

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
Telecommunications Carriers Eligible for Universal Service Support	)	WC Docket No. 09-197
	)	
Connect America Fund	)	WC Docket No. 10-90

**COMMENTS  
OF  
SPRINT CORPORATION**

Charles W. McKee  
Vice President, Government Affairs  
Federal and State Regulatory

Norina T. Moy  
Director, Government Affairs

900 Seventh St. NW, Suite 700  
Washington, DC 20001  
(703) 433-4503

August 31, 2015

## Table of Contents

I.	INTRODUCTION AND SUMMARY .....	1
II.	THE HOMEWORK GAP IS A SERIOUS PROBLEM WHICH MUST BE ADDRESSED .....	3
III.	THE WIRELESS LIFELINE MARKET IS ROBUSTLY COMPETITIVE AND LIFELINE SERVICE OFFERS HAVE IMPROVED EVEN IN THE FACE OF HIGHER COSTS, HIGHER RISK, AND HIGHER CHURN .....	5
IV.	COST AND QUALITY OF SERVICE REGULATION OF WIRELESS LIFELINE SERVICE IS UNNECESSARY AND CONTRARY TO THE PUBLIC INTEREST .....	11
	A. FCC-Mandated Minimum Service Levels for Broadband Lifeline Service Are Unnecessary and Potentially Counter-Productive .....	12
	B. FCC-Mandated Minimum Service Levels for Lifeline Voice Service Are Unnecessary, and an Unlimited Talk and Text Requirement is Unjustified .....	17
	C. Level of Lifeline Support .....	18
	D. A Cap on the Lifeline Fund Would Harm Low-Income Consumers .....	22
V.	THIRD PARTY DETERMINATION OF END USER LIFELINE ELIGIBILITY IS APPROPRIATE .....	23
VI.	LIFELINE PROGRAM ADMINISTRATION CAN BE IMPROVED .....	26
	A. The Commission Should Not Transfer Lifeline Benefits Directly to the Consumer .....	27
	B. Sending of A Text Should Constitute Usage .....	29

C. The Non-Usage Period Should Remain At 60 Days .....	30
D. The Veterans Pension Program Should Be A Qualifying Program .....	31
E. Streamlining the Service Provider Approval Process for ETCs in Good Standing Will Improve Program Efficiency, But Care Must Be Taken to Ensure that New ETC Designations Do Not Compromise Lifeline Service Quality .....	32
F. Training Certifications Are Not Necessary .....	33
G. Wireless Emergency Alerts .....	34
 VII. THE COSTS OF ADMINISTERING THE LIFELINE PROGRAM SHOULD CONTINUE TO BE RECOVERED THROUGH THE GENERAL USF CONTRIBUTION FACTOR .....	 34
 VIII. CONCLUSION .....	 35

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
Telecommunications Carriers Eligible for Universal Service Support	)	WC Docket No. 09-197
	)	
Connect America Fund	)	WC Docket No. 10-90

**COMMENTS OF SPRINT CORPORATION**

Sprint Corporation (“Sprint”) hereby respectfully submits its comments on several issues raised in the *Second Further Notice of Proposed Rulemaking* (“*Second FNPRM*”) released on June 22, 2015 (FCC 15-71) in the above-captioned proceedings.

**I. INTRODUCTION AND SUMMARY.**

In this proceeding, the Commission has taken an important step forward in modernizing the Lifeline program. Sprint supports efforts to expand the Lifeline program to include support for voluntarily provided broadband service, to implement third party determination of end user Lifeline eligibility, and to improve Lifeline program administration. These efforts, if implemented properly, could help increase broadband subscription rates in low-income households, bridge the homework gap, and enhance program efficiency.

At the same time, the Commission must be careful to apply only the lightest regulatory touch necessary here. The Lifeline market – particularly for wireless Lifeline services – is robustly competitive, with wireless service offers improving significantly

and steadily over the past several years even in the face of higher regulatory compliance costs, higher risk, and higher churn. Given the level of competition in this market, the Commission should avoid cost or quality of service regulation of wireless Lifeline service. Commission-mandated minimum service levels for either voice or broadband wireless service are unnecessary and contrary to the public interest.

The Commission appropriately has asked for comment on several financial aspects associated with reform of the Lifeline program. As discussed below, the voice-only support amount should remain at \$9.25 per month per line; however, Sprint believes that a \$9.25 subsidy for broadband service (with no subsidy for a broadband device) will be too low to generate a meaningful increase in broadband subscription by Lifeline customers. Given the distressingly low broadband subscription rate for low-income households, proposals to cap the Lifeline fund are premature and should not be adopted. The Commission also should decline to adopt any proposal to recover program administration costs exclusively from Lifeline service providers; as is the case for every other federal Universal Service program, all Lifeline program costs should be recovered through the general USF contribution factor assessed on all contributors.

The Commission has also asked for comment on numerous proposals to increase Lifeline program efficiency. Several of these proposals will improve program administration and therefore should be adopted: the sending of a text should constitute usage for purposes of Section 54.407(c)(2); the Veterans Pension Program should be adopted as a qualifying program; and certain proceedings involving ETCs currently in good standing (*e.g.*, granting ETC designations in additional states, transferring customer bases to such ETCs) should be streamlined. In contrast, proposals to transfer Lifeline

benefits directly to the consumer; to shorten the non-usage period to 30 days; and to require training certifications, are likely to increase bad debt and fraud, to harm Lifeline end users, or are otherwise onerous, and should not be adopted.

## **II. THE HOMEWORK GAP IS A SERIOUS PROBLEM WHICH MUST BE ADDRESSED.**

There is no dispute over the importance of on-line learning both inside and outside the classroom. As the Commission has emphasized, “[w]ithout broadband at home, many students and teachers face a ‘homework gap’ that makes learning in the 21<sup>st</sup> Century even more difficult.”<sup>1</sup> Sprint has long been a vigorous advocate of mobile learning, and has directed much of its regulatory advocacy and corporate philanthropic resources on promoting K-12 learning initiatives. Sprint believes that expanding the Lifeline program to include support for the voluntary offering of broadband service can, if properly designed and implemented, be an important tool to help bridge the pernicious homework gap.

In January 2014, Sprint was one of the first corporate donors to make a \$100 million pledge to President Obama’s ConnectED initiative. Sprint committed to provide up to 50,000 lines of free wireless broadband service per year to eligible low-income schools, for 4 years. Selected schools, all of which are required to have a 1:1 mobile learning program in place, obtain the free Sprint service to be used by their students to do their schoolwork from home. As of early August 2015, Sprint had approved requests for ConnectED service to 27 schools and school districts across the nation.

Sprint has also committed to provide broadband resources to students who need access to a wireless network inside and outside the classroom through its participation in

---

<sup>1</sup> *Second FNRPM*, para. 5, quoting Commissioner Jessica Rosenworcel.

My Brother’s Keeper Alliance (MBKA), an independent nonprofit organization aimed at eliminating opportunity and achievement gaps for African American and Hispanic boys and young men of color. In May 2015, Sprint CEO Marcelo Claure joined the board of directors of MBKA. In addition to his personal involvement in MBKA, Mr. Claure, on behalf of Sprint, pledged \$5 million in cash and in-kind contributions (free wireless Internet access service). The initial deployment of free Sprint wireless service pursuant to this commitment is in process to 750 eligible students of the Newark, New Jersey public school district.<sup>2</sup>

In addition to its corporate social responsibility contributions to help address broadband gaps at Title 1 schools, Sprint has long advocated regulatory policies that would make wireless voice and data services more affordable for schools and libraries. For example, Sprint has consistently urged the Commission to make E-rate support available for mobile learning initiatives,<sup>3</sup> and we continue to believe that the E-rate program could and should be a key tool to address the homework gap. Unfortunately, the Commission has largely prohibited E-rate support for off-campus use of wireless services, even for educational purposes, and has now effectively proscribed the use of mobile broadband solutions in the E-rate program except in very limited situations.<sup>4</sup> As

---

<sup>2</sup> “Sprint CEO Marcelo Claure Joins the Board of My Brother’s Keeper Alliance,” May 4, 2015.

<sup>3</sup> See, e.g., Sprint’s comments on the 2010 E-rate Eligible Services List (ESL) (filed June 19, 2009 in CC Docket No. 02-6, pp. 1-2); comments on 2011 E-rate ESL and the National Broadband Plan (filed July 9, 2010, in CC Docket No. 02-6 and GN Docket No. 09-51, pp. 2-6).

<sup>4</sup> See, e.g., *Modernizing the E-rate Program for Schools and Libraries*, 29 FCC Rcd 8870 (2014) (“*E-rate Modernization Order*”), para. 151 (concluding that data plans and air cards for mobile devices are “generally” not the most cost-effective option for providing internal broadband access). Clarification of the cost-effectiveness showing has been requested, as the Commission’s standards do not appear to take into account all of the

the Commission has acknowledged in the instant proceeding, its current E-rate rules “prevent full utilization of the learning opportunities that wireless broadband can provide beyond the boundaries of the school day.”<sup>5</sup>

Federal universal service support can be a powerful tool to address the homework gap, and to this end, Sprint provides comments on how the Lifeline program could be expanded to support broadband services. As discussed below, a properly designed and voluntary Lifeline broadband program, which provides a reasonable level of support for both broadband service and an appropriate device (where necessary), combined with E-rate support for mobile learning initiatives, could help low-income students to obtain sorely needed broadband access that would enable them to do their schoolwork from home.

### **III. THE WIRELESS LIFELINE MARKET IS ROBUSTLY COMPETITIVE AND LIFELINE SERVICE OFFERS HAVE IMPROVED EVEN IN THE FACE OF HIGHER COSTS, HIGHER RISK, AND HIGHER CHURN.**

In the instant proceeding, the Commission has sought comment on “establishing minimum service levels for both broadband and voice service under the Lifeline program,” and has proposed to retain the current \$9.25 monthly subsidy even for an expanded offering.<sup>6</sup> It has suggested that FCC-mandated minimum service levels are warranted because it has not seen “meaningful improvements in the available [Lifeline] offerings”; because “the standard Lifeline market offering for prepaid wireless service has remained largely unchanged at 250 minutes at no cost to the recipient”<sup>7</sup>; and because

---

costs associated with WiFi networks or the additional functionality offered by mobile broadband (*e.g.*, access to the Internet).

<sup>5</sup> *Second FNPRM*, footnote 50.

<sup>6</sup> *Id.*, para. 10.

<sup>7</sup> *Id.*, para. 16.

Lifeline service providers may not be “passing on reductions in their costs to end-users,” even though “the cost of providing voice service has declined drastically.”<sup>8</sup> The Commission also appears to be concerned about the number of carriers offering Lifeline service, asking for comment about how to improve carrier participation in the Lifeline program.<sup>9</sup>

As shown below, the Commission’s competitive analysis here is incorrect, as is its apparent conclusion that a dearth of competition in the wireless Lifeline market necessitates some form of cost and quality of service regulation. The Commission’s emphasis on one aspect of the Lifeline market – the number of voice minutes offered by wireless service providers free of charge to Lifeline subscribers – is far too limited. In fact, wireless Lifeline service offers have improved substantially, even in the face of high, regulation-induced churn, a stagnant support level, higher risk, and increases in other costs of doing business, all of which have a direct impact on the ability and willingness of service providers to offer richer Lifeline service packages.

Lifeline service offers have improved dramatically over the past few years, and this trend has continued, particularly in the case of Sprint’s Assurance Wireless brand offered by its Virgin Mobile USA, L.P. affiliate. When Assurance Wireless first began offering Lifeline service in 2009, its basic offer was for 200 voice minutes per month at no charge to the end user – substantially higher than the quantity of voice minutes available from various other wireless Lifeline service providers at the time, and more attractive to many end users than fixed wireline Lifeline service because the Assurance

---

<sup>8</sup> *Id.*, paras. 39 and 42.

<sup>9</sup> *Id.*, para. 121.

Wireless offer was free of charge to the end user, included a free phone,<sup>10</sup> and was mobile (particularly valuable to Lifeline applicants who may lack stable housing arrangements). Assurance Wireless increased voice calling to 250 minutes in September 2010, and in May 2012, added 250 free texts per month to its Lifeline offer. In July 2014, Assurance Wireless began providing unlimited texting to all of its Lifeline customers and doubled the quantity of voice minutes to new customers to 500 free voice minutes for the first four months of service (250 minutes per month thereafter). In August 2015, the offer to new Assurance Wireless customers was further improved: new subscribers could take advantage of the existing promotional offer (500 free voice minutes plus unlimited texts for 4 months), and thereafter receive 350 voice minutes plus unlimited texts. In July 2015, Assurance Wireless sharply decreased the cost of its optional data plans: Lifeline customers can now get 100 MB of data for \$2 per month (down from \$5), 500 MB for \$5 (down from \$10), or 1 GB for \$10 (down from \$20).

Assurance Wireless is not, of course, the only Lifeline service provider in any of the markets it serves, and eligible low income end users have a wide range of other options from which to choose, including other no-fee prepaid wireless plans, discounted wireless calling plans offering tiers of minutes at different price points, and offers from wireline service providers.<sup>11</sup> According to USAC, there were 2501 wireline and wireless

---

<sup>10</sup> The cost of the free phone was, and continues to be, borne entirely by Assurance Wireless. Moreover, Assurance Wireless' free handset policy is more generous than that of some other wireless Lifeline service providers. For example, Assurance Wireless will replace any lost/stolen/broken phone free of charge, once every 12 months.

<sup>11</sup> Oddly enough, the *Second FNPRM* makes no mention of improvements in Lifeline offerings from wireline service providers, nor does it appear to factor into its competitive analysis the existence of wireline Lifeline offers.

ETCs providing Lifeline services across the US in the first quarter of 2015.<sup>12</sup> Almost all of the states in the U.S. had dozens or even scores of ETCs offering Lifeline service; even the states with the fewest ETCs had at least one wireline and multiple wireless ETCs offering Lifeline service.<sup>13</sup> Multiple applications for designation as a Lifeline ETC, and review of compliance plans submitted by designated Lifeline ETCs, also are pending. It is difficult to imagine, given the number of actual and potential service providers, that the Lifeline market could be considered anything other than highly competitive.

Wireless service providers such as Assurance Wireless have and continue to enrich their Lifeline offerings in response to strong competitive pressures, but the possibility of richer service offerings is only one aspect of any competitive analysis. Revenue opportunities, churn, the total cost of providing service, and higher risk directly affect what service packages ETCs can offer, yet the review of the wireless Lifeline market contained in the *Second FNPRM* ignores all of these factors.

Lifeline support has remained flat at \$9.25 per month since 2012, and regulation-induced churn has increased dramatically in the past several years. The adoption of the requirement that wireless ETCs recertify their entire Lifeline customer base annually to determine subscribers' on-going eligibility has resulted in a high number of de-enrollments. For example, approximately a third of Assurance Wireless's customers were de-enrolled from the Lifeline program in 2014, in large measure because the

---

<sup>12</sup> See USAC Form LI03, available at <http://www.usac.org/about/tools/fcc/filings/2015/q3.aspx>. Some ETCs are designated to provide Lifeline service in multiple states.

<sup>13</sup> *Id.* Three states had 5 Lifeline service providers: Connecticut (2 wireline, 3 wireless), DC (1 wireline, 4 wireless), and Delaware (1 wireline, 4 wireless).

customers failed to submit the mandatory recertification form.<sup>14</sup> A post-certification study commissioned by Assurance Wireless indicated that 87% of customers surveyed who did not complete the annual certification process wanted to continue using Assurance Wireless service (92% believed they still qualify), but did not complete the certification process for reasons unrelated to their actual eligibility, including problems they experienced during the process (*e.g.*, technical problems with the automated phone system, or they did not understand the questions/instructions); they forgot/were too busy; were unaware they needed to complete the certification; missed the deadline; or did not recall receiving the form. In addition, USAC's IDV process (which began in 2011) and the deployment of the NLAD (in 2013) sharply reduced the number of inter-company duplicates – certainly a proper outcome and a necessary reform to the Lifeline program, but which did increase the churn rate of Lifeline service providers who lost significant numbers of subscribers.<sup>15</sup> High churn dramatically increases the cost of service, and the loss of a huge percentage of customers, particularly if the loss occurs before the service provider has recovered its customer acquisition costs (outreach, application processing, handset, etc.), is felt directly on the bottom line.

---

<sup>14</sup> Even if they remain eligible because of their income level or participation in programs such as SNAP, Lifeline subscribers who do not return their eligibility recertification form are deemed ineligible and must be removed from the Lifeline program. *See* Section 54.410(f) of the Commission's Rules.

<sup>15</sup> Prior to use of the IDV process and the deployment of the NLAD, Lifeline service providers had no means of confirming that an applicant was not already receiving a Lifeline subsidy from another carrier, and relied upon the applicant's certification that he was not. IDVs and NLAD, which cross-checked the customer lists of multiple service providers to identify inter-company duplicate subscribers, resulted in the de-enrollment of millions of end users who were incorrectly receiving Lifeline support from more than one carrier. Such de-enrollments had a negative impact on the financials of affected Lifeline service providers; as noted above, lower revenues and profits have a direct impact on a service provider's ability to improve its service offerings.

The Commission's review of the wireless Lifeline market also ignores the increase in compliance costs that ETCs have incurred as a direct result of the *2012 Lifeline Reform Order*.<sup>16</sup> For example, Lifeline service providers now are required to make detailed annual compliance filings with the FCC, USAC, and most state PUCs, and, if their Lifeline revenues exceed \$5 million per year, must hire an independent firm to perform a biennial audit to assess the ETC's overall compliance with the program's requirements. Lifeline service providers incur substantial costs to interface with the NLAD; Assurance Wireless alone has incurred millions of dollars in development and recurring costs to load its customer lists into this database, and to access it on an on-going basis to check applicant identity, to ensure that a household is receiving only one Lifeline benefit, to process customer enrollments and de-enrollments, etc.

Finally, Lifeline service providers are subject to very high regulatory and financial risk associated with potential FCC enforcement activity. Since September 2013, the FCC has issued Notices of Apparent Liability (NALs) totaling \$94.4 million against 12 Lifeline service providers,<sup>17</sup> and entered into consent decrees totaling \$14.4 million with 4 other Lifeline service providers.<sup>18</sup> These NALs included a base forfeiture of \$5000 for each ineligible subscriber for whom the ETC received Lifeline support (for intracompany duplicate subscribers) – orders of magnitude greater than the \$9.25 of

---

<sup>16</sup> *Lifeline and Link Up Reform and Modernization; Lifeline and Link Up; Federal-State Joint Board on Universal Service; Advancing Broadband Availability through Digital Literacy Training*, 27 FCC Rcd 6656 (2012).

<sup>17</sup> NALs were issued against Assist Wireless, Easy Wireless, Tracfone, Icon Telecom, and UTPhone on September 30, 2013; against Conexions Wireless, iWireless and True Wireless on November 1, 2013; against Centex Wireless, Telrite Corp. and Global Connection on December 12, 2013; and against Budget Prepay on February 28, 2014.

<sup>18</sup> The FCC entered into Consent Decrees with Southern New England Telephone Co. and AT&T Services, Inc. on April 29, 2015; and with TerraCom, Inc. and YourTel America, Inc. on July 9, 2015.

monthly support per subscriber; a forfeiture of \$20,000 for each Form 497 that included such ineligible subscribers; and a forfeiture equal to 3 times the reimbursement requested and/or received for these ineligible subscriber.<sup>19</sup> The threat of this level of penalties for even inadvertent and relatively minor (*e.g.*, as a percentage of total customers) errors imposes a regulatory overhang whose impact cannot be ignored.

In summary, the Commission’s concern about a lack of “meaningful improvements” in Lifeline offerings is misplaced, and its consideration only of the number of voice minutes offered by prepaid wireless Lifeline service providers is excessively narrow. Given a stagnant subsidy rate, high regulation-induced churn, significant regulatory compliance costs, and the on-going risk relating to the impact of potential NALs, the continuing improvements in wireless offers (and more specifically, prepaid wireless offers) should be recognized as a reflection of vigorous competition, not a lack of competition. The Commission should specify a federal Lifeline support level or levels, then allow competitive market forces to determine what service levels and packages different carriers may choose to offer at such level(s). As discussed below, the Commission should avoid imposing cost or quality of service regulations on wireless Lifeline service, as such approach would be costly and counter-productive.

#### **IV. COST AND QUALITY OF SERVICE REGULATION OF WIRELESS LIFELINE SERVICE IS UNNECESSARY AND CONTRARY TO THE PUBLIC INTEREST.**

The Commission has proposed to “establish minimum service levels for fixed and mobile voice and broadband service that Lifeline providers must offer to all Lifeline

---

<sup>19</sup> In addition, it appears that each of the affected carriers reimbursed the Lifeline fund for support received in error.

customers in order to be eligible to receive Lifeline reimbursement.”<sup>20</sup> To that end, it has asked for comment on how to establish minimum service levels, and what the support level should be.<sup>21</sup>

Sprint agrees that the Commission should promptly decide the amount of Lifeline support, or tiers of support, it will authorize. However, it should not mandate minimum service levels or attempt to evaluate service providers’ cost structures or pricing decisions. Instead, the Commission should allow market forces to determine the range of service options that carriers will make available to Lifeline customers at the specified level(s) of support. By relying upon competitive market forces, consumers can evaluate a range of prices and service offerings and select the one that best suits their individual needs; carriers would not be forced to offer unprofitable or unreasonable service packages; and regulatory and competitive distortions are kept to a minimum.

**A. FCC-Mandated Minimum Service Levels for Broadband Lifeline Service Are Unnecessary and Potentially Counter-Productive.**

The Commission has proposed to establish minimum service levels for fixed and mobile broadband Lifeline service, including requirements that carriers offer “data-only broadband to Lifeline customers to ensure affordability of the service,”<sup>22</sup> and that they meet certain data usage and speed levels.<sup>23</sup> The Commission should decline to adopt these proposals, as they are unnecessary given the current level of competition, could be counter-productive in terms of increasing broadband subscription among low-income consumers, and are potentially arbitrary.

---

<sup>20</sup> *Second FNPRM*, para. 34.

<sup>21</sup> *Id.*, paras. 35-52.

<sup>22</sup> *Id.*, para. 37.

<sup>23</sup> *Id.*, para. 44.

Sprint agrees that the Lifeline USF should support broadband service. However, the provision of Lifeline broadband service should be voluntary, not mandatory, and carriers that elect to provide this service should be free to determine the parameters (such as speed, monthly data allotments, price) of such service. This approach is superior to FCC-imposed service standards, for several reasons.

First, as explained above, the voice Lifeline market is vigorously competitive, and there is no reason to believe that a broadband Lifeline market would be any less competitive. Every state in the US has multiple existing Lifeline service providers, and additional service providers may enter the market if the Commission streamlines the ETC designation process, creates a new Lifeline approval process, or makes program administration more efficient. If a given service provider were to offer a broadband Lifeline plan that a customer considers unattractive (for whatever reason), that customer likely will have multiple alternative providers from which to obtain service. Some consumers may want and be able to afford an unlimited plan at a relatively high price; other consumers will select a plan with lower speeds or data allotments and a correspondingly lower price. An unrealistic minimum service level could foreclose the latter option or even make the broadband Lifeline option completely unaffordable.<sup>24</sup> This would be contrary to the public interest, particularly given the financial constraints facing most Lifeline households. Where, as here, the market is competitive, the Commission can and should rely upon market forces to ensure that Lifeline service is provided on a just and reasonable basis.

---

<sup>24</sup> If a carrier is unable to provide broadband Lifeline service at a FCC-mandated minimum service level at a rate equal to the prescribed support level, it will be forced to assess a charge on the end user (assuming that the carrier continues to be a Lifeline service provider). This could foreclose broadband subscription by consumers who cannot afford an out-of-pocket payment.

Second, as the Commission appears to acknowledge, identifying reasonable and realistic minimum service standards is not a simple undertaking. For example, the Commission has asked whether a minimum usage standard for mobile broadband Lifeline service should be tied to the average American consumer's utilization, and whether providers should be required to make available any offering that is at or above a minimum speed to eligible low-income consumers.<sup>25</sup> Sprint is deeply concerned that both of these proposals are unrealistic, especially at a \$9.25 support level. "Average" usage can be misleading (average broadband usage is likely skewed by a small percentage of extremely heavy users), and is not necessarily the same as essential or "minimally required" usage. Non-Lifeline customers may be willing and able to pay for non-essential broadband or voice usage – *e.g.*, streaming high-definition entertainment, constant checking of social media sites, casual calls just to chat – or may use their device(s) for both personal and business purposes, all of which drive up their usage levels. Lifeline customers may not have this luxury, and may be (or may be forced to be) far more conscious about using their voice and data services only for essential purposes such as doing schoolwork or applying for jobs on-line. Voice and data services are not costless to provide, and a minimum usage plan based on "average" usage may prove to be unaffordable, even with a Lifeline benefit.

The Commission's suggestions that it should set a minimum speed requirement or require providers to make available any offering that is at or above a minimum speed to eligible Lifeline customers<sup>26</sup> are also problematic. Even where a broadband network with level X speed has been deployed in a given geographic area, the Commission cannot

---

<sup>25</sup> *Second FNPRM*, para. 44.

<sup>26</sup> The Commission's proposal here does not appear to include any geographic limits.

assume that service at level X is available throughout that entire area, much less throughout the country. For example, deployment of a 4G network in “Washington, DC” does not mean that every neighborhood in the greater Washington metropolitan area will enjoy 4G-level speeds. It is even more unlikely that a rural, sparsely populated, high cost area will have the same high-speed broadband network capability that is available in the D.C. central business district. Thus, for the Commission to require that a service provider offer downtown DC level of service to all Lifeline customers in its designated service areas is not realistic.

Third, establishing minimum broadband service standards or a mandatory broadband service requirement may well drive out existing competitors, to the detriment of Lifeline subscribers. Some Lifeline carriers (in particular, non-facilities-based carriers) may not be in a position to offer broadband service, either at all, or at certain speeds, because of the nature of their resale agreements with their underlying network provider(s). Other Lifeline carriers may choose to concentrate on voice-only customers. Still others (particularly those carriers whose business model is based on offering Lifeline service free of charge to the end user) may be unable to offer broadband at the mandated subsidy level. Existing Lifeline service providers that cannot meet FCC-mandated standards could be forced out of the Lifeline market. This would certainly harm consumers, including those who, as the Commission has correctly observed, “may prefer to use their Lifeline discount for a voice-only service.”<sup>27</sup> It makes no sense to withhold Lifeline support for a voice-only customer because their preferred service provider does not offer broadband Lifeline service.

---

<sup>27</sup> *Second FNPRM*, para. 38.

Unlike some other USF programs, Lifeline is not an efficient vehicle for encouraging infrastructure investment that might be needed to achieve given speed levels. The legacy high-cost and CAF universal service funds provide bulk (up to hundreds of millions of dollars) and long-term (annual CAF funding for price cap LECs is assured for at least 6 years) subsidies to eligible wireline carriers, and are thus suitable to help finance costly, long-term, capital-intensive network deployment and upgrades. Moreover, CAF subsidies are provided to a single carrier in a given area, whereas Lifeline support for individual end users is spread across multiple service providers in a given market. The Lifeline program currently provides a subsidy of \$9.25 per month per subscriber (a subsidy which the Commission is considering decreasing), only for as long as the subscriber remains an eligible Lifeline customer – an important benefit, to be sure, but a far weaker and a far riskier mechanism for encouraging capital investment than a multi-year, multi-hundred million dollar bulk subsidy. Given these differences, imposition of minimum speed or data allotment standards cannot be justified on the basis of the availability of the monthly Lifeline benefit.

Fourth, it is unclear how requiring Lifeline service providers to offer a data-only broadband plan will “ensure affordability.” The subsidy level (discussed in section IV.C below) is likely to be a far more significant factor affecting affordability. If the Commission is concerned about the cost of a voice plus broadband plan, it could adopt a tiered support system to encourage service providers to offer voice-only, broadband-only, or voice plus broadband offers.

Although Sprint opposes the adoption of minimum Lifeline service requirements, it certainly is not suggesting that Lifeline end users should be relegated to technologically

inferior service when more state-of-the-art service is available in the Lifeline customer's geographic service area. Indeed, Section 254(b)(3) of the Act requires that low income consumers in rural and high cost areas have access to telecommunications services that are "reasonably comparable to those services provided in urban areas...." Reasonable comparability can be achieved by a prohibition on redlining – if a carrier offers broadband service at level X, it must offer that service to all end users who are within the level X footprint, and who can pay for that service, so long as sufficient network capacity is available.

**B. FCC-Mandated Minimum Service Levels for Lifeline Voice Service Are Unnecessary, and an Unlimited Talk and Text Requirement Is Unjustified.**

The Commission has proposed to establish minimum service levels for fixed and mobile voice Lifeline service, including the possibility of requiring wireless carriers to provide "unlimited talk and text to maximize the benefit of the Lifeline subsidy."<sup>28</sup> This proposal should be rejected outright. The Commission has no data on which to justify mandatory unlimited talk and text, and it should be extremely cautious about even attempting a cost of service analysis.

The Commission has based its mobile Lifeline "unlimited talk and text" suggestion on the assumption that the cost of providing voice service "has declined drastically."<sup>29</sup> However, there is no record evidence that total costs have declined (drastically or at all); in fact, as discussed in section III *supra*, wireless Lifeline service providers have experienced substantial cost increases/declines in profitability because of

---

<sup>28</sup> *Id.*, para. 39.

<sup>29</sup> *Id.*, para. 39, citing only one cost element (wholesale network rates to mobile resellers, *see id.*, para. 42).

churn, regulatory compliance requirements, and risk. Even assuming *arguendo* that total costs have declined, there is no evidence to suggest that costs are so low as to justify unlimited talk and text for \$9.25 in monthly Lifeline support, or that the \$9.25 support level for current levels of service results in excessive returns to the service provider.

Cost studies are extremely complicated and resource-intensive for both the regulator and regulatee.<sup>30</sup> Given the time and resources required, the Commission would be ill-advised to attempt to perform a cost-of-service analysis of wireless Lifeline service. As the Commission has previously stated, ensuring Lifeline support only for “properly recoverable” costs “would be difficult for USAC and this Commission to monitor, audit and enforce for companies [such as wireless Lifeline carriers] whose rates are not regulated today under cost of service principles.”<sup>31</sup> Moreover, while a cost of service study is a useful and valuable tool in the evaluation of services where the provider possesses market power, such a study is wholly unwarranted where, as here, the market is competitive. Market forces are the most effective means of “maximizing the benefit of the Lifeline subsidy” and of ensuring that Lifeline service is provided on a just and reasonable basis.

### **C. Level of Lifeline Support**

The Commission has tentatively concluded that it should “set a permanent support amount of \$9.25.”<sup>32</sup> It has sought comment on whether support should be reduced for

---

<sup>30</sup> Requiring wireless ETCs to submit any sort of cost justification may encourage existing service providers to exit the market, and discourage potential service providers from entering the Lifeline market. Such an outcome is directly contrary to the Commission’s expressed desire to encourage greater carrier participation in the Lifeline program (*see, e.g., Second FNPRM*, para. 121).

<sup>31</sup> *2012 Lifeline Reform Order* at para. 249 (discussing Link Up).

<sup>32</sup> *Second FNPM*, para. 52.

mobile voice-only service, and whether \$9.25 is sufficient to cover broadband service.<sup>33</sup> Sprint opposes any reduction in support for voice-only service, and cautions that a \$9.25 subsidy for broadband service is unlikely to result in a significant increase in broadband subscribership among low-income households.

There is no record evidence to support a reduction in Lifeline support for mobile voice-only service. Indeed, given factors such as high churn, high regulatory compliance costs, and high risk, on top of already razor-thin operating (not profit) margins, it is not unreasonable to consider *increasing* the voice-only Lifeline subsidy.

Reducing the voice subsidy also would have a deleterious effect on Lifeline subscribers. Low-income subscribers, including millions of households who have come to rely upon no-fee (to the end user) Lifeline service, would find themselves in a significantly worse position than they are today if voice support is reduced. Reducing the federal Lifeline support level could lead to increases in end-user charges and possible loss of service to those who cannot afford to pay;<sup>34</sup> could force some service providers out of the market; and could lead to degradation in service plans.

Sprint also is concerned that a \$9.25 monthly subsidy will not cover a sufficient portion of the cost of even basic broadband service, much less the cost of obtaining a broadband device or of providing end user training, to generate a significant increase in broadband subscription rates among Lifeline-eligible households. Virgin Mobile, which participated in the Commission's Lifeline Broadband Pilot Program, experienced

---

<sup>33</sup> *Id.*, paras. 52-53. The suggestion that mobile voice-only support should be reduced, while wired voice service presumably remains unchanged, raises serious questions about competitive and technological neutrality.

<sup>34</sup> Any out-of-pocket expense can be difficult for financially constrained households, and may be particularly "burdensome for those low-income consumers who lack the ability to make such payments electronically or in person." *See 2012 Lifeline Reform Order*, para. 266 (declining to adopt a rule requiring ETCs to impose a minimum consumer charge).

program participation rates in its pilots that were significantly lower than anticipated, due in large part to Lifeline customers' inability or unwillingness to pay even modest out-of-pocket charges for broadband service and/or equipment.<sup>35</sup> This cost sensitivity is consistent with the results of a recent study by the Pew Research Center, which found that many low income consumers' access to digital services and online content "is often intermittent due to a combination of financial stresses and technical constraints."<sup>36</sup>

The Commission appears to recognize that the price of broadband-capable equipment will affect adoption rates, asking whether it should take into account "the cost of wireless Consumer Premises Equipment (CPE) passed on to consumers by Lifeline providers in determining whether a particular level of service is affordable."<sup>37</sup> The Commission is correct in assuming that wireless carriers are likely to assess Lifeline customers some charge for broadband-capable equipment. Assurance Wireless, for one, cannot and will not provide a free smartphone or other broadband-capable device to its Lifeline subscribers if the only Lifeline support available is the \$9.25 per month service subsidy – the devices are too costly, and the Lifeline revenue stream is too uncertain, to make this financially feasible. (Indeed, even in the post-paid market, wireless carriers were able to provide subsidized smartphones only in conjunction with a term (*e.g.*, 2

---

<sup>35</sup> See *ex parte* letter from Elaine Divelbliss, Sprint, to Marlene Dortch, FCC, dated March 24, 2015 in WC Docket No. 11-42, summarizing pilot program test results (requiring Lifeline subscribers to contribute towards the cost of broadband service or device "is a significant barrier to participation"). Other carriers participating the Lifeline Broadband Pilot Program indicated similar outcomes; as the Commission noted, "cost to consumers does have an effect on adoption" (*see* FCC Staff Report on Low Income Broadband Pilot Program, WC Docket No. 11-42, released May 22, 2015, p. 1).

<sup>36</sup> Pew Research Center, *U.S. Smartphone Use in 2015*, released April 1, 2015, available at <http://www.pewinternet.org/2015/04/01/us-smartphone-use-in-2015/>.

<sup>37</sup> *Second FNPRM*, para. 46. Although this question relates to broadband service, Sprint would note for the sake of clarity that the handset which Assurance Wireless provides to its voice Lifeline customers is paid for entirely by Assurance Wireless. None of the cost of the feature phone provided is subsidized by Lifeline funds.

years) plan that had a monthly service fee sufficient to ensure recovery of the device subsidy over time. Today, wireless carriers are moving increasingly away from the subsidized handset business model.) The Commission must recognize that purchasing a broadband-capable device will be an insurmountable barrier for many Lifeline customers; if it intends to use the Lifeline program as a vehicle for significantly increasing broadband adoption by low-income consumers, it will have to incorporate a device subsidy into the Lifeline program budget.

In contrast to the proposals that will discourage wireless carriers from offering mobile Lifeline voice and broadband service, the Commission has asked whether it should “provide a one-time reimbursement to Lifeline consumers to cover any up-front broadband connection charges for fixed residential service.”<sup>38</sup> This proposal would clearly violate the core universal service principle of competitive neutrality by giving preferential treatment to wired broadband service. For this reason alone, the proposal should be rejected.

Furthermore, subsidizing the installation of fixed residential broadband service could have a negative impact on the viability of the Lifeline fund. The *Second FNPRM* does not include any estimate of the cost of this proposal; however, wireline broadband service installation or connection charges are not insignificant. For example, Verizon has a \$89.99 activation fee for a 2-year FiOS plan,<sup>39</sup> and AT&T has an activation fee of up to \$99 for its 12-month U-verse plans.<sup>40</sup> When the Commission eliminated Link Up (service installation and initiation) support for both wireless and wireline Lifeline service in 2012, it emphasized that there are “many competing demands for program support,” and that it

---

<sup>38</sup> *Id.*, para. 54.

<sup>39</sup> See <http://www.verizon.com/?lid=//global//residential>.

<sup>40</sup> See <https://www.att.com/shop/internet.html>.

is important “to maintain a technology-neutral approach.”<sup>41</sup> The Commission should consider these same factors here, and reject the proposal to subsidize residential fixed broadband installations.

**D. A Cap on the Lifeline Fund Would Harm Low-Income Consumers.**

The Commission has asked for comment on a budget for the Lifeline program.<sup>42</sup> Sprint believes that capping the Lifeline program at this time is contrary to the public interest. There still remains a gap in telephone (voice) subscribership between low-income and non-low-income households: 95.9% for households with income below \$20,000 compared to 98.2% for households with income above \$40,000 in 2014.<sup>43</sup> The gap in broadband subscribership between lower and higher income households is far greater: according to the Census Bureau, in 2013, only 47.2% of US households with income below \$25,000 per year had a high-speed Internet connection, compared to 94.5% of households with income of \$150,000 or more.<sup>44</sup> Capping the Lifeline fund will jeopardize the universal service mandate at the heart of this program.

Moreover, there are thorny implementation issues associated with a cap. For example, once the cap is reached, either new end users must be turned away from the program, or the benefits to existing Lifeline subscribers would have to be cut off. Obviously, both of these outcomes are harmful and disruptive to low-income consumers. Once a cap is reached, it is unclear how or when payment for service already rendered

---

<sup>41</sup> See *2012 Lifeline Reform Order*, para. 250.

<sup>42</sup> *Second FNPRM*, para. 56.

<sup>43</sup> See *FCC Universal Service Monitoring Report 2014*, Table 6.2.

<sup>44</sup> See Thom File and Camille Ryan, *Computer and Internet Use in the United States: 2013*, p. 3, released November 2014, available at <http://www.census.gov/history/pdf/2013computeruse.pdf>.

will be remitted to service providers who are reimbursed from the Lifeline fund in arrears.

The Lifeline program, which currently provides support to 12.4 million low income households, is estimated to be less than one-third the size of the high-cost/CAF program in 2015 -- \$1.48 billion compared to \$4.5 billion.<sup>45</sup> While Sprint certainly agrees that fiscal prudence in the federal universal service programs is critical, the Commission should carefully weigh the merits of curtailing support to the most economically vulnerable Americans while continuing to give billions of dollars to some of the most profitable corporations in the country.<sup>46</sup>

#### **V. THIRD PARTY DETERMINATION OF END USER LIFELINE ELIGIBILITY IS APPROPRIATE.**

The Commission has asked for comment on whether it should establish a national Lifeline eligibility verifier “to make eligibility determinations and perform other functions related to the Lifeline program.”<sup>47</sup> Sprint agrees that it is appropriate for a neutral third party to determine end user Lifeline eligibility; however, this should be its sole function and no expansion of its responsibilities is warranted.

Appointment of a neutral third party to determine whether an end user is eligible to receive the Lifeline benefit could improve the Lifeline program. Most importantly, it would eliminate the possibility that a service provider might deliberately enroll an ineligible end user in the Lifeline program in order to increase its subscriber count and

---

<sup>45</sup> See USAC Forms MO2 and LI08. Lifeline subscriber count is as of June 2015.

<sup>46</sup> For example, AT&T, which had 2014 profits of \$6.2 billion, has accepted \$428 million per year in CAF Phase II subsidies. Verizon, which had 2014 profits of \$9.6 billion, has accepted \$48.6 million per year in CAF Phase II subsidies. *See Carriers Accept Over \$1.5 Billion in Annual Support from Connect America Fund to Expand and Support Broadband for Nearly 7.3 Million Rural Consumers in 45 States and One Territory*, News Release issued August 27, 2015.

<sup>47</sup> *Second FNPRM*, para. 64.

support payments. Although such behavior seems to be relatively uncommon, a third party verifier could be an important tool to prevent this type of fraud by any bad actors that operate in the Lifeline market. Moreover, appointing a third party verifier could help ensure more uniform application of eligibility criteria. Finally, basing enrollment on eligibility determinations by a neutral third party would protect service providers against liability associated with incorrect eligibility determinations.<sup>48</sup>

Sprint does not, however, support any expansion to the third party verifier's responsibilities beyond making the end user eligibility determination. The third party should not communicate directly with the end user, nor should it be involved in the actual enrollment process. Instead, the third party should make the eligibility determination and relay that information to the carrier that requested the eligibility check; the carrier would then perform all enrollment and customer service activities. An ETC incurs significant customer acquisition costs when enrolling new Lifeline subscribers, including outreach and marketing, gathering eligibility information, account installation and related customer service activity, and, in the case of Assurance Wireless, providing a free handset. It would be inappropriate for the third party to insert itself in the enrollment process and possibly jeopardize the ETC's sales efforts for any reason other than a finding of end user ineligibility. The third party has no expertise in advising end users on which Lifeline service provider to select or answering end users' questions about Lifeline service. Furthermore, the third party should not be mandated to perform the annual customer recertifications. ETCs need to manage their customer base, and if they cannot control the recertification process, they have reduced visibility as to when a customer is

---

<sup>48</sup> The Commission should explicitly state that where its appointed third party verifier makes the eligibility determination, the service provider will not be subject to enforcement action related to receipt of Lifeline support for an ineligible end user.

due for recertification and reduced ability to forecast and manage churn. For these reasons as well as to minimize Lifeline program costs, the third party's role should be strictly limited to making only the initial eligibility determination.

Implementation of a system of eligibility determination by a third party should proceed only in close collaboration with key affected industry parties. For example, service providers should be afforded the opportunity to offer input on technical specifications (*e.g.*, how to transmit bulk Lifeline applicant lists using API interface), on scalability, on dispute resolution processes, on appropriate service level agreement standards, and on help desk requirements. Any third party would have to be able to support various Lifeline business models (*e.g.*, mass media, direct mail, retail, partnership and “feet on the street” sales approaches), and have a sound, detailed plan for transitioning to the new system for determining eligibility. Sprint for one would be interested and willing to help beta-test any third-party systems. This sort of pre-implementation collaboration will help to ensure a smoother and more cost-efficient roll-out.

The Commission should implement any third party eligibility verification process on a pilot basis (*e.g.*, in 2-5 states). The results of the pilots should be carefully evaluated -- what processes and systems worked well, and which did not -- and any necessary revisions made before the process is rolled out on a national basis. As the industry learned from the implementation of the NLAD, an aggressive national roll-out schedule provides little opportunity for substantive feedback and necessary or useful adjustments.

The Commission has asked whether Lifeline carriers should be allowed to provision service to a consumer prior to determination of eligibility by a third party

verifier.<sup>49</sup> If by “provision” the Commission means “claim a Lifeline benefit,” the answer is no. Service providers should not be allowed to claim a Lifeline subsidy for any end user who has not been affirmatively determined to be eligible. This is not to say, however, that the service provider may not establish an account for the applicant or perform other pre-activation tasks pending the eligibility determination, if it so chooses. Sprint recognizes that there could be a slight delay in initiating service if the carrier must wait to receive the end user’s eligibility determination from the third party verifier. However, any delay is manageable assuming the adoption of appropriate service level agreement standards such as response time from the third party verifier, and any inconvenience to the end user would be offset by the reduction in improper Lifeline payments for ineligible end users.

#### **VI. LIFELINE PROGRAM ADMINISTRATION CAN BE IMPROVED.**

The Commission has requested comment on several possible changes to the Lifeline program: transferring Lifeline benefits directly to the end user; treating the sending of text messages as usage for the purpose of demonstrating usage; shortening the non-usage period from 60 to 30 days; including participation in the Veterans Pension program as a qualifying eligibility criterion; streamlining or adopting a new process for designating Lifeline service providers; requiring training certification; and mandating wireless emergency alerts. Sprint discusses each of these proposals below.

---

<sup>49</sup> *Second FNPRM*, para. 68.

**A. The Commission Should Not Transfer Lifeline Benefits Directly to the Consumer.**

The Commission has asked for comment on whether designated third-party entities should be allowed to directly transfer Lifeline benefits to individual consumers through a physical media (*e.g.*, a debit card) or a unique code (*e.g.*, a PIN).<sup>50</sup> This proposal should be rejected. Any third-party entity which may be selected to perform an eligibility determination should not be involved in assigning benefits (*see* Section V *supra*), nor should the Lifeline benefit be assigned directly to an end user via a debit card, PIN, or other arrangement.

The Commission should decline to allow provision of the Lifeline benefit directly to the end user via a debit card, PIN, or other arrangement (generically, a “voucher system”), as these options are not necessary given existing procedures in place today to select or switch to a new service provider; would sharply increase the risk of bad debt and fraud; would entail the expenditure of additional resources to implement; and would sharply discourage the practice of providing free devices to Lifeline customers.

The only potential benefit of a voucher system that was cited in the *Second FNPRM* is that “consumers can take their benefit to the Lifeline providers of their choosing and can receive Lifeline support for whatever service best meets their needs.”<sup>51</sup> However, consumers today have the ability to choose their service provider; they can readily and with minimal delay establish Lifeline service, or switch to a different Lifeline service provider, via the NLAD database. If the Lifeline program is expanded to include broadband service, there is no reason why the customer could not specify to which

---

<sup>50</sup> *Id.*, para. 106.

<sup>51</sup> *Id.*, para. 105.

service his Lifeline benefit is to be applied. Thus, a voucher system cannot be justified on the basis of ensuring consumer choice.

Moreover, there are substantial costs associated with a voucher system. Obviously, there are administrative costs of such a system (USAC or some other third party would have to issue and manage debit cards or PINs), and the development and recurring operational costs each and every ETC would have to expend to be able to accept a payment voucher. Wireless carriers that currently provide Lifeline service free of charge to the end user will have to implement new billing platforms and processes to accept direct end user payment. Resources expended in developing and implementing any new systems and processes will necessarily reduce the resources available to provide richer service options or improved customer service.

In addition, a voucher system is likely to involve substantially higher bad debt and incidence of fraud. Today, ETCs provide Lifeline service and then request payment from USAC in arrears (*e.g.*, payment is requested in February for service provided in January). USAC is a trusted vendor, and there is relatively low risk of non-payment for services legitimately provided to eligible subscribers. Electronic transfers of both Lifeline subscriber counts and payment of the Lifeline support dollars are well-established and fully operational.

Payments received directly from a Lifeline end user are likely to involve a higher level of uncollectibles than is the case with electronic payments from USAC – the end user must make a conscious effort to remit payment, and must have access to the technical means (*e.g.*, an electronic register to swipe a debit card) to do so easily and securely. The incidence of fraud is likely to increase if the Lifeline benefit is loaded onto

a debit card or into some other end user account, since debit cards/PINs can be lost, sold, stolen or hacked. Moreover, it is unclear how the “one per household” rule would be enforced if the end user can transfer his Lifeline voucher from one ETC to another on a month-by-month basis.

Finally, implementing a voucher system will sharply discourage the practice of issuing free handsets to wireless Lifeline customers. If a Lifeline customer can switch to a new service provider with the swipe of a card, it becomes far too risky for wireless carriers to issue a free or discounted handset, much less a costly broadband device, to each new customer. Lack of a requisite device is a barrier to participation in the Lifeline program, and the Commission should be wary of adopting any proposal which threatens universal service in this market segment.

#### **B. Sending of A Text Should Constitute Usage.**

The Commission has asked for comment on amending Section 54.407(c)(2) of its Rules to treat the sending of a text message as usage sufficient to avoid de-enrollment from Lifeline service.<sup>52</sup> This proposal should be adopted. As the Commission correctly observed, texting “is widely used by wireless consumers for their basic communications needs.”<sup>53</sup> Sprint’s data indicates that a significant percentage of Assurance Wireless customers used their Lifeline handset for text messaging even when they did not have any voice usage. For example, of the Assurance Wireless subscribers who were de-enrolled for non-usage (*i.e.*, no voice calls) in February 2015, 18% had sent at least one text message in the previous 60 days. Clearly, Assurance Wireless subscribers rely upon their Lifeline service to communicate both by voice and by text.

---

<sup>52</sup> *Id.*, para. 143.

<sup>53</sup> *Id.*, para. 145.

Besides the rise of texting as a socially acceptable form of communication, the availability of unlimited texting from carriers such as Assurance Wireless enables Lifeline subscribers to save their voice minutes for communications which cannot easily be handled through text messages. A significant percentage of Assurance Wireless customers surveyed (22%) indicated that they use their Lifeline service “for emergency purposes.” It may be that many Lifeline customers are sending texts in part to save their voice calling allotments for an emergency.

An end user who is sending text messages from his Lifeline handset is able to do so only because his Lifeline service is active. Therefore, the sending of a text demonstrates affirmative intent and desire to avail himself of the Lifeline benefit, and should be considered usage for purposes of Section 54.407(c)(2).

### **C. The Non-Usage Period Should Remain at 60 Days.**

The Commission has asked for comment on whether to decrease the non-usage period from 60 to 30 days.<sup>54</sup> It should decline to adopt this proposal.

Sprint estimates that decreasing the non-usage period from 60 to 30 days would more than double the number of Assurance Wireless customers who are de-enrolled today,<sup>55</sup> causing severe disruption to thousands of affected low income households. 82% of Assurance Wireless’ customers are wireless-only, and discontinuing their Lifeline service will leave these households with no telephone service at all.

The number of household that had no voice usage in the previous 60-day period is far lower than the number of households that had no voice usage in the first 30 days. In other words, the majority of households that happened to have no voice calls in the first

---

<sup>54</sup> *Id.*, para. 198.

<sup>55</sup> Results based on usage analysis for the months of May and June 2015.

month did use their voice Lifeline service during the second month. Clearly, such households value and need their Lifeline service even if they had a short hiatus with no voice usage.

Sprint believes that some percentage of customers who are de-enrolled from the Lifeline program for non-usage subsequently re-apply for service, either with their previous carrier or with another service provider. If the non-usage period is halved, the number of households re-applying for service will increase. There is an administrative cost to re-enrolling an end user, which may well offset any savings associated with the temporary decrease in the number of subscribers.

**D. The Veterans Pension Program Should Be A Qualifying Program.**

The Commission has asked whether participation in the Veterans Pension program should qualify an individual for Lifeline benefits.<sup>56</sup> Sprint supports this proposal. Participation in the Veterans Pension program is based in part on financial need (*i.e.*, means-tested), and these veterans and their survivors are squarely within the target Lifeline market. Sprint's customer data indicates that approximately 10% of its Assurance Wireless customers are armed services veterans, and that this percentage has increased over time. There is clearly a need for Lifeline support for low-income veterans, and expanding the list of eligible programs to include the Veterans Pension program would help meet this need.

---

<sup>56</sup> *Second FNRPM*, para. 115.

**E. Streamlining the Service Provider Approval Process for ETCs in Good Standing Will Improve Program Efficiency, But Care Must Be Taken to Ensure that New ETC Designations Do Not Compromise Lifeline Service Quality.**

The Commission has asked whether the number of Lifeline service providers could be increased by streamlining the ETC designation process or creating a new Lifeline service provider approval process.<sup>57</sup> It has also suggested streamlining the processes for assuming ETC designations and assigning Lifeline subscriber bases.<sup>58</sup> Although Sprint does not believe that more service providers are needed to make the Lifeline market more competitive, we do support making the service provider authorization process more efficient. For example, a carrier that is already authorized to provide Lifeline service, and is currently in good standing in the Lifeline program, should be subject to a more streamlined authorization process when it seeks to expand its operations either geographically, or by acquiring the subscriber base of another Lifeline service provider. Such carriers can be presumed to have demonstrated their fitness to participate in the Lifeline program, have functional compliance plans in place, and are already familiar with existing regulatory requirements.

The Commission has also proposed to adopt rules to govern an ETC's sale or transfer of its Lifeline subscriber base to another service provider, including a requirement to provide notice to affected customers, the Commission, USAC and relevant state authorities.<sup>59</sup> Sprint agrees that advance notice is warranted, and suggests that such notices be provided 90 days prior to the effective transfer date. However, the Commission need not mandate the content of such notices or their frequency, nor is there

---

<sup>57</sup> *Id.*, paras. 122 and 132.

<sup>58</sup> *Id.*, para. 185.

<sup>59</sup> *Id.*, para. 193.

any need to request public comment on such transactions. Where, as here, the market is competitive, only the lightest regulatory touch should be applied.

While greater efficiencies in processing ETC designations are desirable, the Commission must be cautious about relaxing the Lifeline service provider authorization process to such a degree that unqualified or fraudulent entities are inadvertently allowed to enter the Lifeline market. Designating an unqualified or “bad actor” service provider inflicts certain harm to the Lifeline program, likely in excess of any possible benefit from designating an additional service provider.

**F. Training Certifications Are Not Necessary.**

The Commission has proposed that an officer of an ETC be required to certify on each Form 497 that all individuals taking part in that ETC’s enrollment and recertification processes have received sufficient training on the Lifeline rules, and that ETCs obtain the signature of all covered individuals certifying that he or she has completed such training.<sup>60</sup> These proposals are unduly burdensome and offer little protection against bad actors, and should not be adopted.

Rather than mandating yet another officer certification and more employee/agent signature files, ETCs should be allowed to commit to a Lifeline training program as part of their compliance plans. An ETC’s compliance with its training commitments (and with other program requirements) is subject to review by an independent auditor (mandatory for all ETCs with annual Lifeline revenues in excess of \$5 million).

---

<sup>60</sup> *Id.*, paras. 213-214.

### **G. Wireless Emergency Alerts.**

The Commission has asked for information on the extent to which Lifeline providers support Wireless Emergency Alerts (WEA) today, and how Lifeline provider participation in WEA can be increased.<sup>61</sup>

Sprint participates in the Commercial Mobile Alert System (CMAS), and the handset provided to Assurance Wireless customers does support CMAS. We would not oppose Commission outreach to encourage greater carrier participation in WEA; however, consistent with the Warning, Alert, and Response Network Act, wireless carrier participation should remain voluntary rather than mandatory.

### **VII. THE COSTS OF ADMINISTERING THE LIFELINE PROGRAM SHOULD CONTINUE TO BE RECOVERED THROUGH THE GENERAL USF CONTRIBUTION FACTOR.**

The Commission has asked whether Lifeline service providers should pay something above and beyond the general USF contribution rate to pay for use of the NLAD and for the services of the national eligibility verifier.<sup>62</sup> The answer is no. To charge Lifeline service providers additional fees is contrary to the cost recovery mechanism in place for every other federal universal service program, and there is no basis for singling out the Lifeline program for separate and unfair treatment.

The federal USF programs, including USAC administration, are estimated to cost \$8.7 billion in 2015,<sup>63</sup> and this \$8.7 billion is recovered from telecommunications carriers based on their international and interstate end user telecommunications revenues without regard to carriers' participation in individual USF programs. Sprint, for example, pays

---

<sup>61</sup> *Id.*, para. 155.

<sup>62</sup> *Id.*, paras. 180 and 88.

<sup>63</sup> *See* USAC Form MO2. The largest fund by far is the high cost/CAF at \$4.5 billion.

hundreds of millions of dollars per year in support of the legacy high-cost and the broadband Connect America funds, even though Sprint does not receive a single dollar from either fund, and in fact is not even eligible to participate in the multi-billion dollar CAF because it is not a wireline local exchange carrier. Sprint also contributes at the same rate (2015 Q3 contribution factor is 17.1%) to support the E-rate and rural health care funds, even though it is a minor participant in both of these programs.

There is no basis for treating Lifeline administrative costs, alone among all of the other federal USF-related costs, differently from any other cost element, especially since Lifeline service providers have no choice but to use the NLAD (and, presumably, the services of the eligibility verifier as well) – and thus, little ability to influence these costs. As is the case for every other federal USF-related cost, Lifeline administrative costs should be incorporated into and recovered through the mandated USF contribution factor that is assessed on all contributors.

## **VIII. CONCLUSION.**

Sprint believes that expanding the Lifeline program to include support for the voluntary offering of broadband service can, if properly designed and implemented, be an important tool to help increase broadband subscription among low-income households and to help bridge the pernicious homework gap. At the same time, Lifeline support for voice-only offerings should continue, as this remains a desirable option for many Lifeline customers. The Commission should avoid adopting proposals which jeopardize hard-won universal service gains (insufficient support levels, a cap on the Lifeline program), which interfere with the working of the highly competitive Lifeline market (in particular, mandating minimum service levels for wireless Lifeline service), and which

are onerous or costly to implement (*e.g.*, an end user Lifeline voucher system). Sprint supports the use of a neutral third party to perform end user eligibility determinations, and strongly recommends close industry coordination with such third party/parties and a pilot roll-out to ensure smooth nationwide implementation. As is the case with every other federal universal service program, all federal Lifeline program costs, including administrative costs associated with NLAD and any third party eligibility system, must be recovered through the general USF contribution factor.

Respectfully submitted,

**SPRINT CORPORATION**

*/s/ Charles W. McKee*

---

Charles W. McKee  
Vice President, Government Affairs  
Federal and State Regulatory

Norina T. Moy  
Director, Government Affairs

900 Seventh St. NW, Suite 700  
Washington, DC 20001  
(703) 433-4503

August 31, 2015