

**FCC PILOT FOR LIFELINE BROADBAND:
XCHANGE TELECOM 2013 REPORT
WC Docket No. 11-42
March 3, 2015**

POLICY/PROGRAM CONTEXT

On Dec 19, 2012 the Federal Communications Commission announced the award of 14 pilot projects “to promote the adoption and retention of broadband services by low income households” in rural, urban, and suburban projects spanning 21 states and Puerto Rico. Xchange Telecom was one of seven selected projects to provide broadband services in an urban area. The Xchange proposal was designed to offer digital literacy to seniors and, primarily, to test subsidy amounts “that could help in evaluating how best to structure a Lifeline program in the future.

XCHANGE TELECOM 2013 SURVEY I

A component of Xchange’s proposal was a baseline survey of the full census of new Lifeline broadband service subscribers. In June 2012, Xchange partnered with Baruch College Survey Research to develop and conduct a survey of subscribers recruited from the base of Xchange telephone subscribers based on selected ZIP codes in Brooklyn. Participants who chose to subscribe to the new Lifeline Broadband service were required to take a survey in order to. The results are intended to provide the FCC with an assessment of the adoption rates of different LifeLine discount plans and the value and customer use of the service provided.

METHODOLOGY

Xchange conducted a mixed-mode method (Internet, phone, mail) survey of 376 existing (86%) and new (14%) -customers during the months of March to November 2013. The survey was developed with Baruch College Survey Research. The recruitment and administration were conducted by Xchange Telecom.

Of the 376 interviews, 91% were self-administered--either online or on a hard copy, which was then faxed to Xchange, and 9% were interviews conducted over the phone by Xchange Telecom customer service agents. The results were analyzed by Baruch College Survey Research, City University of New York.

The populace surveyed is the full census of Xchange Telecom broadband service subscribers that included both current and new customers. Once Xchange's recruitment of broadband telephone subscribers to the Lifeline Pilot Program was launched; invitations were sent to their 9,000 existing customer data base. In order to expand the broadband subscriber pool beyond the existing telephone subscribers, Xchange used direct mailings, postcards, bill inserts, fliers and phone calls in selected Brooklyn ZIP codes to market the survey to new subscribers. The marketing effort was conducted in the following ZIP codes in Brooklyn (Kings County): 11218, 11204, 11219, 11206, 11205, 11211, 11249, 11210 and 11230.

Surveys were completed and returned in one of three ways: 1) online by accessing the following link: <www.xchangetele.com/usll> 2) on paper and faxed in, or 3) over the phone with an Xchange Telecom customer service agent.

Xchange screened participants to the Pilot Program for their eligibility in government social service programs, including Medicaid, Medicare, housing vouchers, etc. If any member in each screened household that included adults or minor children were eligible for the above-mentioned government regulated programs at the time the survey was conducted, the household qualified for broadband service. In order to access the service, all subscribers were asked to complete the survey.

FINDINGS

Subscriber Demographics

- **Sex:** Nearly three-quarters of the subscribers (or the respondents to the survey) (74%) were men
- **Race:** The subscribers almost universally identify as white (94%); 1% indicated Asian; 5% said 'other'. None described themselves as "African American or Black: or "Latino or Hispanic." The original telephone subscriber base is also overwhelmingly white
- **Age:** Internet users are generally younger than the general population, and that is true for this new group of broadband subscribers. The subscribers are mostly young and middle aged adults. About three quarters (77%) are under age 50, with almost two thirds (64%) under age 40. Only 12% are over age 60.
- **Household Size:** While 29% of all Brooklyn households are one-person households, only 6% of the new Lifeline subscribers live alone. Many surveyed subscribers live in large

households, with 83% living in households of three or more, a majority (51%) in households of five or more and 17% in households of eight or more.

- **Education:** Nearly half of the subscribers (46%) are high school graduates without higher education, while more than a third (37%) attended at least some college. Nearly two in 10 did not graduate high school.
- **Income:** As expected, the income reported by the Lifeline subscribers is quite low for New York City. Fewer than one in ten reported income over \$30,000. A plurality (34%) earned between \$10,000 and \$20,000 in 2011 pre-tax income, 17% said between \$20,001 and \$30,000, 15% said less than \$10,000 and about a quarter (27%) said they were not sure.
- **Employment:** Most subscribers surveyed are currently employed. Nearly half (47%) are employed full time; another quarter part time.

Subscriber Internet Use

- **Expected Household Use:** While most subscriber households have five or more persons, a majority (58%) expect that two people in their households will use the LifeLine broadband service and 14% expect only one person will use the service.
- **Currently Access Internet Elsewhere:** A majority (60%) reported they do not have broadband access at home, nor did they access the Internet outside the home. 40% did access the internet elsewhere such as at work, at school, or at a library.
- **Access to devices:** Most respondents reported that someone in the household already had a device which could access the internet through the new service. Six in 10 (61%) said there was a laptop or notebook computer in the house; a third (33%) have a mobile device or smartphone; and about a quarter (26%) have a desktop computer. Only one in ten own a tablet (such as an iPad), with almost no one reporting a mobile broadband modem (2%). Despite the presence of many children in the subscriber households, only 1% own a video game console.
- **Anticipated device purchases:** Since most subscribers have at least one device capable of accessing the internet, it is not surprising that few reported an intention to purchase a

new device. Only 11% plan to buy a laptop/notebook computer and even fewer were planning to buy any other new device to access the internet.

- **Expected device use:** Two thirds of the group said they expected to use a laptop with their new broadband service, a third said they would use a desktop computer, almost a quarter expected to use their smartphone, while 17% say they will use VoIP phone service. Very few expect to use a tablet, a mobile broadband modem, or a videogame console.

Why Broadband Now? Existing and New Subscribers

Reasons for subscribing: Price is clearly driving the decisions for this group about when to subscribe and when not to subscribe. The most important reason for not subscribing before and for dropping previous service is that broadband was too expensive. The reason cited most for subscribing to LifeLine was that the “provider is offering a good price for the service” (36%), followed by ‘job requires online access (30%) and “wanting to stay in touch with family and friends” (29%). While some subscribers want it for “daily activities” (18%); or for “health care or medical information” (16%); many wanted the service because they could “get Internet without certain content, such as explicit material” (16%) than because their “children want Internet access” or because their ‘children need it for school’ (11%).

Existing subscribers: Most of the LifeLine broadband subscribers are new to broadband service. Seventy percent had never before subscribed to broadband Internet at home. Of the 30% who ²had subscribed to broadband before, about a third had last subscribed in the past 3 months, a third within the past year, and a third more than a year ago.

First-time Subscribers: When first-time subscribers were asked why they had never before obtained broadband service, almost half (44%) indicated that it was because the ‘monthly cost was too expensive’ A third (33%) said they ‘didn’t use the service’; and 21% said they were ‘uncomfortable with the Internet’ due to safety and privacy concerns. About three in 10 said ‘other’ as a response (29%); 5% offered ‘Not knowing how to use broadband, a computer or the Internet; another 5% replied they were content with dialup service (5%). Another nearly one in 10 (8%) said they did not subscribe because they could access the Internet elsewhere.

Ex-subscribers: As for why the respondents who had previously subscribed dropped their former broadband service, price was again the motivating factor. More than half (55%) said it was because the 'monthly cost was too expensive.' About 20% said they 'didn't use the service'; and 11% said they were 'uncomfortable with Internet, for reasons like safety and privacy concerns.

What Xchange learned

Plans Chosen

Respondents had been offered eight plans that we presented as either standalone or bundled packages:

- Broadband Lifeline Basic- offered basic phone service
- Broadband Lifeline BIGtalk local- offered unlimited local calls
- Broadband Lifeline BIGtalk metro- offered regional and local calls
- Broadband Lifeline BIGtalk USA- offered unlimited National calls
- Broadband Skywire Lifeline Local
- Broadband Skywire Lifeline Metro
- Broadband Skywire Lifeline Standalone
- Broadband Skywire Lifeline USA

A majority – 53% -- of subscribers chose Broadband Lifeline BIGtalk USA, with majorities or substantial pluralities off all demographic and socio-economic groups choosing than plan. Broadband Skywire Lifeline USA was selected by 25% overall, Broadband Lifeline BIGtalk local by 11%, and Broadband Lifeline BIGtalk Metro by 8%. The other four plans had miniscule subscriptions.

Broadband Lifeline BigTalk Local provides unlimited local calling where the customer will pay for calls made to numbers outside their local calling area. Broadband Lifeline BigTalk Metro provides unlimited Region I calling where the customer will pay for calls made to numbers outside their regional calling area. Broadband Lifeline BigTalk USA provides unlimited USA calling where the customer will pay only for calls made to international numbers.

Out of the 9,000 Lifeline customers, only 376 customers, or 4.26%, participated in the Pilot Program. In our opinion, part of the issue was that a condition precedent to service was not having an internet subscription within the last 3 months. We believe more customers would have joined if eligibility applied to all Lifeline customers.

The Pilot Program expanded the Lifeline concept from affordable rates on landlines telephones, into offering broadband to low-income people Lifeline customers. The Pilot was extremely useful in its assessment that Broadband pricing is a legitimate barrier for low income population without internet. This program provided an opportunity for those otherwise not accessing internet.

During the Pilot, participants experienced the value of internet access. The disadvantaged users realized the enormous impact access to the Internet has on education, streaming access to information and the ability to broaden employment option.

After the conclusion of the Pilot, 41.5% continued with their Broadband plan, while 52.9% are active Lifeline customers without Internet service.

376 Customers that were on the pilot program.
21 of those left Xchange.
199 are still with Xchange but have no active DSL product.
156 are still with Xchange and have active DSL product on their account

Xchange also feels that since the Pilot was limited to 1 year, some customers that would have subscribed declined to subscribe. Finally, it took ~~approximately 6 months~~ months, quite a long time to get the pilot up and running successfully. Xchange only began to see traction in its subscriptions the last 3 months of the Pilot.

In conclusion, Xchange believes that the Pilot, showed that Lifeline customers are interested in discounted Broadband service. However, creating barriers for such customers, such as limiting access to those who have no current Internet service, will impede the usefulness of the program.

Table: DEMOGRAPHICS

		%	N =376
SEX	MALE	74%	278
	FEMALE	26%	98
RACE	WHITE	94%	352
	OTHER	6%	24
AGE	18-24	19%	70
	25-29	20%	76
	30-39	25%	93
	40-49	13%	50
	50+	23%	87
HOUSEHOLD SIZE	ONE	6%	23
	TWO	11%	41
	THREE	14%	53
	FOUR	18%	67
	FIVE+	51%	192
EDUCATION	NO COLLEGE	63%	237
	SOME COLLEGE	21%	79
	COLLEGE GRADUATE PLUS	16%	60
INCOME	UP TO \$20K	49%	184
	\$20K+	24%	91
	NOT SURE	27%	101
EMPLOYMENT	EMPLOYED FULL-TIME	47%	177
	EMPLOYED PART-TIME	25%	92
	UNEMPLOYED	10%	37
	RETIRED/DISABLED/HOMEMAKER	12%	45
	FULL-TIME STUDENT	7%	25

**FCC BROADBAND FOLLOW UP SURVEY
TOPLINE**

1. Are you...	N=376
a. Male	74%
b. Female	26%

2. What was the last grade of school you completed?	N=376
a. Grade school	8%
b. Some high school	10%
c. High school graduate	46%
d. Some college	21%
e. College graduate	13%
f. More than college	2%
g. ? Blank	

3. Do you think of yourself primarily as...	N=376
a. White	94%
b. African American or Black	0%
c. Latino or Hispanic	0%
d. Asian	1%
e. Something else (specify)_____	5%

4. Are you currently...	N=376
a. Employed full-time	47%
b. Employed part-time	25%
c. Unemployed	10%
d. Retired	7%
e. Disabled	2%
f. Full-time student	7%
g. Homemaker/caregiver	2%

5. What is your age?	N=376
a. 18-24	19%
b. 25-29	20%
c. 30-39	25%
d. 40-49	13%
e. 50-59	11%
f. 60-69	7%
g. 70-79	1%

h. 80+ 4%

6. How many people currently live in your household? (Include all adults and children)

N=376

a. 1 6%
b. 2 11%
c. 3 14%
d. 4 18%
e. 5 15%
f. 6 8%
g. 7 11%
h. 8+ 17%

7. What are the ages of each of these people?

N=376

a. 0-17 10%
a. 18-24 17%
b. 25-29 19%
c. 30-39 21%
d. 40-49 11%
e. 50-59 10%
f. 60-69 7%
g. 70-79 1%
h. 80+ 4%

8. How many household members do you expect will use this Lifeline Broadband service?

N=376

a. 1 14%
b. 2 58%
c. 3 7%
d. 4 8%
e. 5 5%
f. 6 4%
g. 7 3%
h. 8+ 2%

9. What was the total 2011 income before taxes of all household members from all sources? (Includes social security, pension, public assistance)

N=376

a. Less than \$5,000 4%
b. \$5,000-\$9,999 11%

c. \$10,000-\$20,000	34%
d. \$20,001-\$30,000	17%
e. \$30,001 or more	8%
f. Not sure	27%

10. Do you currently access the Internet outside your home? (For example, at work, at school, at the library)

N=376

a. Yes	40%
b. No	60%

11. Does anyone in your household have any of the following? (Check as many as apply)

N=329

a. A desktop computer	30%
b. A laptop or netbook computer	70%
c. A tablet (such as an iPad)	12%
d. A mobile device or smartphone (such as an iPhone)	38%
e. A mobile broadband modem (such as aircard, portable internet, connection card)	2%
f. A video game console?	1%

12. Do you expect to purchase any of the following? (Check as many as apply)

N=101

a. A desktop computer	31%
b. A laptop or netbook computer	41%
c. A tablet (such as an iPad)	25%
d. A mobile device or smartphone (such as an iPhone)	19%
e. A mobile broadband modem (such as aircard, portable internet, connection card)	3%
f. A video game console?	7%

13. Which of these do you expect to use with the new broadband service? (Check as many as apply)

N=373

a. VoIP phone service	17%
b. A desktop computer	34%
c. A laptop or netbook computer	69%
d. A tablet (such as an iPad)	10%
e. A mobile device or smartphone (such as an iPhone)	23%
f. A mobile broadband modem (such as aircard, portable internet, connection card)	3%
g. A video game console?	1%

14. Have you subscribed to broadband at home in the past?

N=376

- a. Never 70%
- b. Yes, within last 3 months 10%
- c. Yes, within last 6 months 6%
- d. Yes, within last 12 months 5%
- e. Yes, more than 12 months ago 10%

15. What were your reasons for not getting broadband before now? [Check as many as apply]

N=263

- a. Monthly cost too expensive 44%
- b. Didn't use service 33%
- c. Don't know how to use broadband, computer or Internet 5%
- d. Uncomfortable with Internet (e.g. privacy concerns, dangerous for children) 21%
- e. Happy with dial-up 5%
- f. Could access Internet elsewhere 8%
- g. Other 29%

16. Why did you drop your previous broadband service? [Check as many as apply]

N=109

- a. The monthly cost was too expensive 57%
- b. Didn't use the service 21%
- c. The equipment no longer worked 7%
- d. Don't know how to use computer/Internet 6%
- e. Uncomfortable with Internet (e.g. privacy concerns, dangerous for children) 11%
- f. Happy with dial-up 1%
- g. Could access Internet elsewhere 5%
- h. Other (specify) _____

17. What are your reasons for using Lifeline broadband service? [Check as many as apply]

N=374

- a. Want to stay in touch with family and friends 29%
- b. Children need it for school 11%
- c. You need it for school 11%
- d. Want to access music, movies and other entertainment 9%
- e. Children want Internet access 5%
- f. Need to get health care or medical information 16%
- g. Job requires online access 30%
- h. Need it for job searches 16%
- i. Want to share photos or videos with family and friends 13%
- j. Internet provider is offering a good price for the service 36%
- k. Want to use it for daily activities (such as check transit and school information) 18%
- l. Can get Internet without certain content (such as pornography) 16%
- m. Other (specify) _____ 28%