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Introduction

1. In 1993, Congress created the statutory classification of Commercial Mobile Services to promote the consistent regulation of similar mobile radio services. At the same time, Congress established the promotion of competition as a fundamental goal for CMRS policy formation and regulation. To measure progress toward this goal, Congress required the Federal Communications Commission ("Commission" or "FCC") to submit annual reports that analyze competitive conditions in the industry. The *Notice of Inquiry* solicits data and information on the status of competition in the CMRS industry for our Eighth Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services ("Eighth Report"). The Eighth Report will provide an assessment of the current state of competition and changes in the competitive environment since the release of the *Seventh Report*, 17 FCC Rcd 12985 (2002).

2. The *Notice of Inquiry* is part of the Commission's ongoing effort to improve its *CMRS Reports*. In February 2002, the Commission held a Public Forum to examine ways in which to better gather and analyze data for the *Seventh Report*, in particular data regarding the development of CMRS services in rural and underserved areas. As a result of the forum, the Commission was able to integrate new data into the *Seventh Report* and adopted a number of suggestions made by forum participants on how to obtain and analyze data more effectively.

3. Commercial mobile telephone and mobile data services are provided by a large number of terrestrial CMRS operators as well as mobile satellite operators. In an effort to provide the most complete picture of competition to Congress, the *CMRS Reports* analyze CMRS services from a consumer point of view. Therefore, some portions of our analysis include offerings outside the umbrella of "services" specifically designated as CMRS by the Commission. Because providers of these

services may, on some level, compete with CMRS providers, the Commission believes it is important to consider them in its analysis and collects information on specific product categories regardless of their regulatory classification.

4. In the *Notice of Inquiry*, we seek information that can be used to examine the status of competition in the CMRS industry. We note in our ongoing process of improving our data gathering process that we have taken the step of issuing the *Notice of Inquiry* in an effort to gather more detailed, comprehensive, and independent data for this year's report. We request data that will allow us to evaluate the extent to which consumers can choose among CMRS operators, services, and technologies. In particular, we seek the following data and ask commenters to address the following general questions:

- What is the current structure of the CMRS industry?
- Which entities compete to provide CMRS services?
- What have been the most significant changes or developments in the industry over the past year?
- What is the extent of deployment of CMRS services?
- What is the state of competition in the provision of CMRS services?
- How does competition in the CMRS marketplace vary across the United States, in particular between rural and urban areas?
- What metrics are available that will give us insight into the level of competition in the provision of CMRS services? We are interested in, but not limiting commenters to, information on service availability, the number of subscribers, penetration rates, usage, average revenue per subscriber, churn, quality of service, pricing data and trends, and profits.
- To what extent do key metrics, such as subscribership and usage levels, vary among different demographic groups?
- How does CMRS providers' cost of capital affect service availability, including entry into new geographic markets, the quality of service, and the introduction of new services? How is the cost of capital related to the level of competition in the provision of CMRS services? Is it possible to track the cost of capital that different CMRS providers have faced and will continue to face over time?
- How does competition in the CMRS industry in the United States compare to that in other countries? How do key CMRS industry performance metrics, such as subscribership, usage, pricing, quality of service, and service availability, vary between the United States and other countries?

5. Industry members, interested parties, and members of the public should submit information, comments, and analyses regarding competition in the provision of CMRS services. Commenters that wish confidential treatment of their submissions should request that their submission, or a specific part thereof, be withheld from public inspection. In order to facilitate our analysis of competitive trends over time, we request that parties submit current data as well as data that are comparable over time. In addition to the comments submitted in this proceeding, the Eighth Report will also include information from publicly-available and FCC sources.

II. Matters on Which Comment Is Requested

A. Competition in the Mobile Telephone Sector

i. Introduction

6. For purposes of the *CMRS Reports*, the mobile telephone sector is defined to include all operators that offer commercially available, interconnected mobile voice services. These operators provide access to the public switched telephone network ("PSTN") via mobile communication devices employing radiowave technology to transmit calls. The mobile telephone sector is dominated by providers using cellular radiotelephone, broadband Personal Communications Service ("broadband PCS"), and Specialized Mobile Radio ("SMR") licenses. Because these licensees offer mobile telephone services that are essentially interchangeable from the perspective of most consumers, they have been discussed in the *CMRS Reports* and are discussed in the *Notice of Inquiry* as a cohesive industry sector.

7. For purposes of the Eighth Report, we seek information on significant trends and developments that have occurred in the mobile telephone sector since the publication of the *Seventh Report*. Historically, the *CMRS Reports* have looked at the extent of service availability as well as the number of consumers using mobile telephone services. In addition, the *CMRS Reports* have looked at minutes of use, average revenue per unit, churn levels, and pricing trends as indicators of competition.

ii. Service Availability

8. The *CMRS Reports* include an analysis of the availability of commercial mobile telephone service that the Commission uses to evaluate competition in the U.S. mobile telephone industry. This analysis has