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February 13, 2015

VIA HAND DELIVERY

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Room TW-A325
Washington, DC 20554

Re: TracFone Wireless, Inc.'s Broadband Adoption Lifeline Pilot Program Report In the Matter of Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42
REQUEST FOR CONFIDENTIAL TREATMENT

Dear Ms. Dortch:

Pursuant to Section 0.459 of the Commission's Rules, TracFone Wireless, Inc. ("TracFone") by its undersigned counsel, hereby requests that certain information contained in the enclosed Broadband Adoption Lifeline Pilot Program Report ("Pilot Program Report") be accorded confidential treatment and that such information not be routinely available for public inspection. In accordance with Section 0.459(a)(2) of the Commission's rules, a copy of this letter and a redacted copy of the Pilot Program Report are being filed electronically in WC Docket No. 11-42.

In the Lifeline Reform Order,¹ the Commission created the Broadband Adoption Lifeline Pilot Program to gather data to be used to determine effective approaches to increase and retain broadband adoption by low-income consumers. Under the Pilot Program, the Wireline Competition Bureau ("Bureau") selected 14 projects proposed by eligible telecommunications carriers ("ETCs"), including TracFone's project.² In the Order selecting the projects for

¹ *In the Matter of Lifeline and Link Up Reform and Modernization, et al.*, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656 (2013) ("Lifeline Reform Order").

² *See Lifeline and Link Up Reform and Modernization*, Order, 27 FCC Rcd 15842, ¶ 20 (Wireline Competition Bureau: 2012).

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participation in the Pilot Program, the Bureau required all selected ETCs to gather various types of data and submit reports to the Universal Service Administrative Company (“USAC”). In addition, the Bureau stated in the Order that “ETCs and their partners are strongly encouraged to submit a report describing in detail any data collected in addition to the data specified in Appendix B and a narrative describing the lessons learned from the Pilot Program”³ In response to the Bureau’s request, TracFone is submitting the enclosed Pilot Program Report.

TracFone’s Pilot Program included five types of service plans offered in five states, plus a sixth program offered in a single state. Each of the service plans required approved customers to pay at least \$10 per month for service. The Pilot Program Report discloses detailed information regarding TracFone’s customers’ conduct during the Pilot Program, including the number of service offers TracFone sent to Lifeline customers, the number of customers who applied to receive the offered service plans, the number of applicants TracFone approved to participate in the pilot program, and the number of accepted applicants who paid for at least one month of service. The Pilot Program Report also includes data on why TracFone did not approve applicants, the reasons customers used the Internet, and customers’ purchase of broadband services after the termination of the Pilot Program. In addition, the Pilot Program Report contains TracFone’s findings and conclusions about the Pilot Program and recommendations for structuring a broadband Lifeline program based on TracFone’s observation and analysis of its customers.

The information provided in the Pilot Program Report is not available to the public and has not been disclosed to any third parties (with the exception of certain data that was required to be submitted to USAC as part of the Pilot Program). Public disclosure of data regarding TracFone’s Lifeline customers and access by TracFone’s competitors to this information would be competitively harmful to TracFone because it would provide existing and potential competitors with information regarding TracFone’s customers and TracFone’s internal analysis based on that customer information.

TracFone relies on data regarding customers who apply for and purchase its services to assess whether its service plans meet the needs of customers and to revise, as necessary, its business strategies and practices, including the terms and conditions of its service plans. TracFone also used data set forth in the Pilot Program Report to develop the findings and conclusions contained in the Pilot Program Report, as well as its recommendations as to how to structure a broadband Lifeline program. Furthermore, the findings, conclusions, and recommendations in the Pilot Program Report reflect TracFone’s internal assessment and analysis regarding its customers’ conduct and the effectiveness of the service plans offered in the Pilot Program. Given the

³ *Id.*, ¶¶ 20-21.

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substantial number of telecommunications service providers which either offer Lifeline service or are seeking to do so, the Lifeline services market segment is highly competitive. As a competitor in that market segment, TracFone would suffer grave and irreparable competitive harm if its customer data and internal analysis based on that data were to become available to existing or potential competitors. Indeed, existing and potential competitors would be provided with an unfair and unwarranted economic advantage by having access to proprietary TracFone customer data and internal analysis that is not generally known to the public.

Accordingly, pursuant to Section 0.459 of the Commission's rules, TracFone respectfully requests that the information in the Pilot Program Report identified in this request be treated as confidential and withheld from public inspection. Please direct any inquiries regarding this request to undersigned counsel for TracFone.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mitchell F. Brecher", with a long horizontal flourish extending to the right.

Mitchell F. Brecher

Enclosure (redacted)

cc: Julie Beach
Ryan Palmer
Jonathan Lechter
Michelle Schaefer

Enclosure

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TracFone Wireless, Inc.
Broadband Adoption Lifeline Pilot Program Report

February 13, 2015

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TRACFONE WIRELESS, INC. BROADBAND ADOPTION LIFELINE PILOT PROGRAM REPORT

INTRODUCTION

In the *Lifeline Reform Order*,¹ the Federal Communications Commission (“Commission”) created the Broadband Adoption Lifeline Pilot Program (“Pilot Program”) to gather data to be used to determine effective approaches to increase and retain broadband adoption by low-income consumers. Under the Pilot Program, the Commission directed the Wireline Competition Bureau (“Bureau”) to solicit applications from eligible telecommunications carriers (“ETCs”) and select projects that would test how monthly discounts impact broadband adoption by low-income consumers. The Bureau selected 14 projects, including TracFone’s project which was designed to test the effect of a discounted service price and handset cost on mobile broadband adoption and retention by low-income consumers.²

The Pilot Program encompassed an 18-month trial period, which began on February 1, 2013. The 18-month trial period included 3 months for ETCs to implement necessary back-office functions, up to 12 months of subsidized service, and 3 months for finalization of data collection and analysis. In the Order selecting the projects for participation in the Pilot Program, the Bureau required all selected ETCs to gather various types of data and submit reports to the Universal Service Administrative Company (“USAC”) as set forth in Appendix B of the Order. In addition, the Bureau stated in the Order that “ETCs and their partners are strongly encouraged to submit a report describing in detail any data collected in addition to the data specified in Appendix B and a narrative describing the lessons learned from the Pilot Program”³ In response to the Bureau’s request, TracFone is submitting this Report.

TRACFONE’S PILOT PROGRAM PROJECT

During the Pilot Program, TracFone offered five different service plans consisting of four test plans and one control plan. The five service plans initially were offered to a random sample of 25,000 SafeLink Wireless® Lifeline customers in the following states: Florida, Maryland, Texas, Washington, and Wisconsin. Specifically, TracFone divided each state into five separate geographical areas and offered one of the five plans to 1,000 customers in each of the five defined geographic areas. Thus, each of the five service plans initially were offered to 5,000 customers. During the Pilot Program, TracFone offered the service plans to additional customers after it observed that the actual number of customers choosing to participate in TracFone’s Pilot Program was lower than expected. In addition, TracFone had a sixth service plan that was offered to 300 SafeLink Wireless® Lifeline customers in Boston,

¹ *In the Matter of Lifeline and Link Up Reform and Modernization, et al.*, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656 (2013) (“[Lifeline Reform Order](#)”).

² See *Lifeline and Link Up Reform and Modernization, Order*, 27 FCC Rcd 15842, ¶ 20 (Wireline Competition Bureau: 2012).

³ *Id.*, ¶¶ 20-21.

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Massachusetts. This service plan required participants to complete digital literacy training provided by Open Air Boston. TracFone provided each training attendee with a free Android data handset and free monthly service for 12 months.

The price per month for the service plans offered to TracFone's SafeLink Wireless® Lifeline customers differed depending on the amount of the discount applicable to the monthly service and the price charged for the phone. All plans were offered for a period of no longer than 12 months. All plans included unlimited voice, unlimited texts, and 2GB of data.

The following is a description of the service plans offered by TracFone during the Pilot Program and TracFone's predictions regarding the number of customers who would choose each plan. As indicated by TracFone's estimated consumer participation rate for each plan, TracFone believes that the price of broadband service to consumers directly affects the adoption rate of broadband service.

- A. **Free Phone, \$10 Service:** TracFone provided consumers a free phone and monthly service for \$10 per month. TracFone was reimbursed by USAC \$35 per month per customer for service. TracFone estimated that 1,500 customers (30% of 5,000 customers) would choose this plan.
- B. **Free Phone, \$20 Service:** TracFone provided consumers a free phone and monthly service for \$20 per month. TracFone was reimbursed by USAC \$25 per month for service. TracFone estimated that 1,000 customers (20% of 5,000 customers) would choose this plan.
- C. **Discounted Phone, \$10 Service:** TracFone offered consumers an Android phone at the subsidized retail prices available to its NET10 customers. TracFone provided consumers with monthly service for \$10 per month. TracFone was reimbursed by USAC \$35 per month per customer for service. TracFone estimated that 500 customers (10% of 5,000 customers) would choose this plan.
- D. **Discounted Phone, \$20 Service:** TracFone offered consumers an Android phone at the subsidized retail prices available to its NET10 customers. TracFone provided consumers with monthly service for \$20 per month. TracFone was reimbursed by USAC \$25 per month per customer for service. TracFone estimated that 250 customers (5% of 5,000 customers) would choose this plan.
- E. **Free Phone, \$10 Service with Digital Literacy Training:** TracFone provided consumers with a free phone and monthly service for \$10 per month if the consumers agreed to complete a 10 hour digital literacy course. Consumers were provided with a list of locations at which they could take the course. TracFone was reimbursed by USAC \$35 per month per customer for service. This plan was only available in Boston, Massachusetts. TracFone estimated that 300 customers would choose this plan.

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- F. **Control Group - Discounted Phone, Paid Service:** TracFone offered consumers Android phones at the subsidized retail prices available to its NET10 customers. TracFone provided consumers with monthly service for \$35 per month. TracFone did not receive reimbursement from USAC for this service, since it is TracFone’s non-Lifeline retail NET10 offer that any customer can purchase. TracFone estimated that 50 customers (1% of 5,000 customers) would choose this plan.

Customers who participated in a service plan that required the purchase of a phone paid a discounted price of \$29.99 for the phone with an Android operating system. The two phone models used for the Pilot Program were the Samsung M828C Galaxy Precedent and the Samsung S735C Galaxy Discover. The undiscounted price for the phones was \$79 for the Galaxy Precedent (*i.e.*, TracFone provided a \$50 subsidy per phone) and \$99 for the Galaxy Discover (*i.e.*, TracFone provided a \$70 subsidy per phone).

PILOT PROGRAM RESULTS

Results for Pilot Program Plans

The following chart describes the results of TracFone’s Pilot Program project for all service plans, except the plan that required participants to complete digital literacy training.

Broadband Plans	Offers Mailed	Customer Applications	%	Approved Applicants	%	Customers Paying for Service	%
	A	B	C (B / A)	D	E (D / A)	F	G (E / A)
Free Phone, \$10 Service							
Free Phone, \$20 Service							
Discounted Phone, \$10 Service							
Discounted Phone, \$20 Service							
Control Group: Discounted Phone, \$35 Service							
Total							

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During the Pilot Program, TracFone mailed broadband service offers to current SafeLink Wireless[®] Lifeline customers. Column A indicates the number of customers receiving offers for each service plan. Those customers who were interested in participating in the Pilot Program were required to complete an application form that included a survey. Column B indicates the number of customers who completed the application and sent it back to TracFone. Column C reflects the percentage of customers receiving a service plan offer who completed an application.

TracFone reviewed the applications to determine which customers were eligible to receive service under the Pilot Program. Column D indicates the number of applicants approved by TracFone. Column E reflects the percentage of customers receiving a service plan offer who were approved by TracFone. After a customer was accepted as a participant in the Pilot Program, the customer received a free phone or purchased a phone at a discounted price and then was required to pay TracFone for monthly service. Column F indicates the number of approved applicants who made at least one monthly payment for service. Column G reflects the percentage of customers receiving a service plan offer who paid for at least one month of service.

Primary Reasons for Denying Applications to Participate in the Pilot Program

As noted above, customers who wanted to participate in the Pilot Program were required to complete a survey. In addition, a customer was not permitted to participate in the Pilot Program if the customer or any household member had broadband service within the six months preceding the customer's application. TracFone reviewed the survey responses to ensure that each applicant was qualified to participate in the Pilot Program. The following table identifies the reasons TracFone did not approve applicants to participate in the Pilot Program.

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Results for Pilot Program Plan Including Digital Literacy

TracFone's Pilot Program project also included a service plan that provided customers with a free phone and service for \$10 per month if the customer enrolled in and completed a digital literacy course. This plan was only available to customers residing in Boston, Massachusetts. TracFone approved **[REDACTED]** customers for this plan, and **[REDACTED]** customers paid for at least one month of service. However, only **[REDACTED]** customers **[REDACTED]** completed the digital literacy course.

Broadband Adoption Post-Pilot Program

After customers received 12 months of service through the Pilot Program, TracFone offered two options:

1. Continue to receive broadband service using the Android phone provided during the Pilot Program, but pay a new monthly rate of \$35.00.
2. Switch to one of the three SafeLink Wireless® Lifeline plans (68, 125, or 250 monthly minutes plan) using their original TracFone phone, not the Android phone provided during the Pilot Program.

Currently, only **[REDACTED]** customers who participated in the Pilot Program **[REDACTED]** are making a monthly payment of \$35.00 and continuing to receive broadband service.

Customers' Reasons for Use of the Internet

After customers received 12 months of service through the Pilot Program, TracFone surveyed customers about their reasons for using the Internet. The following chart provides the results of that survey.

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TRACFONE'S FINDINGS AND CONCLUSIONS

The results of TracFone's Pilot Program support the following findings and conclusions.

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TRACFONE'S RECOMMENDATIONS

Based on TracFone's experience with the Pilot Program, TracFone makes the following recommendations to the Commission as it considers how to revise the current Lifeline program to facilitate broadband adoption by low-income consumers.

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