Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC 96-45
Federal-State Joint Board on Universal Service Seeks Comment on Review of lifeline and Link-up Service for all Low-Income Consumers	)	

COMMENTS OF SPRINT CORPORATION

Sprint Corporation hereby respectfully submits its comments on the Commission's review of Lifeline and Link-Up service for all low-income consumers.[1] In this review, the Federal-State Joint Board on Universal Service (Joint Board) seeks comment on the effectiveness of the Commission's existing Lifeline/Link-Up rules, including data on Lifeline/Link-Up enrollment, reasons why some low-income individuals are not receiving Lifeline/Link-Up assistance, and possible modifications/enhancements to the program. As discussed below, Sprint supports the Commission's endeavor to reach low-income individuals through Lifeline/Link-Up. Explicit subsidies such as those established in the program have been shown to be the most effective mechanism for reaching those in need. While Sprint supports Lifeline/Link-Up, Sprint urges the Joint Board to keep in mind the considerable cost associated with administering the accounts of Lifeline/Link-Up participants, a cost that must ultimately passed on to all end-users and which is nearly double the cost of an average account.

Background

The Commission has, since 1984, endeavored to promote universal service by providing low-income individuals with monthly discounts on the cost of receiving telephone service. In 1988, the Commission added the "Link-Up America" program to help low-income individuals pay the initial costs of commencing telephone service. In 2000, the programs were expanded to include discounts to individuals living on Indian reservations.

In 1996, the Joint Board determined that the goal of increasing low-income subscribership would best be met if the Commission maintained the basic framework for administering Lifeline/Link-up qualification in states that provide matching support from the intrastate jurisdiction, while for states choosing not to provide matching support, the Commission would adopt a default means-tested eligibility standard. On December 21, 2000, the Commission referred the low-income support issues to the Joint Board for review, prompting this comment cycle.

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[1]*Federal-State Joint Board on Universal Service Seeks Comment on Review of Lifeline and Link-Up Service for All Low-Income Consumers*, CC Docket No. 96-45 (rel. Oct. 12, 2001).

Discussion

Sprint has consistently encouraged the use of specific and targeted support programs such as Lifeline/Link-Up as the most effective mechanism for helping to ensure universal service. Economists who have studied the demand for basic telephone service have demonstrated time and again in econometric studies that it is *income*, rather than price, that plays the largest role in a customer's choice whether or not to subscribe to basic telephone service. Economist Lester Taylor stated in his 1994 text, "Actually, when all is said and done, the primary factor [affecting access to the public switched network] is really income, or rather its absence."[2] As a result, the most effective means of addressing the failure of low-income customers to subscribe to basic service is through explicit subsidization, such as the Federal Lifeline and Link-Up programs. For Universal Service purposes, these programs targeted to lower income individuals are superior to artificial (i.e. non-cost based) price controls on basic service in two distinct ways:

1) They are more efficient, in that they result in less overall distortion of the market mechanism. As the industry moves closer toward competition it is important that prices be allowed to function as they would in a truly competitive market—as signals to potential entrants that do not misrepresent the underlying costs of providing service.

[2] Lester Taylor, *Telecommunications Demand in Theory and Practice*, Kluwer Academic Publishers, 1994.

2) They are predictable and explicit. As the Commission itself has stated on multiple occasions, implicit subsidization is inconsistent with, and incapable of being sustained in, a competitive market.[3] But explicit subsidization is not.

The FCC supported this approach in its first Universal Service Order,[4] stating that *affordability* was a function of many factors in addition to the rates that customers pay for local service, including income levels.

While Sprint fully supports the Lifeline/Link-Up programs, it urges the Commission to consider the extensive costs associated with administering the program, costs that service providers absorb and ultimately must pass on to end users. The administration of Lifeline accounts costs Sprint more than twice that of an average account, due in large part to the requirements associated with set-up and additional requirements imposed by state commissions.

Sprint's Local Telephone Companies currently operate in seventeen states, and in all seventeen, Sprint has Lifeline recipients. Many (but not all) of the states in which Sprint operates also have state-specific Lifeline programs that provide a mechanism for lower-income customers to receive additional assistance. As part of the state-specific

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[3] *See*, *e.g*., Access Charge Reform, CC Docket No. 96-262, Sixth Report and Order, price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1, Sixth Reprot and Order, Low-Volume Long-Distance Users, CC Docket No. 99-249, Order, and Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Eleventh Report and Order, FCC No. 00-193, (rel. May 31, 2000), as corrected by *Errata* (rel. June 14, 2000), *petition for review filed sub nom US West v. FCC*, No. 00-1279 (D.C. Cir. Filed June 27, 2000 (*CALLS Order*) at ¶ 24.

[4] *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776 (1997), as corrected by Errata, CC Docket No. 96-45 (rel. June 4, 1997), ¶ 109.

Lifeline programs, unique administrative requirements are imposed, some of which greatly increase the administrative burden on the service providers.

For example, Oregon, Washington, Tennessee, Texas and Nevada send Sprint tapes/files of "qualifying" Lifeline participants within their state boundaries. Most of these states send the tapes on a monthly basis. Sprint must evaluate each tape and determine who already has Lifeline and who does not, as well as delete from our Lifeline lists anyone who previously was eligible for Lifeline, but who has since been removed from the state tapes. Eligible customers must then be informed, and in Nevada, each customer added to or removed from Lifeline must be notified by mail and given an opportunity to reject or reapply for the service, respectively.

Sprint estimates that the cost of administering the Lifeline-Link-Up service to these states is significant. Although exact costs are difficult to measure, Sprint's assessment of the resources dedicated to complying with these states' requirements is measured in millions of dollars annually. In addition, more states indicate that they are considering adopting the same administrative audit and notification requirements. Sprint urges the Commission to consider the administrative costs associated with the existing service, both on a State and Federal level, particularly if it contemplates expanding the programs, as any expansion of the Federal programs will also impact the state programs.

Conclusion

Sprint supports the Commission's endeavor to reach low-income individuals through Lifeline/Link-Up. Explicit subsidies established in the are the most effective mechanism for reaching low-income customers. In evaluating any changes to or expansion of the program, however, Sprint urges the Joint Board to keep in mind that the considerable cost associated with administering the accounts of Lifeline/Link-Up participants must be passed on to all end users.

Respectfully submitted,

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