rural" in certain instances. In the *Seventh Report*, 17 FCC Rcd 12985 (2002), the Commission used three different proxy definitions of "rural" for purposes of analyzing the average number of competitors in rural versus non-rural counties. We compared the number of competitors in (i) RSA counties versus MSA counties, (ii) non-nodal EA counties versus nodal EA counties, and (iii) counties with population densities below 100 persons per square mile versus those with population densities above 100 persons per square mile. We request comment on whether and how the Commission should define "rural area" for purposes of determining the extent to which the Commission has met its mandate under section 309(j). In addition, we seek comment on whether we should adopt different definitions of what constitutes a "rural area" depending upon the regulatory initiative for which the definition is used. Commenters should identify the factors that the Commission should consider when defining "rural area." In addition, we are interested in compiling a comprehensive list of the number of telephone companies that meet the definition of "rural telephone company" as defined in 47 U.S.C. 153(37). The identical definition is also included in 47 CFR 1.2110(c)(4) and 51.5. We ask that commenters provide data to assist us in this effort.

### B. Bidding Credits

17. As explained, bidding credits are intended to foster broad participation in the competitive bidding process for licenses. A bidding credit reduces the amount of the winning bid paid for a license by a qualifying entity. The Commission requests comment on whether, and the extent to which, small business bidding credits have facilitated the participation of rural telcos in competitive bidding and the delivery of spectrum-based services to rural areas. Our research demonstrates that rural telcos often qualify as small businesses and are therefore eligible to receive small business bidding credits. Is the availability of small business bidding credits effective in assisting rural telcos

to gain access to spectrum? Is the availability of such credits helpful in promoting the provision of spectrum-based services to rural areas? Commenters should support their responses to these questions with data or other empirical information. For instance, if commenters contend that small business bidding credits are not helpful in promoting rural telco participation in Commission auctions, commenters should provide data or statistics supporting that assertion. If empirical evidence demonstrates that small business bidding credits are not effective in facilitating the provision of wireless services to rural areas or the participation of rural telcos in competitive bidding, should the Commission adopt a bidding credit specifically for rural telcos or based on the provision of service to rural areas? For instance, should the Commission adopt a rural service bidding credit modeled after the tribal lands bidding credit? In responding to these questions, commenters should discuss why the use of small business bidding credits is or is not effective in creating opportunities for rural telcos or in spurring the provision of services to rural areas.

18. If the Commission were to adopt a bidding credit specifically for rural telcos, what criteria should it use to determine eligibility for the credit (if it is not based on financial size) and what should be the size of the credit? Is it appropriate, for instance, to adopt a bidding credit for all rural telcos irrespective of how large or well-financed these entities may be? When initially considering the adoption of a rural telco bidding credit in 1994, the Commission found that rural telcos do not *per se* have the same difficulty accessing capital as other groups, such as small businesses. The Commission stated that the parties advocating the adoption of a rural telco credit had "failed to demonstrate a historical lack of access to capital that was the basis for according bidding credits to small businesses, minorities and women." In subsequent decisions, the Commission has reiterated that large rural telcos do not appear to have barriers to capital formation similar to those faced by other designated entities. In commenting on this issue, parties that advocate the adoption of a bidding credit specifically for rural telcos should address whether we should consider access to capital as a factor in determining whether to adopt such a bidding credit. We note that rural telcos may seek below-market rate lending through the Department of Agriculture's Rural Utilities Service ("RUS"). In addition, section 6103 of

the recently-enacted Farm Security and Rural Investment Act of 2002 provides loans and loan guarantees to construct, improve, and acquire facilities and equipment to provide broadband service to rural communities with 20,000 or fewer residents. These financing options suggest that rural telcos may have greater ability than other designated entities to attract capital. We seek comment on what role these programs should play, if any, in our consideration of adopting an independent rural telco bidding credit.

### C. Geographic Service Areas

19. The sizes of geographic service areas vary on a service-by-service basis depending upon such factors as the nature of the service and the likely users. We seek comment on the extent to which the size of the geographic service area affects the ability of rural telcos to acquire spectrum licenses through competitive bidding. In addition, commenters should discuss whether, and in what ways, the size of the geographic service area affects the provision of wireless services to rural areas. Commenters should provide data to support their positions.

20. Does the size of the geographic service area affect the provision of wireless services to rural areas by entities other than rural telcos? Large license areas, for instance, may enable nationwide carriers to compete with local or regional carriers in providing service to rural areas. Such large areas may also provide opportunities for new entrants to compete on a wide-area basis in an existing service. With regard to commercial mobile telephony specifically, there is considerable industry support for the notion that relatively large licenses are most efficient. The original geographic scope of cellular, broadband PCS, and certain SMR licenses was small and, as a result, the licenses were assigned to a large number of entities. The predominant trend since then, however, has been for operators progressively to aggregate licenses and build large geographic footprints. The Commission has found that these footprint-expanding transfers and assignments result in important public benefits. Today, six providers approach nationwide status. However, less than 50 percent of the geographic area of the country is served by three or more carriers. Given this evidence, are small license areas inefficient for licenses of spectrum suitable for provision of mobile voice and data service? And for such licenses, do the interests of consumers of rural service diverge from the interests of rural telcos that wish to supply such service?