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

In the Matter of	)	
	)	
Bridging the Digital Divide for Low-Income Consumers	)	WC Docket No. 17-287
	)	
Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
Telecommunications Carriers Eligible for Universal Service Support	)	WC Docket No. 09-197

To: The Commission

COMMENTS OF COX COMMUNICATIONS, INC.

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EXECUTIVE SUMMARY

Cox has long participated in the Lifeline program and was a pioneer among cable providers in providing Lifeline benefits to its voice customers. Today, Cox holds 14 state ETC designations, and has devoted significant resources to increasing broadband adoption in its markets. With this experience, Cox has supported the expansion of the Lifeline program to support broadband. Cox has also been a strong supporter of measures to increase accountability and reduce waste, fraud, and abuse in the Lifeline program, advocating for years for the establishment of a third-party National Verifier. Cox continues to encourage the FCC to focus on successful and prompt implementation of the National Verifier adopted in 2016.

As the FCC considers reforming the Lifeline program, its efforts should be guided by two basic principles underlying the program: (1) being customer-focused and (2) retaining an affordability character. To meet those principles, the FCC should also avoid creating unnecessary barriers to provider participation. For these reasons, Cox supports the FCC's proposals to transition the Lifeline auditing program from a mandatory requirement to a risk-based approach; to eliminate the Wi-Fi enabled equipment requirement; and to eliminate Section 54.418 of the rules.

Other proposals, however, may not serve the FCC's goals. The proposals to target Lifeline support and impose benefit limits will add operational complexity and reduce the limited resources available for customers. The Commission must also ensure that its efforts to reform states' roles in the program do not undermine established providers' ability to participate cost-effectively. Finally, as Cox has previously stated, the FCC should refrain from imposing a hard cap on Lifeline benefits due to negative impacts on provider operations, fund administration, and low-income consumers.

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COMMENTS OF COX COMMUNICATIONS, INC.

Cox Communications, Inc. ("Cox") hereby submits these comments in response to the *Fourth Report and Order, Order on Reconsideration, Memorandum Opinion and Order, Notice of Proposed Rulemaking, and Notice of Inquiry* adopted by the Federal Communications Commission ("FCC" or "Commission") in the above-referenced proceeding.[1]

I. COX SUPPORTS LOW-INCOME CONSUMERS' ACCESS TO VOICE AND BROADBAND SERVICES

Cox has long participated in the Lifeline program, having been a pioneer among cable providers in providing Lifeline benefits to its voice customers. Today, Cox holds 14 state eligible telecommunications carrier ("ETC") designations to provide Lifeline service.[2]

[1] *Bridging the Digital Divide for Low-Income Consumers; Lifeline and Link Up Reform and Modernization; and Telecommunications Carriers Eligible for Universal Service Support*, Fourth Report and Order, Order on Reconsideration, Memorandum Opinion and Order, Notice of Proposed Rulemaking, and Notice of Inquiry, WC Docket Nos. 17-287, 11-42, and 09-197, FCC 17-155 (rel. Dec. 1, 2017) ("NPRM/NOI").

[2] These states are Arkansas, Arizona, California, Connecticut, Florida, Georgia, Iowa, Kansas, Louisiana, Oklahoma, Nebraska, Nevada, Rhode Island, and Virginia.

Cox also has devoted significant resources to increasing broadband adoption in its markets. In 2012, the company was the first internet service provider to partner with EveryoneOn to launch Connect2Compete, a discounted internet offer for low income families with school-aged children. Through its participation in the Connect2Compete program, Cox has helped to reduce the number of Americans without access to the Internet.[3] Since the program was created in 2012, more than a quarter-million individuals have been connected to the internet, many for the first time.[4] From our direct engagement with local communities, we have learned that affordability (along with other factors such as relevance, digital literacy training, and access to computers) is one of the largest barriers to adoption and that there is a need for a broader low income offer for veterans, seniors, and families without school age children. Cox therefore has supported the expansion of the Lifeline program to support broadband.

Cox recognizes that the Lifeline program has its challenges and therefore has also been a strong supporter of measures to increase accountability and reduce waste, fraud, and abuse in the program. For example, Cox has advocated for years for the establishment of a third-party National Verifier, and has monitored and supported efforts to facilitate the implementation of the National Verifier since the Commission adopted it.[5]

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[3] *See* Cox Communications and Connect2Compete, https://www.cox.com/aboutus/connect2compete/about.html (last visited Jan. 17, 2018).

[4] *Id.*

[5] *Lifeline and Link Up Reform and Modernization; Telecommunications Carriers Eligible for Universal Service Support; and Connect America Fund*, Third Report And Order, Further Report and Order, and Order on Reconsideration, WC Docket Nos. 11-42, 09-197, and 10-90, 31 FCC Rcd 3962, 4006 ¶ 126 (2016) ("2016 Modernization Order"); *see also* Reply Comments of Cox Communications, Inc., WC Docket Nos. 11-42, 09-197, 10-90 (filed Sept. 30, 2015) ("2015 Replies").

Consistent with Cox's prior comments in earlier proceedings,[6] as the Commission considers reforming the Lifeline program, its efforts should be guided by two basic principles underlying the programand rooted in the statutory charge that service should be affordable to all consumers, including low-income consumers.[7] First, the program should remain customer-focused, taking account of the needs and circumstances of the low-income community it serves. As Cox has argued previously, the program should provide consumers with sufficient flexibility to apply the Lifeline benefit to a service plan that meets their needs. Second, the program should retain its character as an affordability program, seeking to ensure that low-income consumers can afford either telephone or broadband services.[8] Cox has consistently found that affordability is a significant barrier that gets in the way of low-income consumers' adoption of broadband. These two principles underlie Cox's comments in this proceeding.

II. THE COMMISSION SHOULD FOCUS ON SUCCESSFUL IMPLEMENTATION OF THE NATIONAL VERIFIER

A. The National Verifier Promises to Advance the Commission's Successful Efforts at Reducing Waste, Fraud, and Abuse in Lifeline.

The FCC and Lifeline providers have been working together for years toward implementation of the National Verifier to reduce or eliminate waste, fraud, and abuse in the Lifeline program.[9] Although deployment in the initial states recently was delayed, the

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[6] *See, e.g.*, Comments of Cox Communications, Inc., WC Docket No. 11-42, at 10 (filed Apr. 21, 2011) (stating, "first and foremost, the program should focus on the customer, by providing flexibility") ("2011 Comments"); *see also* Comments of Cox Communications, Inc., NBP Public Notice #19, GN Docket Nos. 09-47, 09-51, 09-137, at 12 (filed Dec. 7, 2009) ("2009 Comments").

[7] *See* 47 U.S.C. § 254(b)(1) & (3).

[8] 47 C.F.R. § 54.401(a)(1).

[9] The National Broadband Plan proposed that the Commission "consider whether a centralized database for online certification and verification is a cost-effective way to minimize waste, fraud, and abuse." NATIONAL BROADBAND PLAN at 173. The Joint Board also recommended that the

Commission has indicated that it expects the delay to be "brief." The FCC should focus on successful and prompt implementation of the National Verifier so that its benefits can be realized as quickly as possible. This focus should ensure that USAC continues to work with service providers to promptly identify and rectify any problems with the operation of the National Verifier. As the Commission recognized in the 2016 Lifeline Order, "adopting the National Verifier eligibility process to help enforce program rules and address concerns with eligibility determinations will greatly increase Lifeline accountability."[10] Once the National Verifier has been fully implemented, it makes sense to then consider whether additional steps should be considered to address waste, fraud, and abuse. However, doing so before implementation of the National Verifier would be premature, particularly if the steps add unreasonable burdens on service providers, and would undermine the efforts of the Commission and the Universal Service Administrative Company.

B. The Commission Should Take Steps to Encourage States to Engage Cooperatively in the Implementation of the National Verifier.

The Commission should adopt its proposal to encourage database integration and execution of agreements for data sharing.[11] As the Commission has noted, these kinds of cooperation with the states will lower the cost of the National Verifier by reducing the amount of manual validation that National Verifier employees must perform.[12] They will also create a more efficient program, allowing for swifter verification.

Commission consider one. *Federal-State Joint Board on Universal Service,* Recommended Decision, 25 FCC Rcd 15598, 15612 ¶ 38 (Jt. Bd. 2010).

[10] 2016 Modernization Order, 31 FCC Rcd at 4006, ¶ 129.

[11] NPRM/NOI at ¶ 61.

[12] *Id*. (explaining that manual review of documentation is costly, burdensome, and inefficient).

However, the Commission should not halt Lifeline customer enrollments in states that do not cooperate to the FCC's satisfaction.[13] To do so would be overly punitive and violate the fundamental principle of customer focus by penalizing low-income consumers for state actions they cannot control. It would conflict with the Commission's goal to "better serve eligible beneficiaries by facilitating choice and improving the enrollment experience."[14] It also does not appear that this step is necessary to prevent waste, fraud, and abuse, in the long term because the National Verifier will still verify new customers and re-certify existing customers through other means.

III. THE COMMISSION CAN MAKE LIFELINE MORE EFFECTIVE BY AVOIDING UNNECESSARY BARRIERS TO PROVIDER PARTICIPATION

Cox shares the Commission's goals to "improve the overall administration of the [Lifeline] program, lessen the burdens on providers by removing unnecessary regulations, reduce the demands on ratepayers, and enhance consumer choice."[15] Some of the proposals in the NPRM and NOI will indeed achieve these goals, while others may undermine the Commission's efforts.

First, Cox supports the proposal to transition the Lifeline auditing program from a mandatory requirement for all providers receiving over $5 million in annual support to a risk-based approach as such an approach would indeed be more efficient and more effective at rooting out waste, fraud, and abuse.[16] The cost to Lifeline ETCs of procuring outside audits is significant (at least $200,000 per audit for a company of Cox's size), and these resources are best deployed in a manner that more effectively identifies waste, fraud, and abuse. For example, it

[13] *Id*. at ¶ 60.

[14] 2016 Modernization Order, 31 FCC Rcd at 4007, ¶ 128.

[15] NPRM/NOI at ¶ 1.

[16] *Id*. at ¶¶ 84-86.

appears to be inefficient to require all carriers receiving $5 million in Lifeline support to continue to pay for audits at regular intervals if they have a clean track record of performance. A risk-based approach would better identify problems that audits are intended to identify.

Second, the Wi-Fi enabled equipment requirement should be eliminated as proposed.[17] As the NPRM notes, the requirement is unnecessary given that consumers will select plans that meet their needs, and competition in the marketplace will facilitate the availability of services that consumers demand.[18]

Finally, Cox concurs with the FCC's suggestion that Section 54.418 regarding the long-completed DTV transition can be removed.[19] As the FCC states, the rule is no longer relevant.

In contrast, some proposals in the NPRM and NOI, however, may be inconsistent with the goals of lessening the burdens on providers and enhancing consumer choice. While Cox understands that these proposals were driven by good intentions, the costs of implementing them generally will exceed any incremental benefits, such as incremental reductions in waste, fraud, and abuse. As such, the Commission should not pursue these proposals.

First, proposals to target Lifeline support to rural, Tribal, and/or underserved areas, such as through increased Lifeline support amounts in such areas, will add operational complexity as carriers have to administer different support levels and track customers' locations within the different support zones.[20] This would reduce the resources that are available to provide overall services to low-income consumers and could lower the incentives for established providers to enter the Lifeline market or expand the areas where they provide Lifeline service. Moreover, the

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[17] *Id*. at ¶ 81.

[18] *Id*.

[19] *Id*. at ¶ 82.

[20] *Id*. at ¶¶ 121-29.

apparent motivation behind these proposals – to encourage the deployment of broadband networks – is already being addressed in other contexts. For example, the Commission already administers the CAF program in order to ensure that voice and broadband networks are deployed in these same areas.[21] The Commission has also taken a number of steps to streamline the deployment of wireline and wireless services in those very same areas.[22] As noted above, the focus of Lifeline is affordability,[23] and low-income consumers exist in all areas of the country. To the extent that the Commission adopts a geographically variable Lifeline benefit per these proposals, it should require the National Verifier to identify for providers whether customers live in the areas where additional support is available and the support amount for which they are eligible. Similarly, the proposal to impose benefit limits will increase operational burdens on Lifeline providers as they have to implement new systems to track the amount of time or support that each Lifeline customer has received.[24] It is also unclear how these proposals square with the guiding principles of Lifeline as a consumer-focused program targeting affordability for low-income consumers.

Cox recognizes the importance of respecting the states' role in program administration. As stated above, Cox was a pioneer among cable providers in seeking ETC status to provide

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[21] *See* Connect American Fund, Federal Communications Commission, https://www.fcc.gov/general/connect-america-fund-caf (last visited Jan. 19, 2018). Also, the FCC's Mobility Fund Phase II and Tribal Mobility Fund Phase II will allocate up to $4.53 billion to advance the deployment of 4G LTE to unserved areas. *See Connect America Fund; Universal Service Reform – Mobility Fund*, Report and Order and Further Notice of Proposed Rulemaking, 32 FCC Rcd 2152, 2154 ¶ 2 (2017).

[22] *See Accelerating Wireless Broadband Deployment by Removing Barriers to Infrastructure Investment*, Notice of Proposed Rulemaking and Notice of Inquiry, 32 FCC Rcd 3330 (2017); *Accelerating Wireline Broadband Deployment by Removing Barriers to Infrastructure Investment*, Notice of Proposed Rulemaking and Notice of Inquiry, 32 FCC Rcd 3266 (2017).

[23] *See supra* Section II.

[24] NPRM/NOI at ¶¶ 130-31.

Lifeline service to its telephone customers, and today holds 14 state ETC designations to provide Lifeline service. The Commission should build on the work already done by the states and providers by ensuring that its efforts in this area do not undermine established providers' ability to participate cost-effectively in the Lifeline program. Most fundamentally, the Commission must :

- Make clear that providers that have received ETC designations from states to provide voice service are permitted to provide broadband Lifeline service, even after Lifeline support for voice service is eliminated.[25]
- Make explicitly clear that the broadband affiliates of ETC-designated voice providers can provide broadband Lifeline service in reliance on the voice affiliate's ETC designation, without the broadband affiliate having to seek its own new ETC designation.
- Seek to the greatest extent possible to ensure that the ETC designation criteria and the periodic ETC review requirements that apply to Lifeline providers do not vary widely from state to state.
- Ensure that clear rules and processes are available for this Commission to designate Lifeline ETCs as required by Section 214(e)(6) in cases where the state lacks jurisdiction.[26] In sum, any Lifeline reform effort should seek to improve the program's efficiency for customers and providers.

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[25] *Restoring Internet Freedom*, Declaratory Ruling, Report and Order, and Order, WC Docket No. 17-108, FCC 17-166, at ¶ 194 (rel. Jan. 4, 2018) (stating "regulation of broadband Internet access service should be governed principally by a uniform set of federal regulations, rather than by a patchwork that includes separate state and local requirements").

[26] *See* 47 U.S.C. § 214(e)(6).

IV. ANY SELF-ENFORCING LIFELINE BUDGET MUST ADDRESS RECIPIENT AND PROVIDER IMPACTS

As Cox has previously noted, the imposition of a hard cap on Lifeline benefits raises considerations that are unique to the Lifeline program.[27] Because Lifeline support is passed through to customers as a discount on their bills, any budget mechanism must address how reductions in support would be reflected in Lifeline customers' enrollment and charges. The NPRM proposes simply that, if the budget is reached, payments to providers would be reduced, either prospectively or retrospectively, and seeks comment on whether geographic prioritization should apply in the event the cap is reached.[28] If any of these options were implemented, the impacts on low-income consumers and Lifeline providers would be quite significant.

First, it is unclear how the Commission anticipates that providers would address proportional reductions in Lifeline support. The most obvious option would be to reduce Lifeline benefits proportionally as support payments are reduced. Doing so would require providers to have the capability to provide a variable Lifeline benefit, however, which would require costly changes to carrier billing systems in many instances. Tariff modifications and customer notifications would also be required and call center volumes could be expected to increase. The administration problem would be significantly more complex if the Commission adopted its proposal to require geographic prioritization after the cap is reached. Carriers would have to have systems to identify the priority areas and locate their customers within those areas, as well as provide a variable benefit level based on geography. These systems simply are not currently in place and changes to the billing system would present significant administrative burdens and also would increase opportunities for errors as well as potential incentives for abuse.

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[27] 2011 Comments at 3, 8-9.

[28] NPRM/NOI at ¶¶ 106-08.

Moreover, billing system expenses to comply would simply divert valuable resources from other provider priorities.

From the customer's perspective, any reduction in benefits would mean that low-income families might have to make unanticipated reductions in spending in other areas to make up for the reduction in Lifeline benefits. This is particularly troubling given the role of Lifeline to advance the Commission's mandate to foster affordable service for low-income consumers.[29] Low-income households should not be forced to choose between other day to day necessities and the benefits that come from access to modern communications networks, such as safety and connectivity.

In addition, it is unclear that a self-enforcing budget mechanism is needed at this time.[30] As the FCC recognizes, there are concerns present in an approach that requires "a forecast" of spending and the "inevitable under- or over-shooting of the actual demand."[31] Lifeline support is considerably below its historical high level and the NPRM does not cite any concerning trend lines in support payments. Thus, the Commission should consider other options first before adopting the self-enforcing budget mechanism as proposed, or any other self-enforcing budget.

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[29] *See supra* Section II.

[30] NPRM/NOI at ¶¶ 104-07.

[31] *Id.* at ¶ 107.

VI. CONCLUSION

For all these reasons, the Commission should focus its efforts on successful implementation of the National Verifier and take steps consistent with these comments in any further reforms of the Lifeline program.

Respectfully submitted,

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By: /s/____________________________

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