

March 9, 2016

VIA ECFS

EX PARTE NOTICE

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Lifeline and Link Up Reform and Modernization, et al., WC Docket No. 11-42, et al.*

Dear Ms. Dortch,

On March 7, 2016, Angie Kronenberg and the undersigned counsel from INCOMPAS met with Gigi Sohn, Trent Harkrader, Charles Eberle, Ryan Palmer, and Eric Feigenbaum to discuss the Second Further Notice of Proposed Rulemaking (FNPRM) in the above-referenced docket.

Although supportive of the Commission's efforts to reform the Lifeline program by including broadband service, we urged the Commission to continue to support voice-only service, which has been critical to addressing the availability and adoption of advanced telecommunications services by low-income consumers. We noted that many current Lifeline subscribers have chosen mobile voice service and such service continues to be essential as it allows these consumers to connect with their jobs, health care providers, and children's schools, while also providing access to public safety assistance through 9-1-1. We asserted that any decision to phase out Lifeline support for mobile voice could have a serious impact on the 11.7 million current subscribers who have chosen this service and could negatively affect program participation levels. Indeed, we noted that alternative mobile voice options in the retail marketplace are not likely to be viewed as affordable by Lifeline subscribers.¹ The current \$9.25

¹ A review of mobile voice-only retail options in Arlington, VA and the District of Columbia indicates that, in the absence of Lifeline service, low-income consumers would be required to make an out-of-pocket payment of \$5 to \$15 for a 3G-capable handset. For a price similar to the current subsidy level of \$9.25, consumers are able to purchase value plans that provide less than 100 minutes of voice service. Bundled service plans, offering unlimited talk and text plus up to 2.5 GB of data, are approximately \$35 on a monthly basis and in some cases, require consumers to have an automatic payment plan, requiring the consumer to have access to credit—which often is challenging for low-income consumers served by the Lifeline program.

subsidy is not insignificant for those individuals who are living on meager incomes or who have families to support. As indicated by Sprint in a recent ex parte filing, its typical Lifeline subscriber is living on approximately \$14,000 a year.² Based on these and other considerations, there has been widespread support on the record for the Commission to allow customers to choose, based on their own understanding of their individual and household needs, which fixed or mobile service, be it standalone voice, broadband, or a bundled service, best serves them.³

In addition, we discussed the implementation of minimum standards for the Lifeline program and indicated that this could potentially eliminate free Lifeline services for consumers. The prepaid, “no-bill” business model that has been adopted by many wireless Lifeline eligible telecommunications carriers (“ETCs”) is enormously popular among low-income subscribers and, for many, has meant the difference between benefitting from phone service or doing without it and the opportunities it enables. In our initial comments in this proceeding, INCOMPAS (then COMPTTEL) argued that the Commission should not consider *de jure* requirements for minimum out-of-pocket contributions by subscribers.⁴ Should the Commission choose to implement minimum standards, we indicated that these standards should not be set at a level that would require subscribers to produce a co-pay for service, making them, in essence, a *de facto* contribution requirement. We noted that a substantial number of the consumers that participate in the Lifeline program are “unbanked” which could create a series of practical problems related to how to actually pay a service provider for Lifeline service. Furthermore, we emphasized that the results of the Commission’s Lifeline Broadband Pilot Program suggests that co-pays severely limit participation, and encouraged the Commission to allow the market and consumers to decide the optimal mix of service low-income consumers were willing to adopt at the current subsidy level.⁵

Finally, we asked the Commission to consider the practical issues that could result from significant changes to consumers’ Lifeline service. For example, the implementation of minimum service standards and the phase-out of support for mobile voice-only service will require changes that will need to be communicated and explained to Lifeline consumers. We noted how this may be a similar experience to the Commission’s duplicate reform efforts in 2010. This process took over a year and required significant FCC involvement. The

² Sprint Corporation Ex Parte Notice, WC Docket No. 11-42 (filed Mar. 2, 2016) (insisting that “these subscribers are severely cash-constrained and cannot readily afford out-of-pocket payments.”).

³ See, e.g., NTCA and WTA Ex Parte Notice, WC Docket No. 11-42 (filed Mar. 7, 2016), at 2; Comments of Public Knowledge, WC Docket No. 11-42, *et al.* (filed Aug. 31, 2015), at 21; Comments of Windstream, WC Docket No. 11-42, *et al.* (filed Aug. 31, 2015) at 6.

⁴ See Comments of COMPTTEL, WC Docket No. 11-42, *et al.* (filed Aug. 31, 2015), at 32.

⁵ *Id.* at 35 (“The results of the pilot confirm that cost continues to be a significant factor in adoption rates among low-income consumers. In all but one of the projects, there was some out-of-pocket cost to the consumer, with the perhaps unsurprising result that overall participation rates were far lower than hoped.”)

Commission must be mindful that both consumers and providers will need adequate time to prepare and adjust accordingly. As such, the Commission should provide sufficient time for consumers and providers to adjust to program changes.

Pursuant to Section 1.1206 of the Commission's Rules, a copy of this letter is being filed electronically in the above-referenced docket. Please do not hesitate to contact me if you have questions about this submission.

Respectfully submitted,

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