



**Competitive Carriers Association**  
Rural • Regional • Nationwide®

March 16, 2016

**Via ECFS**

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

**Re: NOTICE OF EX PARTE**  
**WC Docket No. 11-42: *Lifeline and Link Up Reform and Modernization***

Dear Ms. Dortch:

Competitive Carriers Association (“CCA”) supports the Federal Communications Commission’s (“FCC” or “Commission”) efforts to modernize Lifeline by “making broadband more affordable for low-income consumers.”<sup>1</sup> Competitive wireless carriers have been instrumental to the success of the Lifeline program by bringing vital communications service to millions of low-income consumers. These carriers will continue to serve an important role once the Commission takes action to “reboot Lifeline.”<sup>2</sup> CCA is concerned, however, that several aspects of the current proposal are in conflict with the Commission’s stated Lifeline reform goals, not to mention the Communications Act, and will negatively impact the availability and adoption of advanced communication services by low-income consumers.

Several of the Commission’s proposals will raise prices for wireless Lifeline customers, which conflicts with the Commission’s affordability goals. In particular, phasing out voice-only wireless services, forcing customers into broadband bundles with unlimited voice service, and setting broadband minimum service standards will raise wireless service prices significantly above the

---

<sup>1</sup> Press Release, Chairman Wheeler & Commissioner Clyburn Propose Rules to Modernize Lifeline Program to Provide Affordable Broadband for Low-Income Americans at 1 (Mar. 8, 2016) (“Lifeline Reform Factsheet”).

<sup>2</sup> *Id.*

current \$9.25 Lifeline subsidy. This will force customers either to pay out-of-pocket or, more likely, forego wireless service altogether.<sup>3</sup>

In fact, NTIA has recognized that the “current \$9.25 monthly subsidy . . . may not be adequate to cover broadband services, or to foster the zero-to-low cost options that will encourage the level of adoption required to bridge the digital divide.”<sup>4</sup> Indeed, wireless broadband plans on the market today significantly exceed the current monthly subsidy. As Sprint has explained, “most broadband plans available today are priced far above \$9.25”—at levels that are “likely unaffordable for the vast majority of Lifeline customers, and in particular the millions of Lifeline customers who opt for a free service option.”<sup>5</sup> Likewise, the market prices for unlimited wireless voice plans are also priced well-above the current subsidy amount.<sup>6</sup> Accordingly, a requirement to bundle such unlimited wireless voice plans with broadband service will undoubtedly mean that consumers lose access to free or very low cost wireless communications services. Ironically, some Lifeline-eligible consumers may find it more economical to purchase lower-priced unsubsidized traditional voice and text plans—which provide access to 911 and basic connectivity, rather than purchase a subsidized Lifeline service that goes beyond their needs. It is difficult to see how this outcome benefits low-income consumers.

The proposals also create additional costs that further impact service affordability. For instance, device-related costs for both carriers and customers will increase, as consumers will require more expensive devices than are suitable for voice-only services.<sup>7</sup> Smaller competitive carriers will be the hardest hit by this cost, as these carriers continue to struggle to get access the latest devices for their rural and low-income consumers. Requiring carriers to offer bundled packages also raises

---

<sup>3</sup> See, e.g., Letter from Norina T. Moy, Director – Government Affairs, Sprint Corporation, to Marlene H. Dortch, Secretary, FCC, at 2, WC Docket Nos. 09-197, 11-42, 10-90 (filed Mar. 2, 2016) (“Sprint March 2 Ex Parte”).

<sup>4</sup> *Ex Parte* Comments of the National Telecommunications and Information Administration at 10 & n.40, WC Docket Nos. 11-42, 09-197, 10-90 (filed Mar. 9, 2016) (“NTIA Ex Parte”) (citing numerous commenters that have “noted that the current subsidy level may not be sufficient to increase broadband adoption,” including the Florida Public Service Commission, Missouri Public Service Commission, National Hispanic Media Coalition, and Comptel).

<sup>5</sup> Sprint March 2 Ex Parte at 1; see also Letter from Mitchell F. Brecher, Counsel, Tracfone, to Marlene H. Dortch, Secretary, FCC, Attachment at 3, WC Docket No. 11-42 (filed Mar. 2, 2016) (“Tracfone Ex Parte Attachment”) (noting that “[t]he cost of providing unlimited wireless voice services significantly exceeds the \$9.25 subsidy”).

<sup>6</sup> See Letter from Norina T. Moy, Director – Government Affairs, Sprint Corporation, to Marlene H. Dortch, Secretary, FCC, at 1, WC Docket Nos. 09-197, 11-42, 10-90 (filed Mar. 14, 2016) (“Sprint March 14 Ex Parte”) (“the lowest retail price for prepaid unlimited voice non-Lifeline service [Sprint] could find is \$25—far more than the \$9.25 Lifeline subsidy.”).

<sup>7</sup> See Sprint March 2 Ex Parte at 1 (noting the absence of support in the record that “\$9.25 would cover the cost of providing broadband service (much less the cost of a device)”; Tracfone Ex Parte Attachment at 3 (“[w]ireless equipment [that] support[s] data is much more expensive than wireless equipment [that] support[s] voice”).

wholesale cost concerns as competitive carriers will need to continue to expand wireless backhaul to support increased usage.<sup>8</sup> These backhaul concerns will be particularly high in rural areas where there are fewer competitive backhaul offerings and costs are “often prohibitively high.”<sup>9</sup> Of course, any carrier that participates in high cost universal service support mechanisms will have no choice but to bear these additional costs as the Commission's rules require that “all eligible telecommunications carriers must . . . [m]ake available Lifeline services.”<sup>10</sup>

The Commission’s proposal to impose a minimum 3G service standard on Lifeline offerings also raises significant concerns. As NTIA has advised, “the Commission should approach minimum broadband service standards with caution.”<sup>11</sup> NTIA succinctly explained that carriers are concerned that “minimum service levels for broadband offerings could deter provider participation, contrary to the Commission’s goal of increasing competition for Lifeline subscribers.”<sup>12</sup> The Commission’s minimum service standard proposal will have a particularly negative impact on consumers in rural areas. The availability of 3G across the country—and in rural areas in particular—remains spotty.<sup>13</sup> For instance, NTIA notes that tribes in remote areas “have yet to attract broadband investment, thus making the service prohibitively expensive without increased support.”<sup>14</sup> The same is true throughout many other rural areas across the country. The minimum standard requirement will therefore render many areas ineligible for wireless Lifeline service,<sup>15</sup> resulting in a disproportionate impact on low-income consumers that live in rural areas. As NTIA explained, “[r]ural and other areas with limited service options may fall further beyond the digital divide if providers are unwilling

---

<sup>8</sup> See Tracfone Ex Parte Attachment at 3, 13. This further buttresses the need for the Commission to work quickly to address problems in the special access marketplace. See generally Reply Comments of Competitive Carriers Association, WC Docket No. 05-25, RM-10593 (filed Feb. 19, 2016).

<sup>9</sup> Letter from David LaFuria, Counsel, United States Cellular Corporation, to Marlene H. Dortch, Secretary, FCC, Attachment *CostQuest Associates (“CQA”) Economic Research & Analysis United States Cellular Corp. Ongoing Support for Operations & Maintenance of Rural Mobile Networks* at 5, WC Docket Nos. 10-208, 10-90 (filed Feb. 25, 2016) (“carriers must consider the often prohibitively high cost of fiber for backhaul in rural areas.”) (“U.S. Cellular Ex Parte”); see also Letter from David A. LaFuria, Counsel, Smith Bagley, Inc., to Marlene H. Dortch, Secretary, FCC, at 7, WC Docket No. 11-42 (filed Mar. 14, 2016) (noting that throughout Tribal lands “there are fewer competitive options for facilities, raising the cost of transporting traffic to extraordinary levels.”).

<sup>10</sup> See 47 C.F.R. § 54.405 (2011); see also Reply Comments of United States Cellular Corporation at 4, WC Docket Nos. 11-42, 09-197, 10-90 (filed Sept. 30, 2015).

<sup>11</sup> NTIA Ex Parte at 13.

<sup>12</sup> *Id.*

<sup>13</sup> Tracfone at 3 (stating that “[n]etwork coverage for broadband is not consistent across the country”); see also U.S. Cellular Ex Parte, Attachment *February 23, 2016 Ex Parte Presentation* at 7-13 (demonstrating that National Broadband Map overstates mobile broadband coverage in U.S.).

<sup>14</sup> NTIA Ex Parte at 10.

<sup>15</sup> See Letter from John T. Nakahata, Counsel, General Communications, Inc., to Marlene H. Dortch, Secretary, FCC, at 1, WC Docket Nos. 11-42, 09-197, 10-90 (filed Mar. 1, 2016) (“GCI Ex Parte”).

or unable to meet the Commission’s minimum service levels.”<sup>16</sup> The impact of this is even more devastating in light of NTIA’s reminder that many “[p]ortions of rural America, including tribal lands, still lack ‘plain old telephone service’ because of the high infrastructure deployment costs in remote areas.”<sup>17</sup> And according to GCI, rural communities like those in Alaska “are least likely to be economically developed and thus are more likely to have a high proportion of low-income residents.”<sup>18</sup>

Fundamentally, the Commission’s Lifeline broadband proposals will limit consumer choice and access to Lifeline services by effectively eliminating free or very low cost wireless Lifeline service. The vast majority of Lifeline customers prefer the no-cost option,<sup>19</sup> but the Commission’s proposal will abolish consumers’ ability to select Lifeline wireless plans that require a payment regardless of consumer preference.<sup>20</sup> As carrier participation in the Broadband Pilot Program has confirmed, “end user co-pays sharply limit participation.”<sup>21</sup> The Commission must be aware of this concern, because it recognizes the importance of maintaining *fixed-only* voice service “in light of ongoing affordability challenges.”<sup>22</sup> Ultimately, the failure to provide a no-cost option for consumers will negatively impact the Commission’s worthy adoption goals.

Supporting wireless, voice-only service under the Lifeline program is increasingly important in light of studies that demonstrate that wireless-only households are “the norm,” especially for low-income populations.<sup>23</sup> The Commission’s proposal to eliminate the voice-only wireless service not only forces customers to purchase services they don’t want, it also creates serious public safety concerns. NTIA notes that Lifeline “at its most basic function” connects “low-income families to emergency services.”<sup>24</sup> Even though broadband “use is expanding,” situations still exist where “voice may take precedence for low-income consumers, including calling 911 for help.”<sup>25</sup> For

---

<sup>16</sup> NTIA Ex Parte at 13.

<sup>17</sup> *Id.* at 12.

<sup>18</sup> *See* GCI Ex Parte at 1.

<sup>19</sup> *See, e.g.*, Tracfone Ex Parte Attachment at 5 (noting that 88% of Tracfone’s Lifeline customers purchase the no charge option).

<sup>20</sup> Sprint’s data shows that Lifeline subscribers’ average household income for one of its affiliates is \$14,000. If forced with a choice between unaffordable broadband service or no service at all, many subscribers who are “cash-constrained and hesitant to purchase broadband service” may choose to drop the service rather than pay out-of-pocket. Sprint March 2 Ex Parte at 2.

<sup>21</sup> *Id.* at 2.

<sup>22</sup> Lifeline Reform Factsheet at 1.

<sup>23</sup> *See* U.S. Cellular Ex Parte, Attachment *February 23, 2016 Ex Parte Presentation* at 2.

<sup>24</sup> NTIA Ex Parte at 11.

<sup>25</sup> *Id.* *See also* Letter from Michael Romano, Senior Vice President – Policy, NTCA—The Rural Broadband Association, to Marlene H. Dortch, Secretary, FCC, at 3, WC Docket Nos. 11-42, 09 97, 10-90 (filed Mar. 7, 2016) (“NTCA Ex Parte”) (“[a] number of rural consumers—and the elderly in

example, Commnet Wireless recently constructed communications towers to deploy mobile wireless coverage in Grouse Creek, Utah.<sup>26</sup> For the first time in the history of this rural community, Grouse Creek residents have access to any mobile services, including wireless voice 911 capability. According to Grouse Creek citizens, wireless services have significantly improved their quality of life, including by gaining connectivity throughout the remote area and access to emergency services.<sup>27</sup>

Importantly, over-the-top applications limit 911 availability and functionality.<sup>28</sup> This means that “[l]imiting Lifeline support to broadband packages only . . . will result in service offerings that are simply not affordable to current and prospective Lifeline subscribers, in contradiction to the statutory imperative.”<sup>29</sup> Requiring those subscribers to rely “on an [OTT] voice product that requires the procurement of broadband as a predicate” runs against the goals of Lifeline, which is to “provide a literal lifeline for low-income consumers,” especially in terms of access to public safety services.<sup>30</sup> As a result of these factors, NTIA recommends that the Commission “permit a voice-only Lifeline subsidy until such time as affordable broadband service becomes available” in remote rural areas.<sup>31</sup> Public interest advocates also urge the Commission to maintain standalone wireless voice support and caution that eliminating such support “would harm people who cannot afford to pay out of pocket for communications services or do not have access to banking services.”<sup>32</sup>

Moreover, the Communications Act directs the Commission to ensure that competitive neutrality is a cornerstone of all federal Universal Service Fund programs, including Lifeline.<sup>33</sup> The Commission followed this directive when it expressly mandated that the “contribution and

---

particular—continue to rely on a voice service as their primary method of staying in contact with friends, family, medical professionals and emergency services.”).

<sup>26</sup> See Alex Cabrero, Rural Utah Community Gets First Cellphone Tower, Jan. 1, 2016, *available at* [https://studio5.ksl.com/?sid=37980012&nid=148&title=rural-utah-community-gets-1st-cellphone-tower&cs\\_cid=queue-2](https://studio5.ksl.com/?sid=37980012&nid=148&title=rural-utah-community-gets-1st-cellphone-tower&cs_cid=queue-2).

<sup>27</sup> *Id.* The Commission must ensure that its rules allow low-income subscribers, like those in Grouse Creek, to take full advantage of the many benefits mobile wireless service can offer, particularly when the technology is a new commodity in rural and hard-to-reach areas.

<sup>28</sup> See Tracfone Ex Parte Attachment at 6 (“[m]ost Over-The-Top (OTT) applications don’t provide any connectivity to 911”).

<sup>29</sup> Sprint March 2 Ex Parte at 3.

<sup>30</sup> NTCA Ex Parte at 3.

<sup>31</sup> NTIA Ex Parte at 12 n.49.

<sup>32</sup> Letter from Dallas Harris, Policy Fellow, Public Knowledge, to Marlene H. Dortch, Secretary, FCC, at 2, WC Docket Nos. 11-42, 09-197, 10-90 (filed Mar. 8, 2016). The public interest advocates—including Public Knowledge, Benton Foundation, United Church of Christ Office of Communications, Inc., Institute for Public Representation at Georgetown University Law Center, National Consumer Law Center, and The Leadership Conference on Civil and Human Rights—state that “the vast majority of Lifeline subscribers use their subsidy for a mobile voice service.” *Id.*

<sup>33</sup> See 47 U.S.C. § 254(b)(7) (1996).

distribution of low-income support [must be] competitively and technologically neutral.”<sup>34</sup> Certain parts of the FCC’s Lifeline proposal threaten this principle. Specifically, CCA cautions the Commission against eliminating the Lifeline subsidy for wireless voice-only service, while retaining the full subsidy for wireline voice-only service.<sup>35</sup> The Commission must ensure that any reforms to the Lifeline program conform to the Communications Act directive and do not significantly disadvantage competitive providers and the services they are able to offer to all consumers.

Accordingly, CCA urges the Commission to reconsider the deterrent effects of its proposal on broadband affordability and adoption. In particular, CCA encourages the Commission to allow consumers to choose which services the Lifeline subsidy will apply to, including the options of low cost wireless voice services or voice/broadband bundles.<sup>36</sup> CCA also urges the Commission to use caution in developing broadband minimum service standards to ensure that consumers in rural areas continue to have access to wireless services under the Lifeline program. The Commission also must ensure that any Lifeline proposal it adopts adheres to the Communication Act’s competitive neutrality mandate that applies to all federal universal service programs.

This *ex parte* notification is being filed electronically with your office pursuant to Section 1.1206 of the Commission’s Rules. Please do not hesitate to contact me with any questions or concerns.

Sincerely,

*/s/ Rebecca Murphy Thompson*

Rebecca Murphy Thompson  
EVP & General Counsel  
Competitive Carriers Association

cc (via email): Amy Bender  
Nicholas Degani  
Matthew Delnero  
Charles Eberle  
Rebekah Goodheart

Trent Harkrader  
Travis Litman  
Ryan Palmer  
Jay Schwarz  
Stephanie Weiner  
Jon Wilkins

---

<sup>34</sup> *Federal-State Joint Board on Universal Service*, Report and Order, 2 FCC Rcd. 8776, ¶ 27 (1997).

<sup>35</sup> As Sprint explained, the proposal “to eliminate the Lifeline subsidy for mobile voice (in conjunction with the jump to unlimited minutes) but to retain this subsidy in full for wireline voice (with no change in performance standards) violates the long-held principle of competitive and technological neutrality.” Sprint March 14 Ex Parte at 1.

<sup>36</sup> *See* Sprint March 2 Ex Parte at 2 (proposing balanced approach letting subscribers choose whether to apply Lifeline subsidy to voice or broadband); Tracfone Ex Parte Attachment at 9 (proposing solution to allow consumer and market to decide how to apply \$9.25 subsidy).