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March 21, 2016

Marlene Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re: Lifeline Connects Coalition Written Ex Parte Presentation;  
WC Docket Nos. 11-42, 09-197, 10-90**

Dear Ms. Dortch:

In response to the minimum service standard proposals set forth in the fact sheet released on March 8, 2016 describing Chairman Wheeler's and Commissioner Clyburn's proposals to modernize the Lifeline program,<sup>1</sup> the Lifeline Connects Coalition (Coalition)<sup>2</sup> offers the following alternative proposal reflecting a reasonable transition of the Lifeline program from primarily supporting voice service to broadband in a manner that keeps mobile voice and broadband services affordable for low-income Americans and respects the continuing value of mobile voice service.

The Coalition expressed its concerns with the minimum service standards proposed in the fact sheet in its meetings on March 15 and 16, 2016 and its *ex parte* letter filed on March 17, 2016.<sup>3</sup> Requiring that Lifeline providers be permitted to offer only unlimited minute voice only service plans as of December 1, 2016, likely at rates of \$15-25 to the customer, would essentially kill off

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<sup>1</sup> See Chairman Wheeler & Commissioner Clyburn Propose Rules to Modernize Lifeline Program to Provide Affordable Broadband for Low-Income Americans, *available at* [http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2016/db0314/DOC-338113A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2016/db0314/DOC-338113A1.pdf) (last visited Mar. 17, 2016).

<sup>2</sup> The members of the Lifeline Connects Coalition are i-wireless, LLC, Telrite Corporation, Blue Jay Wireless, LLC, and American Broadband & Telecommunications Company.

<sup>3</sup> See Notice of Lifeline Connects Coalition Oral *Ex Parte* Presentation, WC Docket Nos. 11-42, 09-197, 10-90 (filed Mar. 17, 2016).

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mobile voice Lifeline service in less than eight months.<sup>4</sup> The fact sheet then proposes to drive nails in the coffin of mobile voice Lifeline service by reducing the reimbursement amount by \$2 each year until *de jure* eliminating mobile Lifeline voice services in 2019. In this letter, the Coalition borrows from the important and productive proposals offered by Sprint<sup>5</sup> and TracFone,<sup>6</sup> and proposes a framework for transitioning the Lifeline program to broadband in a reasonable manner.

The National Telecommunications and Information Administration (NTIA) filed a letter in this docket on March 9, 2016 noting that “mobile communications and data services are more popular, and more vital” and supporting a Lifeline program that “includes broadband but that maintains support for **affordable voice service**” because, “at its most basic function, Lifeline subsidized voice service connects low-income families to emergency services” and “there are still situations where voice may take precedence for low-income consumers, including calling 911 for help.”<sup>7</sup> Further, NTIA “encourage[d] the Commission to empower Lifeline consumers to apply their benefits toward **bundled plans** including voice and broadband service,” which will have the benefit of “attracting a broader array of service providers while also improving user choice.”<sup>8</sup> The Coalition’s proposal below reflects these values and recommendations.

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<sup>4</sup> Even if wireless ETCs did not elect to exit the market in the face of minimum service standards that effectively would impose a co-payment requirement on Lifeline subscribers, the vast majority of consumers in the Lifeline program are likely to disconnect rather than make a co-payment for service. One ETC recently conducted a survey of 5,500 customers and found that 75 percent of surveyed customers said they might have to let their Lifeline service lapse because they would be unable to make consistent payments for service, and 83 percent of customers said they would not be able to afford regular phone service without their Lifeline benefit. Further, 77 percent of surveyed customers were unbanked or underbanked, and as such would face significant burdens making required co-payments. The survey also found that for 73 percent of customers their Lifeline phone service was the only phone service for the household. Disconnection and de-enrollment from Lifeline service would leave these households detached from vital communications technologies and from full access to emergency services.

<sup>5</sup> See Notice of Oral *Ex Parte* of Sprint, WC Docket Nos. 11-42, 09-197, 10-90 (filed Mar. 16, 2016 (Sprint *Ex Parte*)).

<sup>6</sup> See Notice of Oral *Ex Parte* of TracFone Wireless, Inc. WC Docket Nos. 11-42, 09-197, 10-90 (filed Mar. 17, 2016 (TracFone *Ex Parte*)).

<sup>7</sup> *Ex Parte* Comments of the National Telecommunications and Information Administration, WC Docket Nos. 11-42, 09-197, 10-90, 1, 11 (filed Mar. 9, 2016) (NTIA *Ex Parte*).

<sup>8</sup> *Id.* at 12.

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### **Voice Only Lifeline Service**

As of **December 1, 2016**, the Coalition recommends that all mobile Lifeline providers be required to offer a plan with at least 2,250 minutes<sup>9</sup> at a rate to be set by the provider and discounted by \$9.25 for the customer (it will not be free to the customer). In addition, all mobile voice plans eligible for the Lifeline reimbursement should offer a **minimum of 500 minutes**. The reimbursement should remain at \$9.25 per month per Lifeline customer and not be stepped down each year. This allotment of minutes should be increased only after: (1) the third party eligibility system is fully operational nationwide and Lifeline providers have had at least six months to assess its impact on their cost structure; and (2) the Commission or the Wireline Competition Bureau (Bureau) conducts a review of voice retail offerings in the market and the public is provided an opportunity to comment, including the opportunity for ETCs and wholesale providers to submit relevant cost information. The review should consider whether and how much to increase the minimum service standard for voice and whether the reimbursement amount should be increased.<sup>10</sup>

### **Broadband-Only Lifeline Service**

As of **December 1, 2016**, the Coalition recommends that all mobile Lifeline providers be required to offer a broadband-only plan with at least 1 GB of 3G data at a rate to be set by the provider and discounted by \$9.25 for the customer (it will not be free to the customer). In addition, all mobile data-only plans eligible for the Lifeline reimbursement should offer a **minimum of 300 MB**. The reimbursement should remain at \$9.25 per month per Lifeline customer. This allotment of megabytes should be increased only after: (1) the third party eligibility system is fully operational nationwide and Lifeline providers have had at least six months to assess its impact on their cost structure; and (2) the Commission or the Bureau conducts a review of mobile broadband retail offerings in the market and the public is provided an opportunity to comment, including the submission of relevant cost information by Lifeline providers and wholesale carriers. The review should consider whether and how much to increase the minimum service standard for broadband and whether and how much the reimbursement amount should be increased.<sup>11</sup>

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<sup>9</sup> The Commission could choose a higher number than 2,250 minutes, but unlimited plans are unnecessary and merely introduce the possibility of abuse by consumers. Consumers that abuse an “unlimited” service, by using service in a manner that violates an ETC’s permissible use policies, can impose substantial costs on Lifeline providers. Further, a plan with 2,250 minutes essentially serves the same value for the customer as an unlimited plan. Lifeline providers could offer an unlimited plan as well, but that would be priced higher.

<sup>10</sup> See NTIA *Ex Parte* at 10 (“The Administration urges the Commission, in coordination with the Federal-State Joint Board on Universal Service, to undertake a periodic review of the Lifeline program subsidy level to determine its ongoing sufficiency to meet program objectives.”).

<sup>11</sup> Sprint has proposed a ramp up to 750 MB as of December 1, 2017 and to 1 GB as of December 1, 2018, but it is the only major facilities-based wireless carrier still providing Lifeline service in

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### **Voice and Data Lifeline Bundles – The Future of Lifeline**

Most customers of mobile communications services do not purchase voice-only or data-only plans; they purchase bundles of voice, text and data. After the reasonable transition described herein, Lifeline customers should be no different. In addition to the plans outlined below, mobile Lifeline providers should be required to offer voice and data bundles with at least 1 GB of data at rates set by the providers and discounted by \$9.25 for the customers (they will not be free to the customers).

As of **December 1, 2016**, the Coalition recommends that all mobile Lifeline providers be required to offer voice and broadband bundle plans with at least **500 units**. One unit should equal 1 voice minute or 1 MB or at least 3 texts (if texts are offered). Lifeline providers should be required to **reserve at least 100 units for broadband**, meaning that customers could use only up to 400 units out of 500 units for voice or texts. In addition, Lifeline providers should be permitted, but not required, to reserve up to 250 units for voice minutes because Lifeline customers face a digital learning curve to understand how much data certain online activities use. Some Lifeline providers may determine that customers should not be permitted to use their entire 500 unit allotment for broadband, which can happen quickly with certain online applications. With the voice reserve up to 250 units (minutes), Lifeline customers will retain the value of mobile voice service, including to communicate with emergency services, government services, healthcare providers, employers, schools and family.

As of **December 1, 2017**, the Coalition recommends that all mobile Lifeline providers be required to offer voice and broadband bundle plans with at least **600 units**. Again, one unit should equal 1 voice minute or 1 MB or at least 3 texts (if texts are offered). Lifeline providers should be required to **reserve at least 200 units for broadband**, meaning that customers could use only up to 400 units out of the 600 units with voice or texts. In addition, Lifeline providers should be permitted, but not required, to reserve up to 250 units for voice minutes. In this manner, the increase in 100 units is entirely for broadband service, and the optional voice minute reserve, as well as the number of overall units that can be used for voice or text, is a decreasing percentage of the total available units, which helps to transition Lifeline customers to using more broadband and less voice.

As of **December 1, 2018**, the Coalition recommends that all mobile Lifeline providers be required to offer voice and broadband bundle plans with at least **700 units**. Again, one unit should

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the market today. Therefore, it is uniquely poised to understand its future cost structure, which may be very different from what wireless resellers will encounter in the future. If the Commission wants competition in wireless Lifeline services, it should not hold the industry to Sprint's cost structure since other facilities-based providers like T-Mobile have exited the Lifeline program and more than 9 million Lifeline subscribers currently receive service from wireless resellers.

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equal 1 voice minute or 1 MB or at least 3 texts (if texts are offered). Lifeline providers should be required to **reserve at least 300 units for broadband**, meaning that customers could use only up to 400 units out of the 700 units with voice or texts. In addition, Lifeline providers should be permitted, but not required, to reserve up to 250 units for voice minutes. Again, the increase in another 100 units is entirely for broadband and the percentage of units that can be used for voice service is further reduced.

### **Equipment for Lifeline Services**

The Coalition agrees with Sprint that “the Commission does not have the authority to mandate specific devices or device technologies.”<sup>12</sup> However, if the Commission decides to set minimum standards for handsets and other equipment that is provided to Lifeline customers, including potentially requiring Wi-Fi-enabled or even hotspot-enabled smartphones, it must recognize the higher cost of such devices. Even if the Commission does not directly support the devices, it must understand that the Lifeline providers have to make those devices available to customers at affordable rates (generally free to the customer) to enable use of the Lifeline voice or broadband service. Lifeline providers require many months to recoup their up-front investment in the device.<sup>13</sup> Therefore, the Commission should adopt the Coalition’s proposal to extend the existing 60-day automatic benefit transfer limit to 12 months, which would increase the average service life for Lifeline customers and better allow Lifeline providers to offer consumers these types of devices. Of course, consumers would retain the ability to switch Lifeline service providers at any time by de-enrolling with their current provider and then enrolling with another.<sup>14</sup>

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<sup>12</sup> Sprint *Ex Parte* at 2.

<sup>13</sup> Any program requirements for smartphones should be phased-in with a grandfathering provision for handsets already distributed or purchased by the ETC for distribution.

<sup>14</sup> De-enrolling and re-enrolling was the standard method used by all Lifeline subscribers to switch service providers before the National Lifeline Accountability Database (NLAD) was implemented in the first quarter of 2014. It was the NLAD that made automatic benefit transfers possible and the Universal Service Administrative Company quickly realized that it had to limit how quickly these automatic benefit transfers could occur to avoid “flippers” imposing substantial waste on the Lifeline program.

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Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically.

Respectfully submitted,



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