

**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

REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation (“Sprint”) hereby respectfully submits its reply to comments filed on August 31, 2015, addressing the *Second Further Notice of Proposed Rulemaking* (“*Second FNPRM*”) (FCC 15-71) in the above-captioned proceedings. While commenting parties, including Sprint, provided input on a very broad array of topics relating to reform of the federal Lifeline program, Sprint’s reply here focuses more narrowly on three issues: why minimum service standards for Lifeline are unnecessary and counterproductive; why the costs of a Lifeline voucher system are likely to far outweigh any possible benefit for both subscribers and service providers; and the importance of having a third party determine end user Lifeline eligibility in a way which meets the needs of both consumers and service providers in a cost-efficient and effective manner.

1. Minimum Service Standards Are Unnecessary and Counterproductive.

A few parties have suggested that the Commission should adopt minimum service standards for Lifeline service.¹ Their reasons for recommending minimum service standards

¹ See, e.g., NASUCA, p. 4; GVNW, p. 6; New America, p. 3; AARP, p. 4; Pennsylvania PUC, p. 11.

appear to be two-fold: first, that the Lifeline market (or, more specifically, the wireless Lifeline market) is not competitive and that additional FCC regulations are necessary to get the best value from the Lifeline subsidy; and second, that minimum standards are necessary to ensure that Lifeline customers are not relegated to an inferior grade of service as compared to non-Lifeline customers. These concerns are unfounded.

The comments filed by numerous service providers, both wireless and wireline, make it overwhelmingly clear that the Lifeline market is vigorously competitive, with wireless carriers in particular continuing to offer ever-richer packages – more minutes; more services (*e.g.*, unlimited texting); more payment options (*e.g.*, prepaid offers that do not require any end user payment, or discounts off a higher-priced service package); a range of free mobile handsets; and lower prices for optional voice and data add-on packages.² These service improvements are all the more remarkable given a stagnant support level, high federal and state compliance costs, high churn rates, and substantial financial risk from regulatory enforcement activity. There are thousands of designated ETC entities (many carriers are designated in multiple states),³ and dozens of additional carriers poised to enter the Lifeline market as soon as they are authorized to do so.⁴

The availability of ever-richer wireless Lifeline service offerings from a multitude of service providers is undeniable proof that this market segment is vigorously competitive and that Lifeline subscribers are reaping enormous benefits from the existing support payment. The existence of so many competitive alternatives makes it highly unlikely that Lifeline customers

² See, *e.g.*, Sprint, p. 5; TracFone, p. 11; CTIA, p. 5; Lifeline Joint Commenters, p. 5; ITTA, p. 3; USTelecom, p. 2.

³ See, *e.g.*, Sprint, p. 7.

⁴ See Lifeline Joint Commenters, p. 4 (there are 53 compliance plans awaiting approval and 38 petitions for designation as a Lifeline ETC pending before the FCC).

will somehow be limited to inferior service; end users who are not satisfied with the service package or service quality offered by one Lifeline carrier can readily switch to a different ETC.

Given this highly competitive landscape, further regulatory intervention in the form of minimum service standards is unwarranted and counter-productive. Additional regulatory requirements would impose implementation and compliance costs (for both service providers and regulatory agencies) that would only serve to reduce the already static dollar amount allocated to each user under the existing program. Where, as here, there is no market failure, regulatory intervention in the form of minimum service standards is unwarranted.

The consequences of adopting minimum standards are significant and counter-productive to the goal of universal service. Imposing excessive usage or speed standards will make the no-fee option (no charge to the end user) inviable, forcing some carriers to implement a new or higher end user co-pay. And because Lifeline end users are severely financially constrained, requiring them to make even a seemingly modest co-pay could make Lifeline service completely unaffordable for many of those consumers.⁵

Service providers that do not have a billing platform for Lifeline customers could also be forced out of the market if the cost of implementing a billing system renders the service unprofitable. Adopting standards that drive service providers out of the market would only serve to reduce competition. As the NY PSC correctly noted (p. 7), minimum standards “could actually restrict the offerings available” to Lifeline customers if carriers determine it is not economically viable to meet excessively high minimum standards. Driving low-income subscribers and Lifeline service providers out of the market can hardly be considered to be in the public interest or consistent with the goal of ensuring and expanding universal service.

⁵ See, e.g., Sprint, p. 19; Common Cause, p. 16; TracFone, p. 15.

Even if minimum standards were warranted as a conceptual matter (which they are not), there is no consensus as to what those standards should be. Indeed, none of the suggestions that have been tentatively put forth in this proceeding can be financially or technologically justified.

For example:

- The unlimited talk and text proposal, which would apply only to wireless carriers, not only is financially unjustified but also violates the principle of competitive neutrality.⁶
- The proposal to apply the same broadband capacity standards to both wireless and wireline carriers⁷ makes no sense given spectrum constraints, and is, of course, contrary to long-established Commission policy which takes into account the technical differences between wireless and wireline networks.⁸
- Gold-level minimum standards⁹ do not reflect marketplace realities and are financially infeasible at a \$9.25 support level, which, as Public Knowledge has noted, is only about 20% of the average price of broadband service.¹⁰

In short, the Commission should refrain from adopting minimum standards for Lifeline service. They are not necessary given the vibrant competition in the Lifeline market; they would be costly to implement; they could actually cause Lifeline service to become unaffordable for some low-income consumers and could force some Lifeline service providers out of the market. Even if minimum standards could be justified as a policy, it would be extremely difficult, as a practical matter, to define reasonable and appropriate standards.

2. A Voucher System is Unnecessary and Its Costs Will Exceed Any Likely Benefit.

There is substantial opposition to the proposal to transfer Lifeline benefits directly to the consumer via a debit card or PIN (generically, a voucher system).¹¹ The commenting parties

⁶ See, e.g., Sprint, p. 17; Lifeline Joint Commenters, p. 21.

⁷ See, e.g., GVNW, p. 6; USTelecom, p. 10.

⁸ For example, the Commission required wireline carriers to deploy broadband speeds of 4/1 Mbps in order to receive CAF subsidies, compared to 768/200 kbps for wireless carriers with 4G networks to receive Mobility Fund support (*see Connect America Fund*, 26 FCC Rcd 17663, paras. 22 and 362 (2011)).

⁹ For example, AARP has proposed (pp. 11, 20) to require unlimited broadband, and free or low-cost broadband for a trial period and at a very low price thereafter.

¹⁰ See Public Knowledge, p. 31.

demonstrated that a voucher system imposes a new and substantial burden on Lifeline customers (who must remember to make payment arrangements and must have the practical means, such as ready access to an electronic register to swipe a debit card, or have a bank account from which the charges can be auto-paid, to do so); is costly to implement and administer; will sharply increase the risk of bad debt and fraud; and will discourage the practice of providing free devices to Lifeline customers. Most importantly, however, a voucher system would provide no benefits to consumers of Lifeline service.

Support for the voucher system appears to be limited to a handful of wireline (primarily local exchange) carriers.¹² These parties suggest that vouchers will allow consumers to “use their Lifeline discount with the provider of their choosing for whatever service best meets their needs.”¹³ It is unclear, however, why these parties believe that end users cannot obtain Lifeline benefits from the service provider of their choice today. Eligible end users can obtain Lifeline service from any designated Lifeline service provider in their area, and can and do switch from one designated service provider to another through the NLAD. If and when Lifeline is expanded to include broadband service, and if and when the rules are revised to allow the Lifeline benefit to be split between multiple providers (*e.g.*, half the subsidy going to Carrier A for voice, and the other half to Carrier B for broadband), NLAD presumably can be upgraded to accommodate this option. Unless the purported benefits of the voucher system can be identified and quantified, and can be shown to exceed the certain costs, the Commission should decline to adopt the voucher proposal.

¹¹ *See, e.g.*, Sprint, p. 27; TracFone, p. 35; Pennsylvania PUC, p. 22; Lifeline Joint Commenters, p. 43; City of Redmond, p. 2; Benton, County, OR, p. 2.

¹² *See, e.g.*, AT&T, p. 3; GVNW, p. 15; ITTA, p. 16.

¹³ ITTA, p. 16.

The Commission also should decline to implement a system of coordinated enrollment (automatically enrolling end users who participate in a qualifying program such as SNAP in the Lifeline program as well). Although the Lifeline take rate is still quite low,¹⁴ Sprint is concerned that auto-enrollment would cause the Lifeline fund to increase dramatically – including by subscribing some Lifeline-eligible end users who may prefer not to participate in the Lifeline program. Moreover, it is unclear how auto-enrollment would be operationalized (*e.g.*, whether end users would be assigned to a service provider at random, or allowed to select a service provider using a voucher or other means).

3. If a Third Party is Appointed to Perform Lifeline Eligibility Determinations, Its Scope Should be Narrowly Defined, Its Operations Should be Developed in Close Collaboration With Other Industry Parties, and Its Costs Should be Recovered through the General USF Contribution Factor.

There is widespread agreement that the Commission should appoint a neutral third party to make Lifeline eligibility determinations, as such an arrangement 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 support payments.¹⁵ In considering the implementation of a system of Lifeline eligibility determination by a third party, the Commission should bear in mind the following guidelines:

- The scope of the third party verifier should be narrow. The third party’s mandate should be limited to making the initial eligibility determination; it should not enroll end users in the Lifeline program, perform annual recertifications, or interfere in any way with the relationship between service provider and potential and actual customers. Keeping the scope narrow is necessary to minimize cost and to preserve the relationship between service providers and their customers.

¹⁴ See, *e.g.*, TracFone, p. 19 (less than 50% of eligible households subscribe to Lifeline service).

¹⁵ See, *e.g.*, Sprint, p. 23; USTelecom, p. 7. Although TracFone expressed concern about having a third party determine Lifeline eligibility in its comments, it subsequently declared its support for such a third party system (*see ex parte* letter from Mitchell Brecher, counsel for TracFone, to Marlene Dortch, FCC Secretary, WC Docket No. 11-42, dated September 25, 2015).

- Close technical collaboration with service providers is key, and the eligibility verification process and systems must be flexible enough to accommodate different business models.¹⁶ Collaboration in design and beta testing will help to ensure a smooth roll-out.¹⁷
- The costs of any mandatory third party system should be recovered through the general USF contribution factor, not through assessments on individual Lifeline service providers.¹⁸ This cost recovery methodology is consistent with that used in every other federal USF program, and ensures that all providers make equitable contributions to universal service efforts, as mandated under Section 254(b)(4). There is no basis for singling out the Lifeline program for disparate treatment.

TracFone has suggested that the NLAD, currently used to identify duplicate Lifeline customers, might be enhanced and expanded to verify applicant eligibility.¹⁹ Sprint agrees that this approach has potential merit – for example, NLAD is already up and running so might offer certain economies as compared to deploying an entirely new and additional database; service providers already have established interfaces with the NLAD and expanding its functionality to include eligibility determinations might help to minimize operational disruptions. Accordingly, Sprint recommends that the Commission explore this option further and obtain information on the cost and technical challenges associated with enhancing the NLAD.

¹⁶ USAC's recently released Request for Information relating to Lifeline eligibility verification services is a case in point. The RFI asked, among other things, about a 24-hour turnaround period for eligibility determinations. While this may be acceptable to some ETCs, others may need real-time turnaround. Any RFP which is ultimately released should reflect the reasonable requirements of all service providers.

¹⁷ *See, e.g.*, CTIA, p. 14.

¹⁸ *See, e.g.*, Sprint, p. 34; AT&T, p. 34; Verizon, p. 4.

¹⁹ *See* TracFone, p. 30.

Respectfully submitted,

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