

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Lifeline and Link-Up Reform and Modernization)	WT 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
ALEXICON TELECOMMUNICATIONS CONSULTING**

Alexicon Telecommunications Consulting (Alexicon) hereby provides these comments in response to the Second Further Notice of Notice of Proposed Rulemaking adopted by the Commission in the above-captioned dockets.¹

Alexicon provides professional management, financial and regulatory services to a variety of small rate-of-return (RoR) Incumbent Local Exchange Carriers (ILECs) and their affiliates who serve diverse geographical areas characterized by rural, insular or Native American Tribal Lands. These ILECs, similar to most other small rate-of-return regulated ILECs, not only provide a wide range of technologically advanced services to their customers but also are providing customers in rural, insular and Tribal areas with services equal to or greater than urban areas, and at comparable pricing. Furthermore, these ILECs are committed to providing their customers with innovative solutions, by adapting technologies that fit rural America, including Broadband and IP-enabled

¹ *In the Matter of Lifeline and Link-Up Reform and Modernization*, et al., WC Docket No. 11-42, et al., Second Further Notice of Proposed Rulemaking (FCC 15-71), released June 22, 2015 (*FNPRM*)

services. Alexicon's clients are Lifeline service providers pursuant to the Commission's rules, and have a vested interest in ensuring any changes made to the Lifeline program benefit low-income consumers and the program as a whole.

Alexicon supports the Commission's efforts to reform the federal Lifeline program to make it more effective, efficient, and eliminate waste, fraud, and abuse. Furthermore, the Commission's decision to include broadband services in the program is substantial step in the right direction, but more must be done in order to ensure this policy has the best chance possible of being realized.

I. THE LIFELINE CREDIT MUST BE INCREASED TO RECOGNIZE THE ADDITION OF BROADBAND SERVICES TO THE PROGRAM

The Commission decided to include broadband services in the Lifeline program with the adoption of its 2012 Lifeline Reform Order.² While there should be no doubt whether that was the right decision, further steps must be taken in order to realize this goal. In the *FNPRM*, the Commission proposes to make permanent the current interim non-Tribal Lifeline credit amount of \$9.25 and retain it going forward.³ Along with this decision, the Commission asks a vital question – “Since the central goal of Lifeline program is affordability, how can we assure both a sufficient level of broadband service while also ensuring the service is affordable to the consumer?”⁴ This is indeed one of the most important issues to address in this proceeding, as providing broadband service to low-income customers means little if the service is not affordable.

² *In the Matter of Lifeline and Link-Up Reforms and Modernization*, etc., Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 11-42, et. al., rel. February 6, 2012 (FCC 12-11) at 33 (*Lifeline Reform Order*)

³ *FNPRM* at 52

⁴ *Id.*

Adding broadband services to the Lifeline service mix clearly increases costs to the consumer, so maintaining the current Lifeline credit amount makes little sense. According to the Wireline Competition Bureau's latest figures, the reasonably comparable 10mbps/1mbps (100 gb capacity) broadband rate is \$71.40. This means a rural carrier can charge up to \$71.40 for broadband service thus defined and still, under the FCC's rules, have the rate considered "reasonably affordable" as compared to rates in urban areas. By means of comparison, the most recent reasonably affordable fixed voice service rate is \$47.48, meaning a customer taking both fixed voice and broadband services could pay \$118.88 per month and have that amount considered "reasonably affordable" under current FCC rules. In addition, according to the Omnibus Broadband Initiative, the average revenue per user (ARPU) for fixed broadband services is \$36-\$44 per month – over and above the fixed voice services \$33.50 ARPU.⁵ Thus, in order to add broadband as a service supported by the Lifeline program, the Commission must consider raising the Lifeline credit for those customers subscribing to fixed broadband.

The current non-Tribal Lifeline credit is \$9.25 per month, which is reflected on Lifeline customers' bills as a reduction to the total local service charge. The \$9.25 Lifeline credit represents the average credit provided during September 2011.⁶ Furthermore, the \$9.25 interim credit adopted in 2012 is based on three items: (1) the \$6.50 residential subscriber line charge, (2) a "Tier 2" support amount of \$1.75, and (3) an additional \$1.75 state-specific match ("Tier 3") support. All of these policies were adopted in relation to voice services, and first applied at a time when broadband services were not yet a part of universal service or included in the Lifeline program. Alexicon maintains that the \$9.25 Lifeline credit amount is not sufficient for two reasons: (1) the cost of basic local service has increased since the 2011 *USF/ICC Transformation*

⁵ FCC, OBI Broadband Availability Gap Technical Paper at 50 (2010)

⁶ *Lifeline Reform Order* at 53

*Order*⁷, and (2) the cost of broadband services was not considered when setting the Lifeline credits that formed the basis of the \$9.25 interim amount.

Rates for basic local services are undoubtedly on the rise. According to the Wireline Competition Bureau's latest release of urban rate data for fixed voice and broadband services, the local rate floor increased from \$20.46 to \$21.22.⁸ The local rate floor relates to the Commission's rule that recipients of high cost support must charge a minimum local rate or risk losing some of the support.⁹ The rate floor is a measure of the average urban residential rates charged by carriers across the country, and thus provides a reasonable look at local rate levels. Furthermore, for carriers with rates below the floor, those rates must be raised or else support will be reduced, thus putting more upward pressure on basic local rates. Considering the obvious upward trend in basic local rates, the Commission should consider an upward adjustment to the Lifeline credit designed to make local service affordable for low-income consumers.

As stated above, adding broadband service to the Lifeline program will also add costs to those low-income consumers who choose to subscribe to the service. The Commission made a compelling case for ensuring as many low-income Americans as possible have access to and can afford broadband services.¹⁰ Now the Commission must address the Lifeline credit in light of the increased level of services to be provided to Lifeline customers. For example, the current non-Tribal Lifeline credit subsidizes approximately 19% of the most recent reasonably comparable fixed voice service rate of \$47.48.¹¹ According to the Urban Rate Survey, the reasonably

⁷ *In the Matter of Connect America Fund*, et. al., Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 10-90, et. al. (FCC 11-161) rel. November 18, 2011

⁸ *Wireline Competition Bureau Announces Results of 2015 Urban Rate Survey for Fixed Voice and Broadband Services and Posting of Survey Data and Explanatory Notes*, Public Notice (DA 15-470), WC Docket No. 10-90, rel. April 16, 2015 (*Urban Rate Survey PN*)

⁹ 47 CFR § 54.318

¹⁰ *FNPRM* at 17-33

¹¹ *Urban Rate Survey PN*

comparable broadband service rate (10 mbps/1 mbps, 100gb capacity) is \$71.40. It seems reasonable to subsidize a similar percentage of the reasonably comparable fixed broadband service rate, or approximately \$13.57 per month. Regardless of the method utilized, Alexicon urges the Commission to address this issue and arrive at a reasonable, sustainable Lifeline credit that will allow low-income Americans to afford vital broadband services.

II. MINIMUM SERVICE LEVELS

The Commission requests comment on the minimum broadband service levels to adopt for the federal Lifeline program.¹² There should be no question as to the broadband service levels to adopt for the Lifeline program – they should be the same as those related to non-low income customers. In fact, a case could be made that service levels for low-income consumers should be higher than for other consumers.

There should be no attempt to constrain “reasonably comparable” as it relates to low-income consumers. There is no correlation between income levels and the need, as an example, for lower broadband speeds of which Alexicon is aware. If broadband service is quickly becoming a necessity¹³ then low-income consumers have as much need, and possibly greater need, as other consumers. Thus, the minimum broadband service levels to adopt for the Lifeline program should be the same as already adopted – 10 mbps/1 mbps speeds, sufficient capacity, and latency low enough to enable real-time applications. Furthermore, these minimum service levels must change over time as the Commission revises broadband public interest obligations, such as an increase in minimum broadband speeds to 25 mbps/ 3 mbps.

¹² *FNPRM* at 17

¹³ *Id.*, at 18

In addition, Alexicon urges the Commission to seriously consider that low-income consumers, especially those living in sparsely populated rural areas, may have a need for broadband service levels in excess of those available to non-low income consumers living in more densely populated areas. As the Commission recognizes, for example, “the need for connectivity for educational purposes does not necessarily stop at the end of the school day.”¹⁴ The same theory also applies to broadband needs for other purposes, such as health care and taking advantage of online commerce. In sparsely populated rural and insular areas, there is generally a lack of physical access to vital services, thereby making quality broadband services even more important for these customers. Thus, the Commission must recognize these realities of living in sparsely populated rural areas and ensure the Lifeline program offers the best path to making vital broadband services affordable.

CONCLUSION

Alexicon offers these brief comments to ensure the Commission addresses two very important issues relating to its ongoing efforts to modernize the federal Lifeline program. First, the Commission must reconsider its proposal to maintain the current Lifeline credit of \$9.25 in light of the fact that broadband services are now to be part of the program. Second, any broadband service levels adopted for the Lifeline program must match, and perhaps exceed, the service levels applicable to non-low income consumers.

Respectfully Submitted,

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August 31, 2015

¹⁴ *Id.*