Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 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
	)	

COMMENTS OF MOBILE FUTURE

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COMMENTS OF MOBILE FUTURE

Mobile Future submits these comments in response to the above-captioned Federal Communications Commission's ("FCC" or "Commission") Notice of Proposed Rulemaking seeking comment on proposed changes to the Universal Service Fund's Lifeline program.[1] Mobile broadband service is an essential tool for all Americans, particularly low-income consumers who rely more heavily on mobile Internet connectivity. Mobile Future applauds the significant steps that the Commission has undertaken to improve the Lifeline program's efficiency and accountability and urges the Commission to fully implement the reforms needed to address waste, fraud and abuse, in particular standing up the National Verifier. Mobile Future urges the Commission to continue providing Lifeline support for mobile broadband connectivity and the availability of mobile broadband service options for Lifeline-eligible consumers, as a

[1] *Bridging the Digital Divide for Low-Income Consumers Lifeline and Link Up Reform and Modernization 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, 32 FCC Rcd 10475 (2017) ("*NPRM*").

means not only of connecting Lifeline eligible households but also as part of the ecosystem which supports network investment for the benefit of all American wireless consumers.

I. INTRODUCTION.

Ensuring that "low-income families [can] access the Internet so they may take full advantage of the educational, employment, civic, social, and other benefits broadband offers"[2] is a goal that the wireless industry fully shares with the Commission. Mobile Future strongly supports the provision of Lifeline support for wireless broadband service, whether provided by facilities-based carriers or non-facilities-based carriers.

Low-income consumers are more likely to depend on wireless technology. According to the CDC, during the first half of 2017, "[a]dults living in poverty (67.5%) and near poverty (61.6%) were more likely than higher income adults (50.3%) to be living in households with only wireless telephones."[3] The Pew Research Center similarly found that in 2016 "one-fifth of adults living in households earning less than $30,000 a year were 'smartphone only' Internet users" (up from 12 percent in 2013).[4] And according to data collected for NTIA in 2015, 29 percent of low-income households use only mobile Internet access service to go online at home (up from 16 percent in 2013).[5]

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[2] *Id.* at 10476 ¶ 1.

[3] *See* Stephen J. Blumberg and Julian V. Luke, *Wireless Substitution: Early Release of estimates from the National Health Interview Survey, January–June 2017*, National Center for Health Statistics, CDC, at 3 (Dec. 2017), https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201712.pdf.

[4] *See* Monica Anderson, *Digital divide persists even as lower-income Americans make gains in tech adoption*, PEW RESEARCH CENTER (Mar. 22, 2017), http://pewrsr.ch/2nB4eSF.

[5] *See* Giulia McHenry, *Evolving Technologies Change the Nature of Internet Use*, NTIA (Apr. 19, 2016), https://www.ntia.doc.gov/blog/2016/evolving-technologies-change-nature-internet-use.

The Commission's proposal to limit Lifeline support to facilities-based providers will negatively impact the availability of affordable mobile broadband service options for low-income consumers. Contrary to the Commission's goal of closing the digital divide, the proposal would potentially disconnect millions of low-income Americans who depend on the targeted service offerings of non-facilities-based mobile broadband providers to get access to the Internet.

Limiting Lifeline support to facilities-based carriers is not necessary to address waste, fraud, and abuse in the Lifeline program. Mobile Future applauds the steps that the Commission has already undertaken to address waste, fraud and abuse in the Lifeline program. The best way to address the Commission's concerns about the ongoing integrity of the program is to continue implementing those reforms, especially completing work on the National Verifier.

Nor would the elimination of Lifeline support for non-facilities based carriers further the Commission's goal of expanding infrastructure investment. The revenues that non-facilities based providers generate for facilities-based carriers support investment in the underlying facilities-based networks. At the same time that mobile virtual network operators ("MVNOs") have grown, wireless carriers have expended billions of dollars to extend service to as many Americans as possible. From 2010 to 2016, the wireless industry invested more than $200 billion in U.S. wireless broadband facilities, and the result has been nothing short of remarkable: 96.6 percent of the population had a choice of three or more 4G LTE providers as of year-end 2016.[6]

[6] *See Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993 Annual Report and Analysis of Competitive Market Conditions With Respect to Mobile Wireless, Including Commercial Mobile Services*, Twentieth Report, 32 FCC Rcd 8968, 9022 ¶ 77 Chart III.D.4 (2017) ("*Twentieth Report*").

To the extent that there are still some limited areas that lack 4G LTE coverage, the Commission is working to address those gaps through its Mobility Fund Phase II program.[7] The Commission should continue to focus the Lifeline program on affordability, in order to ensure that access to wireless broadband networks is available to *all* Americans "at just, reasonable, and affordable rates," throughout the nation.[8]

II. IN ORDER TO SECURE THE BENEFITS OF THE DIGITAL ECONOMY FOR ALL AMERICANS LIFELINE SUPPORT SHOULD NOT BE LIMITED TO FACILITIES-BASED PROVIDERS.

Excluding non-facilities-based providers from the Lifeline program will reduce the availability of quality, affordable broadband services for low-income consumers, contrary to the stated goals of the Lifeline program. Since their entry into the Lifeline program, non-facilities-based providers have played a critical role in ensuring low-income consumers' access to advanced communications services. These providers often serve niche markets that would not otherwise be reached by the national or regional marketing efforts of larger wireless network operators. Specifically, they market to low-income consumers through targeted campaigns focused on Lifeline-eligible consumers. As the Commission has explained, wireless resellers offer a product "that is neither dependent upon the retail service offerings of its underlying carrier nor simply a rebranding of the underlying carrier's retail service offering which may provide a valuable alternative to eligible consumers."[9] In other words, resellers not only to cater to previously underserved consumers segments, but they generally expand consumer choice.

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[7] *See generally Connect America Fund; Universal Service Reform - Mobility Fund*, Report and Order and Further Notice of Proposed Rulemaking, 32 FCC Rcd 2152 (2017).

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

[9] *Petition of TracFone Wireless, Inc. for Forbearance, Order*, 20 FCC Rcd 15095, 15101 ¶ 13 (2005) ("*TracFone Forbearance Order*").

Further, as the Commission recently noted, in many cases the reseller "*has better access to* some market segments than the host facilities-based service provider *and can better target specific market segments, such as low-income consumers*."[10] For example, resellers target price conscious consumers through simple pricing options like month-to-month and no-contract prepaid billing.[11] Aside from price and innovative service offerings, resellers may also differentiate themselves through marketing and enhanced customer service.[12] Discontinuing Lifeline support for non-facilities-based providers would make it impossible for resellers to continue offering these targeted Lifeline service offerings, to the detriment of low-income consumers and the goals of the Lifeline program.

The *NPRM* suggests that the proposed facilities-based requirement could reduce waste, fraud, and abuse in the Lifeline program. But the Commission has already made important strides in this area, and Mobile Future applauds actions to date to improve program integrity and wholeheartedly supports the continued focus in the *NPRM* on "proposals to improve the Lifeline program's administration to preserve the integrity of the program."[13] In particular, the successful development of the National Verifier is an essential element of eliminating waste, fraud and abuse. Mobile Future agrees that it is critical for the FCC and the Universal Service Administrative Company ("USAC") to encourage states to "work cooperatively with the

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[10] *Twentieth Report*, 32 FCC Rcd at 8976 ¶ 15 (emphasis added).

[11] *See* Stephen Layton, *MVNOs: What They Are and How They Can Save You May*, NERDWALLET (June 10, 2016), https://www.nerdwallet.com/blog/utilities/what-is-mvno.

[12] *See* Christopher S. Yoo, *Avoiding the Pitfalls of Net Uniformity: Zero Rating and Nondiscrimination*, 50 REV. INDUS. ORG. 509 (2017); Aniruddha Banerjee and Christian Dippon, *Voluntary Relationships Among Mobile Network Operators and Mobile Virtual Network Operators: An Economic Explanation*, Information Economics and Policy, Vol. 21 (2009).

[13] *NPRM*, 32 FCC Rcd at 10505 ¶ 83.

Commission and USAC to integrate their state databases into the National Verifier without unnecessary delay."[14] The National Verifier will largely eliminate the opportunities for abuse that have previously plagued the program as it will handle all program eligibility decisions and eliminate opportunities for wasteful arbitrage by any Lifeline provider – reseller or otherwise. To the extent that the Commission's proposals to discontinue Lifeline support for non-facilities-based carriers or adopt a maximum discount level[15] are driven primarily by concerns over waste, fraud and abuse, these concerns are better addressed through the complete and successful implementation of the National Verifier.

The *NPRM* also suggests that limiting support to facilities-based providers would "encourage investment in broadband-capable networks."[16] But Lifeline is first and foremost a mechanism for increasing affordability, not for driving infrastructure deployment. The Commission created the program in 1985 to ensure telephone service remained affordable for low-income consumers in light of changes in the marketplace at the time.[17] By providing the equivalent of a Subscriber Line Charge waiver to qualifying consumers, the Commission sought to offset any increase in rates that might result in service disconnections. Several years later, when incorporating Lifeline into explicit universal service programs pursuant to the 1996 Act, the Commission observed that "[f]ederal Lifeline and Link Up programs … were designed to

[14] *Id.* at 10497 ¶ 60.

[15] *See id.* at 10513-14 ¶¶ 114-15.

[16] *Id.* at 10498 ¶ 65.

[17] *See MTS and WATS Market Structure; Amendment of Parts 67 & 69 of the Commission's Rules and Establishment of a Joint Board*, Report and Order, 59 Rad. Reg. 2d 551 ¶¶ 10-11 (1985) ("We adopt the Joint Board's recommendation concerning measures to offset the effect of subscriber line charges on low income houses. In this regard, we agree with their conclusion that the proposed subscriber line charges should not have an adverse effect on universal service.").

make residential service more affordable for low-income consumers."[18] Again in 2005, when the Commission created a path for Lifeline participation for resellers by forbearing from the facilities requirement of Section 214,[19] the Commission concluded that forbearance was in the public interest where, "as here, the wireless reseller is forgoing all universal service support but *Lifeline, which is customer-specific and is designed to make telecommunication service affordable to eligible consumers*, the facilities requirement is unnecessary to preserve the integrity of the universal service program or the fund."[20] More recent Commission decisions have echoed the same overarching goal. The 2012 Lifeline Reform Order noted that "the purpose of the Lifeline program ... [is] to offset the cost of services purchased by low-income consumers, rather than the network provider's cost to construct a network."[21] And in adopting its 2016 reforms, the Commission stated that the "animating principle of the Lifeline program has always been affordability."[22]

In support of its proposal, the *NPRM* suggests that because "Lifeline support can serve to increase the ability to pay for services of low-income households," it can "improve the business case for deploying facilities to serve low-income households."[23] However, applying the same

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[18] *Federal-State Joint Board on Universal* Service, 12 FCC Rcd 8776, 8993 ¶ 406 (1997).

[19] *See* 47 U.S.C. § 214(e)(1)(A) (requiring that Lifeline providers provide service at least partially over its own facilities).

[20] *TracFone Forbearance Order*, 20 FCC Rcd at 15101 ¶ 14 (emphasis added).

[21] *Lifeline and Link Up Reform and Modernization, et al.*, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656, 6675 ¶ 36 (2012).

[22] *Lifeline and Link Up Reform and Modernization et al.*, Third Report And Order, Further Report and Order, and Order On Reconsideration, 31 FCC Rcd 3962, 3981 ¶ 54 (2016).

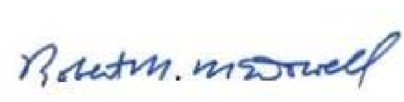
[23] *NPRM*, 32 FCC Rcd at 10498 ¶ 65.

logic, Lifeline support of resellers also serves to encourage deployment. Wholesale revenues received from resellers can increase the ability of facilities-based carriers to deploy or maintain infrastructure where it would otherwise be uneconomical to do so. Indeed, the size of the MVNO market has steadily increased in North America and is forecast to reach about $32 billion by 2021,[24] producing significant revenues that facilities-based carriers can invest into their networks. Non-facilities-based providers are a critical component of the wireless ecosphere, supporting and enabling the investment that facilities based providers make in infrastructure across the nation.

III. CONCLUSION.

For the foregoing reasons, the Commission should continue to modernize the Lifeline program, consistent with these comments, to ensure low-income Americans receive the services they demand and increasingly rely on.

Respectfully submitted,



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[24] *See Mobile virtual network operators market size North America 2012-2022*, Statista, https://www.statista.com/statistics/671662/north-americal-mvno-market-size (last visited February 20, 2018).