NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
The Voice of Rural Telecommunications
www.ntca.org

NTCA 2008 WIRELESS SURVEY REPORT

January 2009

DISCLAIMER: Data from the survey has been presented as reported.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY…….3

INTRODUCTION……...4

OVERVIEW OF SURVEY…….4

SURVEY RESULTS……...4

CONCLUSIONS……...……..……..11

FIGURES

Figure 1. Wireless Licenses Held……...……....5
Figure 2. Wireless Services Provided…..……..…….……6
Figure 3. Future Wireless Plans?……..…….…….7
Figure 4. Obtaining Financing……8
Figure 5. Concerns……...……..…….……..…..9
Figure 6. Features Offered to Wireless Customers…….……..10

EXECUTIVE SUMMARY

In the fall of 2008 the National Telecommunications Cooperative Association (NTCA) surveyed its members on their activities in the area of providing wireless services to their customers. The survey was sent to each of the companies in NTCA's membership database; 76 members (16%) responded.

Fifty-seven percent of survey respondents indicated that they hold at least one wireless license; 59% are providing wireless service to their customers.[1] Fifty-six percent of those providing wireless service offer broadband data, 36% mobile voice, and 29% text messaging. Seventeen percent of survey respondents not currently offering wireless service are considering doing so.

The average total (cumulative) investment in wireless facilities, excluding spectrum, is $8.2 million; average total (cumulative) investment in spectrum totaled $711 thousand.

Thirty-five percent of survey respondents characterized the process of obtaining financing for wireless projects as "very difficult" or "virtually impossible;" 31% characterized the process as "relatively easy" or "very easy."

Forty-seven percent of respondents are utilizing unlicensed spectrum to provide some wireless services, despite problems such as interference or poor coverage.

Three quarters of all respondents indicated that competition from nationwide carriers was their greatest concern, 62% selected the ability to make necessary investments, 57% negotiating roaming agreements, and 52% their ability to obtain spectrum at auction. Ten percent noted other concerns: the ability to obtain the latest handsets, their ability to provide adequate speeds, and the cost of building out in extremely rural areas.[2]

Twenty-four percent of those survey respondents offering wireless serve as a local presence for a national carrier, or market a national brand. Eighty-five percent find it difficult to compete with promotions offered by the national carriers.

Ninety-two percent of all respondents offer their customers wireless customers family plans, voice mail, and caller ID. Eighty-three percent offer text messaging; 75% offer unlimited local calling, and 67% offer Internet access and bonus night/weekend minutes. Seventy-five percent of survey respondents experience annual customer churn of less than 10%, while 17% reported annual churn of between 10% and 25%. These figures are well below the FCC's reported industry annual average of between 18% and 36%.

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[1] Includes respondents utilizing unlicensed spectrum to provide wireless service.
[2] Totals exceed 100% as respondents were allowed to select more than one concern.

INTRODUCTION

In late fall of 2008, the National Telecommunications Cooperative Association (NTCA) surveyed its members on their activities in the areas of providing wireless services to their members/customers. NTCA is a national association of more than 580 local exchange carriers in 44 states that provide service primarily in rural areas.

Approximately 300 of NTCA's member companies offer some type of wireless service. All NTCA members are small carriers that are "rural telephone companies" as defined in the Communications Act of 1934, as amended ("Act"). While some offer local exchange service to as few as 44 lines and a small handful to 50,000 or more, nearly 50% of NTCA members serve between 1,000 and 5,000 lines. Population density in most member service areas is in the 1 to 5 customers per square mile range. Approximately half of NTCA's members are organized as cooperatives and the other half are commercial companies.

This latest wireless survey is a follow-up to a similar survey last conducted by NTCA in 2007, and seeks to build upon the results of that survey.[3]

OVERVIEW OF SURVEY

The 2008 NTCA Wireless Survey was conducted online. Member companies were provided with a URL through which they could access the survey. Every effort was made to minimize the reporting burden on the survey respondents.

The survey itself was organized into two sections. The first section was comprised of general questions about the respondent's current operations and future plans. The second section, which applied only to those respondents providing CMRS services to their customers, asked more specific questions about technology, customers, revenues, features offered, and capabilities.

SURVEY RESULTS

The survey URL was distributed via email to all of the NTCA member companies in NTCA's database. The messages contained instructions for online access to the survey. Responses were received from 76 member companies, a 16% response rate.[4]

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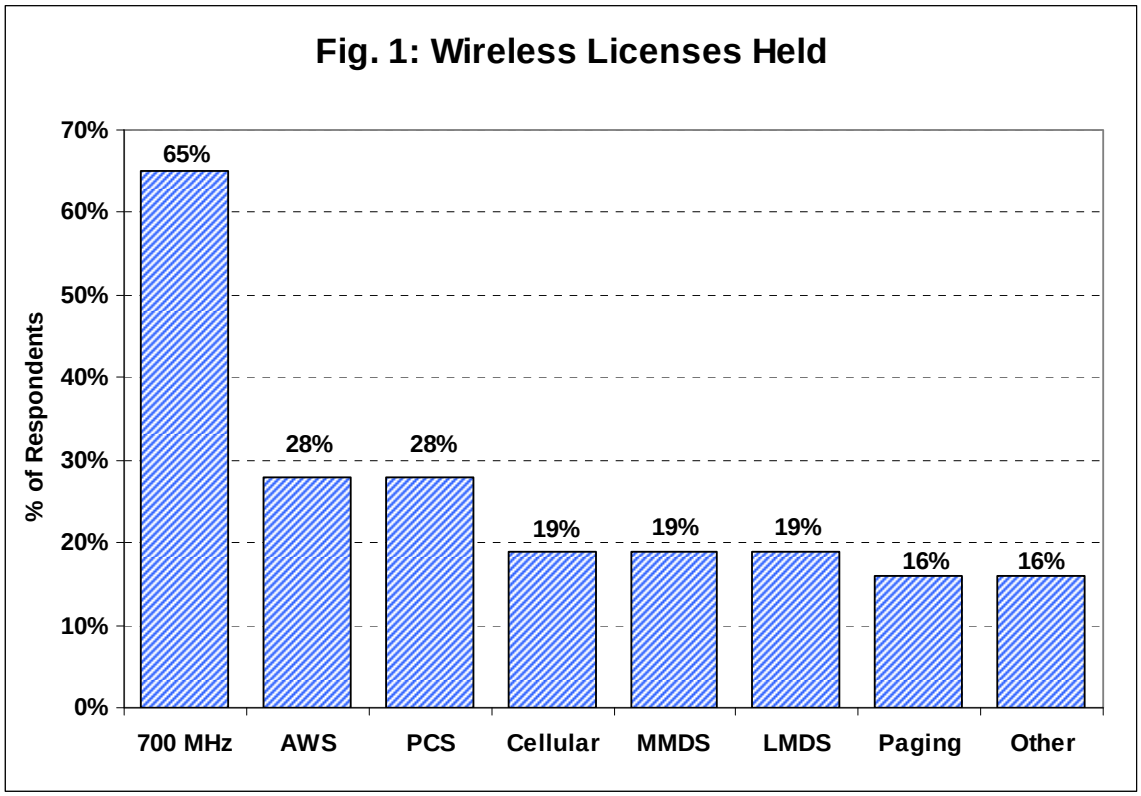
[3] Copies of this and previous NTCA survey reports may be downloaded from the NTCA website, www.ntca.org.

[4] Response rate is calculated based on the number of verified email addresses in NTCA's member database. Based on the sample size, results of this survey can be assumed to be accurate to within ± 10% at the 95% confidence level.

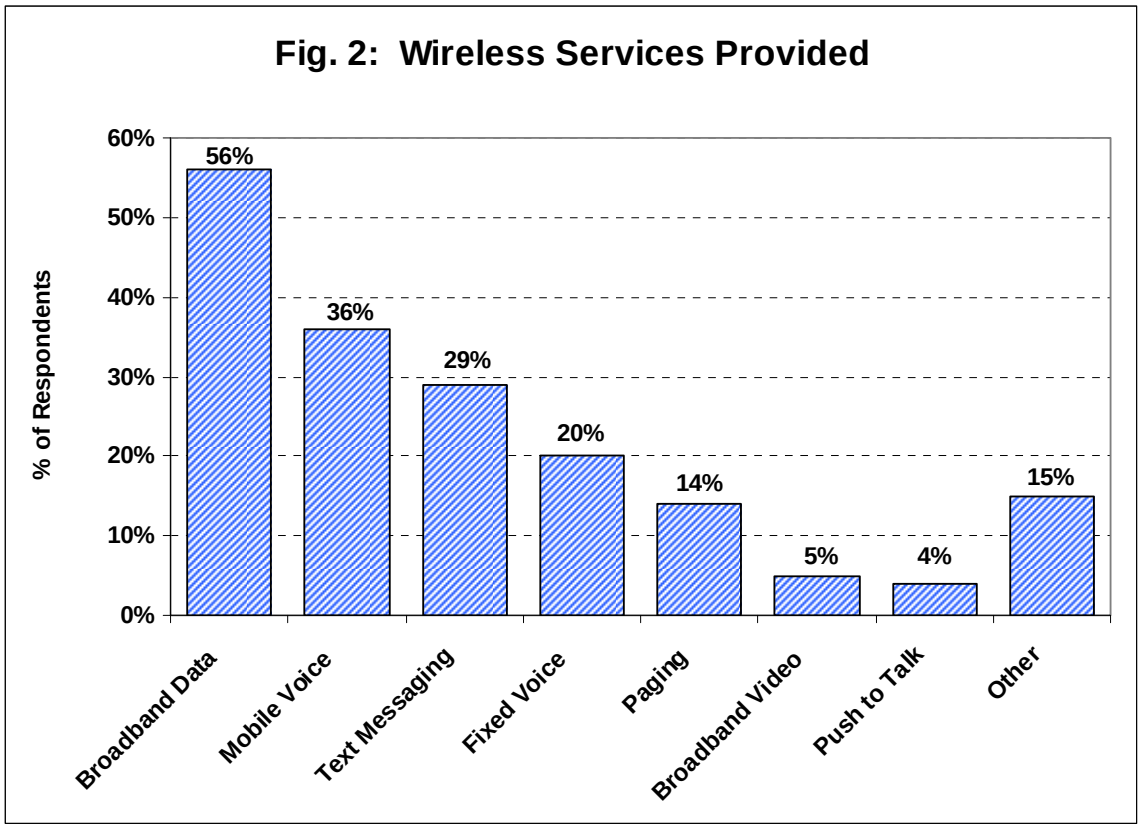
Survey responses were received from companies in 30 states, plus Canada. While those respondents providing wireless services range in size from approximately 75 wireless customers to more than 170,000, the average respondent served approximately 20,000 wireless customers. This heterogeneity in size and geographic location mirrors that of NTCA's membership as a whole.

Fifty-seven percent of survey respondents indicated that they currently hold at least one wireless license. Sixty-five percent of those who hold a license have a 700 MHz license, 28% each AWS and PCS, 19% each cellular, MMDS and LMDS, and 16% paging. (See Fig. 1.)



Note: Totals exceed 100% as carriers may hold more than one wireless license.

Fifty-nine percent of survey respondents are providing wireless services to their customers[5]. Of those providing wireless service, fifty-six percent offer broadband data,[6] 36% mobile voice, 29% text messaging, 20% fixed voice and 14% paging. (See Fig. 2.)

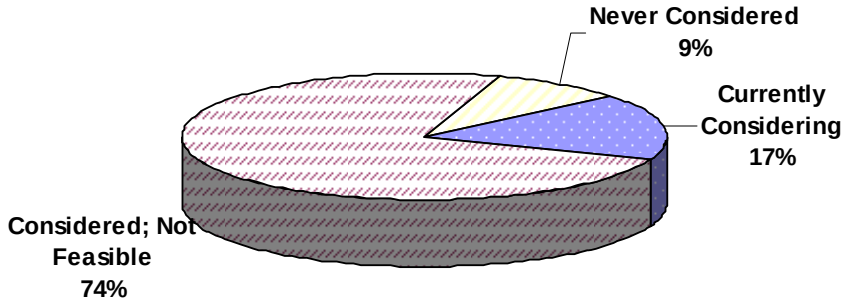


Note: Totals exceed 100% as carriers may provide more than one wireless service.

[5] Includes respondents utilizing unlicensed spectrum to provide wireless service.
[6] For the purposes of this survey, broadband is defined to be data transmission speeds of at least 200 kilobits per second in one direction.

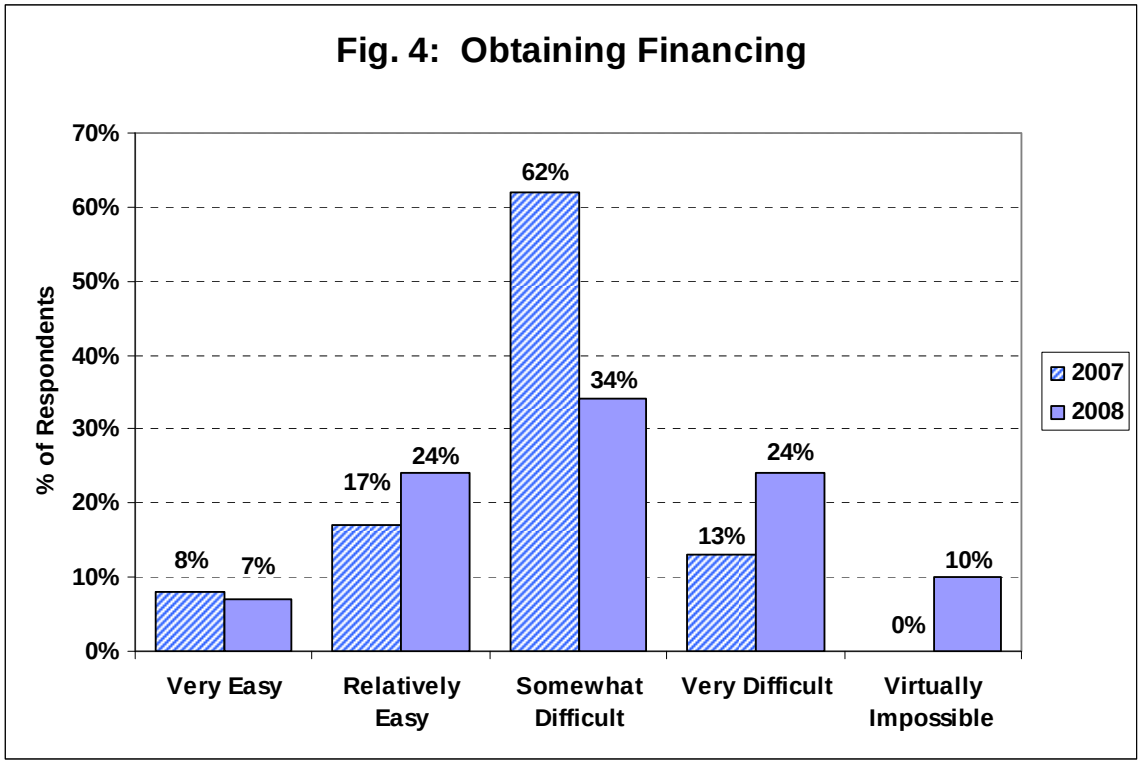
Seventeen percent of the respondents not currently offering wireless service indicated they are considering doing so. Seventy-four percent have previously considered offering wireless service and deemed it not feasible, while 9% have never considered wireless. (See Fig. 3.)

Fig. 3: Future Wireless Plans?



Survey respondents indicated that they have invested considerable resources in wireless. The average total (cumulative) investment in wireless facilities, excluding spectrum, was $8.2 million, ranging from a high of $168 million to a low of $30,000. Average total (cumulative) investment in spectrum totaled $711 thousand.

Not surprisingly, given the state of the overall economy, obtaining financing for wireless projects posed a greater challenge for many survey respondents in 2008. Thirty-four percent of respondents classified the process as "very difficult" to "virtually impossible," up from 13% in 2007. Others actually found the process easier than in 2007: 31% deemed the process of obtaining financing as "very easy" to "relatively easy," up from 25% a year ago. (See Fig. 4.)

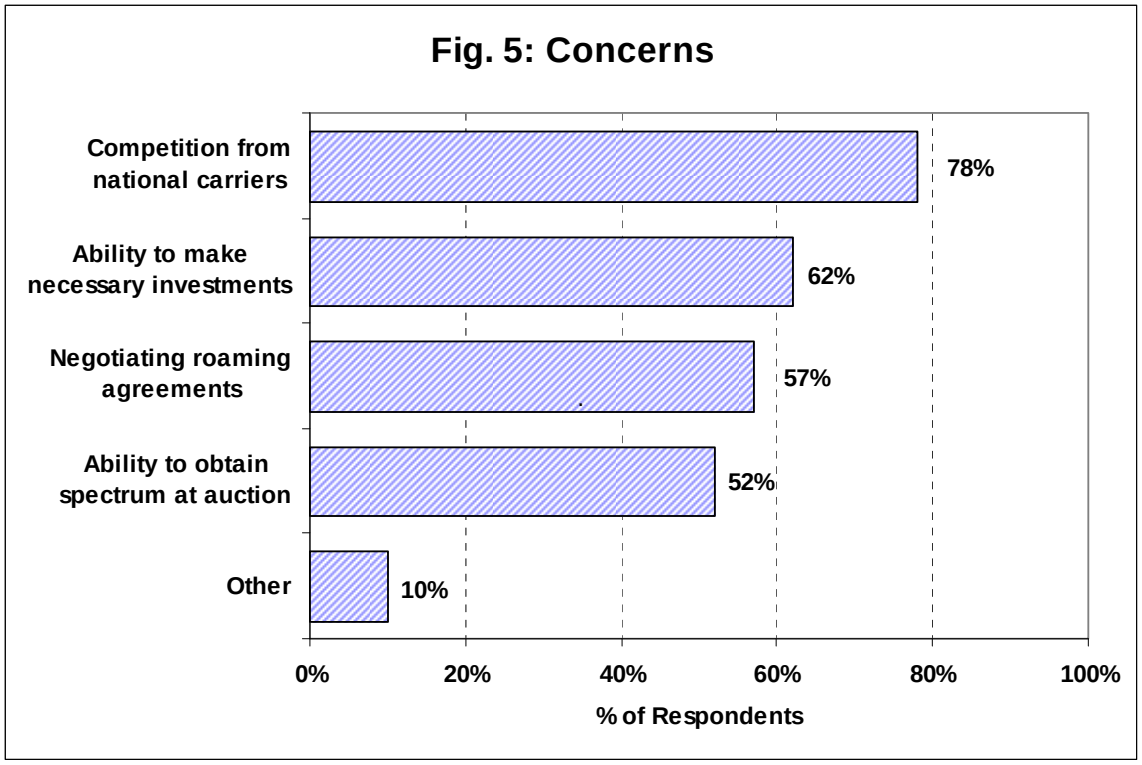


Thirty percent of survey respondents indicated that they had acquired spectrum in the preceding twelve-month period, while another 8% made arrangements for the utilization of previously acquired spectrum. Sixteen percent entered into negotiations for the acquisition of spectrum.

Fifty-six percent of survey respondents are looking to provide wireless service to both their wireline service area and neighboring territories; 22% seek to serve neighboring territories only; and 22% their own wireline service territory only.

Forty-seven percent of survey respondents are utilizing unlicensed spectrum to provide wireless services to their customers. Among the services identified are broadband data, Wi-Fi, and backhaul. Forty-four percent of those respondents using unlicensed wireless spectrum indicated that they had experienced difficulties with interference.

Respondents intend to offer their customers a wide variety of new services over the next 12 to 18 month period: fixed and mobile data, VoIP, WiMax, and 700 MHz service were all noted. A number of concerns, however, threaten survey respondents' future plans. Seventy-eight percent indicated that they were concerned about competition from national carriers, 62% cited their ability to make the investments necessary to continue to provide the latest services, 57% their ability to negotiate roaming agreements, and 52% their ability to obtain spectrum at auction. Ten percent noted other concerns, such as the ability to obtain the latest handsets, their ability to provide adequate speeds, and the cost of building out in extremely rural areas. (See Fig. 5.)



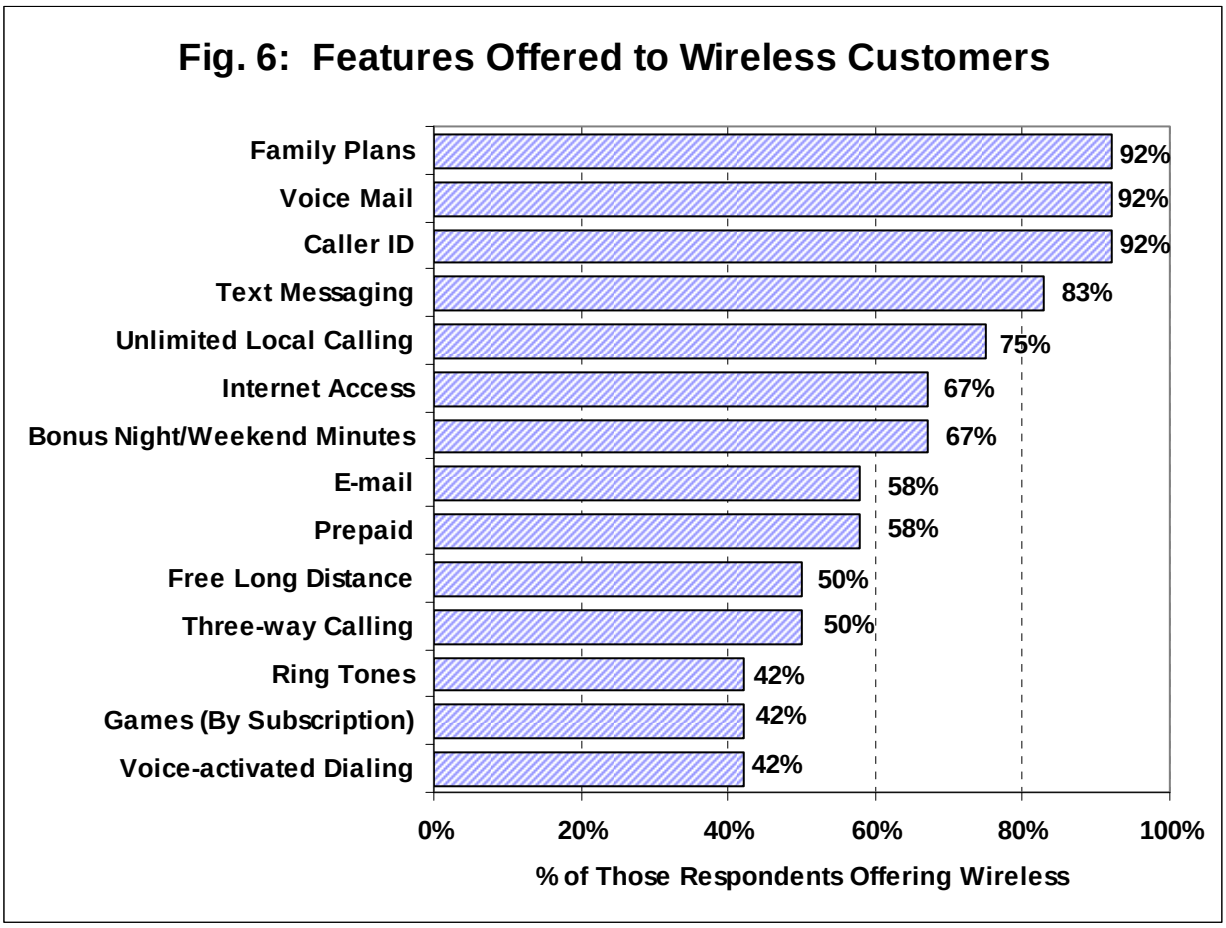
Note: Totals exceed 100% as respondents were allowed to select more than one concern.

Survey respondents are facing competition from other carriers—the average respondent indicated that their company competes with between one and four other carriers. However, many of these competitors serve only a small portion of the respondent's service area.

Twenty-four percent of those survey respondents offering wireless serve as a local presence for a national carrier, or market a national brand. Twenty-four percent have at one time been prevented from offering wireless service due to the actions of a national wireless carrier. Forty-seven percent have at one time entered into a joint venture with another wireless carrier.

The average customer's monthly wireless bill is between $40 and $50, and the typical customer uses more than 600 minutes monthly. Eighty-five percent find it difficult to compete with promotions—such as buckets of long-distance minutes—being offered by the national carriers.

Survey respondents offer myriad features to their wireless customers. Ninety-two percent of survey respondents offer their wireless customers family plans, voice mail, and caller ID, 83% text messaging, 75% unlimited local calling, 67% Internet access and bonus night/weekend minutes, and 58% email and prepaid. (See Fig. 6.)



Note: Totals exceed 100% as respondents may provide more than one wireless feature.

Respondents indicated considerable customer loyalty. Seventy-five percent of survey respondents experience annual customer churn of less than 10%, while 17% reported

annual churn of between 10% and 25%. This compares favorably to the FCC's estimate of industry-wide churn rate monthly averages of 1.5% to 3.0%, or from 18% to 36% annually.[7]

CONCLUSIONS

Rural companies continue to do an excellent job of bringing a variety of wireless services to difficult to serve parts of the country. Rural areas are more difficult and costly to serve for a variety of reasons, such as topography, population density, and difficulty in obtaining appropriate spectrum. Survey results show that, despite these obstacles, NTCA member companies are bringing a wide variety of wireless services to rural America.

The ongoing economic downturn is being felt by rural wireless providers. In the 2007 Wireless Survey, not a single respondent characterized the process of obtaining funding for wireless projects as "virtually impossible;" in this year's report, 10% of respondents saw it that way. At the same time, however, 31% of survey respondents classified the process as "very easy" to "relatively easy." Maintaining and upgrading wireless service is impossible without ready access to funding. Much of the ongoing success of rural wireless providers will be determined by their ability to secure financing for proposed future projects.

Competition from national carriers remains the number one concern for rural providers. Larger, nationwide carriers have a host of advantages over their smaller counterparts, not the least of which are greater capital resources and easier access to wireless spectrum. Yet despite these advantages, larger carriers are not always interested in serving rural areas. Consequently, small carriers are often the best—and sometimes the only—wireless option for rural customers.

While many rural providers were able to obtain spectrum in the preceding twelve months, the ongoing use of unlicensed spectrum indicates more would like access. Thirty percent of survey respondents obtained access to spectrum in the twelve months prior to the survey. While this is certainly encouraging, the 47% percent of respondents utilizing unlicensed spectrum, despite its inherent interference difficulties, indicates that many more providers would like access to licensed spectrum. It is within the FCC's purview to make spectrum more readily available to small providers who will put it to good use.

[7] Federal Communications Commission, *Thirteenth Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services*, DA 09-54, WT Docket No. 08-27 (Terminated), rel. January 16, 2009, at 87.