



March 2, 2016

Via Electronic Submission

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th St., SW, Room TW-A325
Washington, DC 20554

**Re: Telecommunications Carriers Eligible for Universal Service Support, WC Docket No. 09-197
Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42
Connect America Fund, WC Docket No. 10-90**

Dear Ms. Dortch:

On February 29, 2016, Charles McKee, Elaine Divelbliss (via telephone) and I of Sprint Corporation (“Sprint”) met with Jon Wilkins, Jay Schwarz, Trent Harkrader, Charles Eberle, Nathan Eagan, Garnet Hanly and Ryan Palmer (via telephone) to discuss reforms to the federal Lifeline program. While recognizing the importance of Lifeline support for broadband services, Sprint emphasized the fundamental need to maintain a voice-only Lifeline service option and described the significant impact an end-user co-pay would have on participation rates by the most vulnerable consumers.

Sprint expressed its support for reforming the Lifeline program to allow eligible end users the option of obtaining supported broadband access, and noted that such reform is entirely consistent with Sprint’s vigorous efforts to help bridge the digital divide. Sprint has actively supported the ConnectED, ConnectHome, and My Brother’s Keeper initiatives and fully recognizes the importance of broadband connectivity.

Given the financial constraints under which the federal Universal Service Fund operates and the economics of providing broadband service, however, Sprint noted that a broadband-centric Lifeline program which includes overly ambitious performance standards will almost certainly involve out-of-pocket payments by Lifeline subscribers, both for monthly service and for the purchase of a broadband-capable device. There is no support in the record that a monthly subsidy of \$9.25 would cover the cost of providing broadband service (much less the cost of a device).

Sprint reported that most broadband plans available today are priced far above \$9.25 – for example, Sprint’s Boost affiliate offers 2 GB of prepaid service for \$35 per month,¹ a payment level that is likely unaffordable for the vast majority of Lifeline customers, and in particular the millions of Lifeline customers who opt for a free service option. Sprint expressed deep concern that requiring an end user co-pay would make a broadband Lifeline option unaffordable for a very large number of existing and prospective Lifeline subscribers:

¹ The rate drops to \$30 with the automatic “auto Re-Boost” payment program.

- Sprint's data indicate that the income of an average Assurance Wireless household (an adult and at least one child under 18) is approximately \$14,000 per year; almost 60% of Assurance Wireless customers are over 45 years old; 61% are temporarily unemployed or disabled; 89% are wireless-only households; more than one-third had experienced an interruption in their wireless service before becoming Assurance Wireless customers. In short, these subscribers are severely cash-constrained and cannot readily afford out-of-pocket payments.
- Sprint's experience with the Broadband Lifeline Pilot Program confirmed that end user co-pays sharply limit participation. (Similar results were reported by other pilot participants.) The least expensive option offered by Assurance Wireless (\$30 up-front cost and no monthly recurring charge) had only 526 takers in the month with the greatest number of subscribers. The most expensive option (\$50 up-front cost and a \$20 monthly recurring charge) had only 56 takers in the month with the greatest number of subscribers. Each of these options was offered to 64,000 existing Lifeline customers. While the pilot did involve some additional paperwork for participants, it also offered extensive outreach and training, and unusually (and likely unsustainably) high device and service subsidies, to encourage maximum participation.
- Assurance Wireless offers a limited data component to its Lifeline customers in California, whose state LifeLine program offers \$13 in support for monthly service (additive to the federal Lifeline subsidy). After exhausting the allocated data component, less than 1% of those subscribers purchased a data pack add-on in December 2015, which is consistent with the view that Lifeline subscribers are extremely cash-constrained and hesitant to purchase broadband service even when it is available for a modest out-of-pocket payment.

Because out-of-pocket payments will dramatically limit end users' participation in a broadband program, Sprint urged that the Commission take a carefully balanced approach to Lifeline reform by giving subscribers the option of applying their Lifeline subsidy to either voice or broadband service – whichever best suits their needs and circumstances. This approach has a number of advantages:

- A Lifeline program that continues to support a voice-only option will help ensure that Lifeline subscribers have access to essential and affordable voice service. Today, approximately 14.3 million households rely upon the federal Lifeline program that enables them to call 911, their doctors, their child's school, their employers, and their family and friends. To take away this option for those extremely vulnerable Americans who cannot afford a broadband Lifeline plan would undermine the most basic goals of the Universal Service program.
- Lifeline subscribers who can afford to make an out-of-pocket payment would have the option of applying their Lifeline discount to pay for broadband service. Implementing the balanced approach recommended by Sprint would in no way discourage end users from obtaining broadband Lifeline service if that option best meets their needs and financial resources.
- The balanced approach allows market forces to help shape the parameters of Lifeline service. If most or all Lifeline subscribers elect to subscribe to the broadband option,

then Lifeline program resources will flow to the broadband segment and important insights will be gleaned as to whether a broadband-only approach is consistent with and supportive of the principle of universal service. However, if a large majority of Lifeline subscribers remain with a voice-only offering, the Commission and the industry will have critical information about what the market can bear and where universal service support continues to be needed.

- Providing Lifeline support for both voice and broadband service will help to ensure maximum participation by service providers – one of the goals expressed in the Lifeline Reform NPRM.² This balanced approach offers an opportunity for new service providers to enter the Lifeline market without driving out existing competitors who may not be in the position to offer broadband service to Lifeline customers.³

Section 254(b) of the Communications Act directs that policies “for the preservation and advancement of universal service” be based on a number of principles, including that “quality services should be available at just, reasonable, and affordable rates.” Sprint believes that voice Lifeline plans available today meet this statutory standard. Limiting Lifeline support to broadband packages only, however, will result in service offerings that are simply not affordable to current and prospective Lifeline subscribers, in contradiction to the statutory imperative.

Finally, Sprint noted that as the focus of the Lifeline program (and other of the federal USF programs) shifts increasingly to broadband services, prompt reform of the USF contribution methodology is critically important if the USF is to remain viable.

Pursuant to Section 1.1206 of the Commission’s Rules, a copy of this letter is being filed electronically in the above-referenced dockets. If you have any questions, please feel free to contact me at (703) 433-4503.

Sincerely,

/s/ Norina T. Moy

Norina T. Moy
Director, Government Affairs

c: Jon Wilkins Charles Eberle
 Jay Schwarz Nathan Eagan
 Trent Harkrader Garnet Hanly
 Ryan Palmer

² See, e.g., *Lifeline and Link Up Reform and Modernization, et al., Second Further Notice of Proposed Rulemaking, Order on Reconsideration, Second Report and Order, and Memorandum Opinion and Order*, 30 FCC Rcd 7818, para. 121 (2015).

³ See, e.g., Sprint comments filed in this proceeding on August 31, 2015, p. 15.