Before the
Federal Communications Commission
Washington, D.C. 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 TELSCAPE COMMUNICATIONS, INC.
AND SAGE TELECOM COMMUNICATIONS, LLC
ON THE SECOND FURTHER NOTICE OF PROPOSED RULEMAKING TO MODERNIZE AND RESTRUCTURE THE LIFELINE PROGRAM

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SUMMARY

With this Second FNPRM, the Commission has an opportunity to leverage the successes of the Lifeline program to improve the lives of millions of low-income Americans by enabling them to join the digital community and economy. In order to do so, it is critical that the Commission adopt reasonable policies and implementing rules designed to promote the provision of broadband services to low-income consumers.

In these comments, TruConnect supports the Commission's proposal to include broadband services as a supported service under the Lifeline program. TruConnect recommends that the Commission establish a reasonable broadband support amount, that is separate from the support amount currently provided so as not to require low-income households to sacrifice broadband for voice/text (or vice versa). A separate support amount for broadband will foster more robust broadband service offerings and data plans than would likely be achieved solely under the existing support amount.

In addition, the Commission must recognize that equipment costs remain a barrier to broadband adoption for low-income consumers. In order to address this barrier, TruConnect recommends that the Commission experiment with projects to determine an efficient subsidy for up-front equipment costs. A limited set of pilot programs can inform the Commission's rules in much the way that rural broadband experiments informed the Commission's Connect America Fund policies and rules.

Further, TruConnect submits that the Commission must address several of the regulatory costs and uncertainties that impede the development of competition in Lifeline services. In particular, it is critical that the Commission act on its long-pending federal ETC petitions and reduce state regulatory burdens in order to inject additional competition in to low-income markets. Further, TruConnect supports the proposal made by a broad coalition of wireless

Lifeline ETCs (of which TruConnect is a member) to modify its benefit transfer rules to foster mutually beneficial customer-carrier relationships. TruConnect urges the Commission to consider additional ways that it can provide stability and certainty to service providers so as to encourage the provision of better and more advanced equipment to low-income consumers. Finally, TruConnect urges the Commission to clarify and streamline its rules regarding the transfer of Lifeline subscriber customer bases and transactions involving Lifeline ETCs in order to promote a more efficient competitive environment. Facilitating transactions involving Lifeline ETCs will create stronger ETCs that are better able to bring affordable and innovative broadband services to low-income consumers.

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Telscape Communications, Inc. ("Telscape") and Sage Telecom Communications, LLC ("Sage"), d/b/a TruConnect (collectively, "TruConnect"), by and through their undersigned counsel, respectfully submit these comments in response to the Commission's Second Further Notice of Proposed Rulemaking ("Second FNPRM") seeking comment on proposals to modernize and restructure the Lifeline program.[1] TruConnect is a licensed Eligible Telecommunications Carrier ("ETC") in 16 states and has a pending application for approval before the FCC for jurisdictions for which the FCC grants wireless ETC status. TruConnect is committed to making the Lifeline program serve the needs of low-income Americans for wireless and broadband services in order to connect to family, jobs, education, healthcare, and emergency services.

[1] *See In the Matter of Lifeline and Link Up Reform and Modernization, et al.*, WC Docket 11-42, et al., Second Further Notice of Proposed Rulemaking, Order on Reconsideration, Second Report and Order, and Memorandum Opinion and Order, FCC 15-71 (rel. June 22, 2015) ("Second FNPRM").

TruConnect joins in comments submitted by a broad group of Lifeline ETCs addressing proposals to modify the existing rules for wireless Lifeline services.[2] TruConnect submits these additional comments to address the FNPRM's requests for comment on expanding the program to include broadband services.

INTRODUCTION

Telscape and Sage have offered telecommunications services since the late 1990s. Telscape began as a provider of traditional wireline telecommunications in 1996 and has provided wireless services since 2007. Telscape now operates principally as an MVNO, including the provision of wireless Lifeline services to low-income consumers in California. Through its history, Telscape has primarily focused on offering specialized services to meet the needs of Spanish-speaking consumers, including low-income consumers. For example, Telscape previously provided a wireline broadband Internet service that was offered as an add-on service for subscribers under California's LifeLine program.

Sage began operations in 1998 as a traditional competitive local exchange carrier ("CLEC"). Sage was authorized as an ETC in Texas in 2002 and has since been designated as a Lifeline ETC in 13 additional states. Today, Sage offers mobile wireless services as an MVNO, including Lifeline services to low-income consumers. Sage, like Telscape, has offered a variety of broadband Internet services to its customers throughout its history.

In addition, Telscape and Sage are affiliated with TruConnect Mobile, LLC ("TruConnect Mobile"), which provides mobile broadband data services. TruConnect Mobile's

[2] See Joint Comments of the Lifeline Connects Coalition (Blue Jay Wireless, LLC, i-wireless LLC and Telrite Corporation) and American Broadband & Telecommunications Company, Assist Wireless, LLC, Easy Telephone Services Company d/b/a Easy Wireless, Prepaid Wireless Group LLC, TAG Mobile, LLC, Telscape Communications, Inc./Sage Telecom Communications, LLC (d/b/a TruConnect) and Total Call Mobile, Inc. ("Lifeline Joint Commenters"), which is being filed simultaneously in this docket.

primary product is "Internet-On-The-Go" ("IOTG"), a mobile hotspot offered through Walmart. The IOTG hotspot device retails for $79.88, with broadband data sold in plans starting at $10 for 300 MB of data. Consumers gain access to broadband without committing to long term contracts and with the ability to purchase additional data only when needed, thus helping to keep the costs of broadband affordable for lower income consumers.

With its long-standing experience and knowledge of broadband data services, TruConnect is well-positioned to further the Commission's goal of bringing affordable broadband services to low-income consumers. TruConnect supports the Commission's efforts to modernize the Lifeline program so that it joins all other universal service programs in supporting broadband services. As experience has shown, the most effective way for the FCC to support the provision of broadband services to low-income consumers is to maximize competition among ETCs and minimize the regulatory costs of providing supported broadband services. TruConnect offers the following suggestions for encouraging the provision of robust broadband offerings to low-income consumers.

I. BROADBAND SHOULD BE A SUPPORTED SERVICE, WITH ADDITIONAL OPTIONS AVAILABLE FOR LOW-INCOME CONSUMERS TO INCREASE THEIR BROADBAND ACCESS

Broadband has become a mainstay of the 21st Century economy. As the Second FNPRM concludes, "broadband access … is necessary for even basic participation in our society and economy."[3] "[I]nstitutions and schools, and even government agencies, require Internet access for full participation in key facets of society."[4] Responding to these changes, the Commission proposes "to amend our rules to include broadband Internet access service, defined consistent

3 Second FNPRM ¶ 5.

4 *Id.* ¶ 4.

with the *Open Internet Order*, as a supported service in the Lifeline program."[5] It seeks comment on its legal authority to do so, and, if so, on whether "to establish minimum service levels for all Lifeline service offerings to ensure the availability of robust services for low-income consumers," including both voice and broadband service.[6]

TruConnect supports the Commission's effort to expand Lifeline subsidies to include broadband services. TruConnect agrees that the Commission has authority under Section 254 of the Communications Act of 1934, as amended, and Section 706 of the Telecommunications Act of 1996 to do so.

Section 254(b) tasks the FCC with the responsibility to establish policies "for the preservation and advancement of universal service" based on seven enumerated principles.[7] Universal service is defined in the statute as "an evolving level of telecommunications services" that the FCC shall "establish periodically," considering "advances in telecommunications and information technologies and services."[8] Section 254 thus gives the FCC the responsibility to review and update its definition of supported services regularly to ensure that they reflect the principle of universal service in modern society. The past two decades have seen an unprecedented change in telecommunications and information technologies, led principally by the rise of the Internet and fueled by advances in fixed and mobile IP-based services. The Second FNPRM provides numerous examples of how broadband Internet access has become a central feature of telecommunications in the 21st Century. These examples provide sufficient justification for the Commission to conclude that broadband Internet access services fall within

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[5] Second FNPRM ¶ 61 (footnotes omitted).

[6] *See id.* ¶¶ 15 (minimum service levels) and 61 (legal authority).

[7] 47 U.S.C. § 254(b).

[8] *Id.* § 254(c).

the "evolving level of telecommunications services" contemplated by Congress in Section 254 of the Act.

The conclusion is buttressed by, but not dependent upon, the Commission's conclusion in the *Open Internet Order* that broadband Internet access services are telecommunications services.[9] As the Second FNPRM notes, if broadband Internet access services are telecommunications services, including such services within the list of supported services under the Lifeline program is consistent with Congress' principles for universal service.[10] Even if it is not, the Commission may provide support for broadband pursuant to Section 706, for the same reasons that it found in expanding support under the High Cost Fund to include broadband services.[11]

Although TruConnect agrees that the Commission has authority to provide support for broadband services, there is no need to set minimum standards for broadband services. The Second FNPRM expresses two concerns allegedly supporting the need for minimum standards: (1) that such standards are necessary to "extract the maximum value" for Lifeline and (2) that standards are needed to protect against "minimal, un-innovative services" that benefit providers more than consumers.[12] Neither concern reflects the way the Lifeline program operates today. TruConnect, for example, has a long history of serving the low-income community with cost-effective services, including broadband. TruConnect already offers <u>unsupported</u> services that are

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[9] *See Protecting and Promoting the Open Internet,* Report and Order on Remand, Declaratory Ruling, and Order, 30 FCC Rcd 5601, FCC 15-24, ¶¶ 331-35 (rel. Mar. 12, 2015) (2015 Open Internet Order) (classifying broadband Internet access services as telecommunications services) (petitions for review pending).

[10] Second FNPRM ¶ 61.

[11] *Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, ¶¶ 66-73 (2011) ("USF/ICC Transformation Order"), *pets. for review denied sub nom. In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014) (concluding that Section 706 provides authority to provide support for broadband networks regardless of the classification of services using the facilities). TruConnect notes that the Commission's interpretation was upheld by the 10th Circuit on appeal of the order. *Id.*

[12] Second FNPRM ¶ 34.

beneficial to low-income consumers, such as the IOTG WiFi hotspot. IOTG offers broadband data in "as needed" increments, starting at $10. Importantly, the data provided in these packages never expires; so long as the customer account is active, he or she can use the data whenever it is needed.[13] This service allows budget-conscious consumers to obtain access to the Internet, without committing to long term contracts and without committing to a set amount of data per month. For consumers that anticipate a steady need for broadband data, TruConnect offers data packages that provide a traditional "use it or lose it" monthly allotment of data. Such subscribers receive a higher amount of data per month (starting at 1 GB for $20). If broadband were supported via the Lifeline program, services like these could be offered, without the obligation of pre-conceived minimum standards.[14]

More importantly, the Second FNPRM's concerns neglect the value of competition in promoting the public interest. Maximizing competition and minimizing regulation is the best approach to ensuring that consumers receive good value in the Lifeline services they choose. Maximizing competition also encourages Lifeline ETCs to provide better quality service in order to attract Lifeline customers in the first place. The Commission would be better served by ensuring that multiple providers are in a position to offer broadband services to low-income consumers, such as by streamlining the approval process for ETCs and by adopting clear rules governing eligibility, verification and the like.

Even if the Commission concludes that there is some value in requiring ETCs to provide a specified array of service options, the Commission should be vigilant in preserving consumer choice, including the ability of subscribers to choose a no-cost-to-consumer plan or to select

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13 To remain active, a customer need use only 1 MB of data every 60 days, or purchase additional data during that period.

14 For example, if the FCC were to set a minimum standard that required a set amount of data per month, low-income consumers would be deprived of "pay as you go" packages such as Internet-On-The-Go.

among the data plans that best match their needs. Wherever possible, the Commission should allow the market to set prices for service offerings, including a price of zero. Moreover, consumer choice is necessary to ensure that the Lifeline rules are technologically neutral and consistent with Section 254's competitive neutrality standards.

A. Consumers Vary in Their Desires for Mobile Broadband and Mobile Voice Services

A central tenet of promoting competition in supported services is to avoid "one size fits all" solutions. This is particularly important in expanding Lifeline support to include broadband. As the Commission's Broadband Pilots show, there are multiple barriers to consumer adoption of broadband services in the low-income community. For a variety of reasons, some consumers will not want to receive broadband services, may have access to broadband through other means (such as libraries or public Wi-Fi hotspots) or may prefer to receive more voice/text minutes in lieu of broadband. These differences should be respected and allowed to flourish under the program.

TruConnect has long sold both broadband data services and traditional voice/text services in low-income markets. In TruConnect's experience, although these services can be interrelated, consumers have distinctly different desires for the services. Some low-income consumers will choose to receive voice/text services, some will desire mobile hotspots, and some will prefer a bundled service. Each of these is a valid choice, driven by consumers' needs, their expected primary uses and the availability of substitutes for these services. As a result, TruConnect and other providers have developed a variety of service options available to consumers.

For example, TruConnect offers subscribers an introductory voice plan of $10 per line for 300 minutes per month of talk or text, a plan which is available to Lifeline subscribers at no-cost. For consumers seeking broadband services, TruConnect offers wireless data plans that offer either monthly data allotments or "forever" data alternatives. It also offers three mobile hotspot devices, at price points ranging from $35 to $99, with both monthly and "forever" data allotments available. This variety allows TruConnect customers to choose which service best fits the balance of their usage and needs. Such plans are an example of the diversity of consumer desires and provide confirmation of the distinct, albeit related, demands for voice and broadband services.

B. The Commission Should Allow Low-Income Households to Obtain Either a Mobile Broadband Service or a Mobile Voice Service, or Both, So Long as No More Than One of Each Service is Obtained Per Household

The Second FNPRM offers only a brief discussion of the proposed support level for voice and broadband services, seeking comment on how it could ensure a sufficient level of support while ensuring affordability of service.[15] The Commission proposes to add broadband as a supported service but does not clearly specify what support amount would be provided.

TruConnect has no objection to maintaining the existing support amount for voice/text services at this time. At the current $9.25 rate, most ETCs are able to offer between 250 and 300 minutes of voice and/or text usage, but often cannot include more than a small amount of data in such package. Not surprisingly, most current wireless Lifeline offerings do not offer a robust amount of data, and certainly not enough to address the "homework gap" or allow Internet usage for job searches and applications.[16]

TruConnect submits that in order to encourage more robust broadband offerings, including stand-alone broadband offerings, broadband services should have a separate support

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[15] *See* Second FNPRM ¶¶ 52-53.

[16] While robust broadband offerings are desirable, the Commission should not overlook the value provided with even a modest amount of broadband. Entry-level offerings can allow low-income consumers to maintain free email accounts which can help significantly in addressing the "jobs gap" faced by low-income Americans.

amount established. TruConnect would not object to an interim rate of $9.25 for broadband services while the Commission studied the issue further and awaited experience with "take rates" in the low-income market. TruConnect notes, by way of illustration, that its entry level data-only service, IOTG, is priced at $10 (after device costs) and provides 300 MB of data.

Importantly, however, the broadband and voice/text support amounts should each be available to a low-income household. That is, a low-income household should be able to choose a Lifeline supported phone for the adult head of household (for work and emergency contacts) and a Lifeline supported broadband service that allows the connection of multiple devices to a mobile hotspot (for school, web browsing, etc.).

Alternatives to allowing one-per-household of each service would not serve the needs of low-income households or the objectives of the program. If subscribers were required to choose between only one of these services – enabled by a wireless phone or a mobile hotspot – the household could lose either the ability to connect with the outside world or to complete homework at home, depending upon the choice made. If the subscriber received an "everything" plan at the current subsidy amount, there would be little room to expand broadband access significantly, without forcing households to choose between voice/text service and broadband availability, thereby limiting the practical utility of the service. These trade-offs would be dictated by artificially low support amounts, not by the needs or wants of the low-income community.

Moreover, commercial data collected by the Commission suggest that a single support amount of $9.25 for voice/text and broadband services would be insufficient to expand broadband access significantly. According to the FCC's 17th Report on competitive market conditions in the mobile wireless market, released in December 2014, commercially available services are priced much higher than the proposed support amount.[17] Prepaid wireless service plans (the closest, albeit imperfect, analogy to voice/text Lifeline offerings)[18] ranged from $25 per line to $70.[19] AT&T's prepaid service, Aio, offered unlimited talk, text and data plans for $35 to $70 per month, depending upon the market.[20] MetroPCS offered its unlimited voice, texting and 500 MB of LTE data plan for $40 per month, with higher cost plans for higher amounts of data.[21] Even C-Spire's entry level plan is priced at $35 (for 30 days) with 350 nationwide minutes, unlimited texts and 500 MB of data.[22] <u>All</u> of these plans are priced significantly higher than a $9.25 support amount for Lifeline. <u>All</u> of these plans also are priced higher than the support level that would be available if the existing Lifeline benefit and an interim broadband benefit were available (resulting in a total of $18.50 per month of support). This disparity in commercial prepaid plans counsels in favor of providing separate support amounts for voice/text and for broadband plans, allowing the low-income consumer to choose which service to receive, or both, if desired (so long as only one of each is used per household).

C. Equipment Costs Still are a Barrier to Adoption by Low-Income Consumers

The Commission's recent Low-Income Broadband Pilot program identified a key obstacle to broadband adoption in the low-income market: the cost of the broadband device itself. The Broadband Pilot studies tested a variety of subsidy amounts, hardware costs and

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17 *Implementation of Section 6002(h) of the Omnibus Budget Reconciliation Act of 1993*, Seventeenth Report, 29 FCC Rcd. 15311, DA 14-1862 (rel. Dec. 18, 2014) ("Seventeenth Annual Competition Report").

18 The prepaid plans discussed in the report typically require a separate device purchase and the rates typically are based on the customer qualifying for credit and enrolling in auto-payment, both of which typically would prevent Lifeline-qualifying customers from subscribing to the services. Thus, even these plans do not mirror Lifeline service plans.

19 *Seventeenth Annual Competition Report* ¶ 159-60. Notably, the $25 per line option is available only if the consumer purchases four lines, an option that is not permitted by the Lifeline program's One Per Household rule.

20 *Id.*

21 *Id.*

22 *Id.*

digital literacy options in order to determine their effects on broadband adoption. The FCC Staff provided a summary of these pilots in May 2015.[23] This summary underscored the importance of a free or subsidized device on consumer adoption.

For example, in the TracFone pilot study, TracFone offered several combinations of service subsidies and discounted hardware, each with the same amount of voice/text and data available in the package. Of the 582 participants who did not receive digital literacy training, by far the largest adoption was among the users that received a free phone with the plan.[24] 443 of the subscribers obtained under the pilot (76%) received a free device with their plan. The availability of free equipment had a significant impact on adoption.

Similar results were obtained in Virgin Mobile's pilot study. In Virgin Mobile's pilot, subscribers were offered different combinations of discounts on the device, on the service, on both or on neither in order to test adoption rates. Plans with a discount on the device, but not the service, attracted more participants than did plans that offered a full priced device but a discount on service, regardless of whether digital literacy also was offered or not.[25]

These studies confirm that the up-front cost of the device continues to act as a barrier to adoption of the service. It is not surprising, therefore, that most wireless Lifeline ETCs offer a free phone with subsidized Lifeline service, even though the Lifeline Program does not offer a subsidy for phone costs. These ETCs do so in order to encourage subscribers to take the wireless Lifeline service in the first place.

But there are significant limits to this practice. Because the Lifeline ETC must bear the full cost of the phone, ETCs are limited in the quality, number and type of phones that can be

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[23] *Wireline Competition Bureau Low-Income Broadband Pilot Program Staff Report*, WC Docket 11-42, May 22, 2015 ("Staff Report").

[24] *Staff Report* at 11 (Table 4a).

[25] *Staff Report* at 12 (Table 5a (comparing groups 3 and 4)).

offered. Although competition has gradually resulted in better phones being made available, the availability of smartphones remains limited. In the case of Wi-Fi hotspots, where no Lifeline support is currently available, devices typically cost between $35 and $99, in addition to the cost of the broadband data.

The Commission also can foster adoption of broadband services by funding further Lifeline pilot projects designed to test subsidies for broadband devices (smartphones, Wi-Fi hotspots and equivalent landline devices). The goal of these pilot projects should be to determine the effects of a subsidy on the equipment choices made available to consumers and on consumer adoption rates. As with the procedure the Commission followed in reforming the High Cost Fund,[26] these experiments can produce valuable data for the Commission to consider in making further rule changes, as it seeks to address the broadband affordability and adoption challenges facing low-income Americans. TruConnect submits that a modest budget for these pilot projects will go a long way toward identifying paths to greater adoption and use of broadband services.[27]

[26] *See Connect America Fund; ETC Annual Reports and Certifications*, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8769 (2014).

[27] Unless the entire cost of the equipment is subsidized in the pilot (which is doubtful), these experiments should incorporate a longer time period before the subscriber may transfer the benefit to another service provider (*e.g.*, a 12 month transfer period rather than 60 days). Longer transfer periods will enable service providers to recoup the costs of the equipment provided to the subscriber. Such time periods are akin to the two year contracts CMRS providers typically required for a subsidized or free phone upgrade. While the four nationwide providers appear to be transitioning from this model to one that requires consumers to make monthly lease payments on their handsets, those monthly payments may present a significant adoption barrier for low-income consumers.

II. THE COMMISSION SHOULD ADOPT THE SUGGESTIONS IN THE LIFELINE JOINT COMMENTS IN ORDER TO ENCOURAGE THE OFFERING OF BROADBAND SERVICES TO LOW-INCOME CONSUMERS

As noted above, TruConnect joins with a coalition of wireless Lifeline ETCs to offer suggestions to modify the existing Lifeline rules to make them more effective, less burdensome and better suited to the needs of low-income consumers. A few of the suggestions in the Lifeline Joint Comments have the additional effect of promoting broadband services, and TruConnect calls these proposals to the Commission's intention.

A. The Commission Can Best Encourage the Provision of Broadband Services by Clearing its Backlog of ETC Petitions and Reining in State Barriers to Additional Competition

In the Lifeline Joint Comments, commenters argue that more competition in Lifeline services – not more regulation – is the best way to obtain the most value for the Lifeline program. Joint Commenters note in particular that the FCC has approved only seven of forty-five petitions for approval in the jurisdictions where the FCC grants wireless ETC status, leaving thirty-eight petitions unresolved.[28] TruConnect is one of the thirty-eight carriers whose "federal ETC" petitions are languishing. TruConnect urges the Commission to act promptly on this petition.

TruConnect has been licensed as an ETC since 2007, and has provided wireless Lifeline services since the Commission's 2012 *Lifeline Reform Order*. The Compliance Plans of both Telscape and Sage were approved in December 2012 and the companies are now authorized to provide wireless Lifeline services in 16 states. Sage has petitioned for approval to operate as a wireless Lifeline ETC in an additional 10 jurisdictions for which the FCC grants ETC status

[28] Lifeline Joint Comments at 14.

pursuant to section 214(e)(6).[29] Sage's petition has been pending for over two years now, with no action in sight. In fact, during the time that the Sage Federal ETC Petition has been pending, the Commission has not approved any federal ETC petitions. The Commission should act on these petitions expeditiously.

As the Lifeline Joint Commenters note, if the Commission were to approve these petitions, it likely would spur an unprecedented increase in competition in the Lifeline market. Consumers in the "federal ETC" jurisdictions would see a flurry of new competitors, all targeting low-income consumers. In order to compete for a finite set of potential customers, these new ETCs likely would be forced to "up the ante" in service offerings, customer service and equipment offerings. These precisely are the same areas where the Second FNPRM worries that there may be "stagnation" in offerings, and wonders whether minimum standards are necessary. TruConnect disagrees – the best thing the Commission can do to overcome this alleged stagnation is to end its own inaction. By doing so, TruConnect and others can enter the markets in these "federal ETC" jurisdictions and offer new service offerings to low-income consumers.

Similarly, the Commission can spur competition – in both voice/text and broadband services – by reining in additional regulations imposed by state commissions. States have imposed a myriad of new and additional obligations on ETCs, often requiring customized marketing materials, increasing certification hurdles and conducting duplicative investigations that are burdensome to ETCs. While TruConnect recognizes that state commissions have an interest in ensuring that their low-income and tribal consumers are well served, these additional burdens are a drag on the ability of ETCs to compete in the market. TruConnect joins in the

[29] Sage Telecom Communications, LLC, Petition for Limited Designation as an Eligible Telecommunications Carrier in Alabama, Connecticut, Delaware, the District of Columbia, Florida, New Hampshire, New York, North Carolina, Tennessee and Virginia, WC Docket 09-197, filed Aug. 8, 2013 ("Sage Federal ETC Petition").

Lifeline Joint Comments' suggestion that the FCC prohibit states from imposing additional conditions or regulations on the participation of ETCs in the federal Lifeline program.

B. The Commission Should Encourage Lifeline ETCs to Offer Better Handsets and Broadband Equipment by Providing Additional Stability and Certainty for Providers

In order to overcome barriers for low-income consumers to adopt their services, wireless Lifeline ETCs often offer free or heavily discounted equipment to subscribers. This behavior is not unlike the behavior of nationwide CMRS providers, who had historically offered free or heavily discounted phones in exchange for customers agreeing to two-year service contracts and early termination fees. In the Lifeline market, however, ETCs cannot reasonably expect low-income consumers to reimburse the carrier for device costs upon early termination, nor can it prevent qualifying subscribers from receiving service from another ETC. Such uncertainty impairs the ability of an ETC to offer expensive handsets and smartphones, because it cannot be certain that consumers will remain with the provider long enough to recoup the device costs.

In the Lifeline Joint Comments, commenters propose that the Commission look for ways to promote mutually-advantageous customer-carrier relationships that will allow for better and more varied device offerings.[30] Specifically, Joint Commenters propose that the Commission extend its benefit port freeze in order to provide a "velocity check" on unscrupulous consumers who abuse the program by obtaining multiple benefits from multiple providers solely or primarily to receive multiple handsets from providers.[31] TruConnect supports this proposal, and urges the Commission to explore additional ways to provide stability and certainty to providers that offer advanced equipment to subscribers. So long as the threat of "flippers" persists, the

[30] Lifeline Joint Comments at 16-17.

[31] *Id.*

incentive for ETCs to offer the highest quality and most advanced handsets and other equipment will be diminished. Simple, common-sense solutions such as longer benefit transfer freeze and disincentives for consumers to "flip" equipment that is provided by their carriers should be explored further by the Commission.

C. The Commission Should Provide the Certainty of Prompt Consideration of Assignment of Lifeline Subscribers and Other Transactions

The Lifeline Joint Commenters also propose several changes to streamline the approval process associated with transactions involving one or more entities designated as an ETC. As the Joint Commenters argue, the FCC should establish shot clocks for transfer applications (enforced with automatic grants of applications upon expiration of the shot clock) and should provide further clarity regarding the process for approving changes to compliance plans.[32] The FCC's lack of timely action on pending petitions and uncertainty concerning the scope and timing of transaction reviews are hindering the efficient operation of the Lifeline market. TruConnect and others are hindered in their ability to offer services to low-income consumers in the most efficient and cost-effective manner by these uncertainties. TruConnect urges the Commission to clarify what transaction approvals are necessary, to streamline the process for such approvals and to provide certainty regarding the time frames that will be involved in transactions between or involving a Lifeline ETC.

CONCLUSION

With its Second FNPRM, the Commission has an unparalleled opportunity to leverage the successes of the Lifeline program to improve the lives of millions of low-income Americans by enabling them to join the digital community and economy. In order to do so, it is critical that

[32] Lifeline Joint Comments at 81-84.

the Commission adopt a reasonable broadband support amount, that it not require low-income households to sacrifice broadband for voice/text (or vice versa), and that it experiment with projects to determine an efficient subsidy for up-front equipment costs. It also is critical that the Commission act on its long-pending federal ETC petitions and streamline its rules to promote the provision of broadband services. TruConnect urges the Commission to adopt rules consistent with its proposals discussed above.

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