

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

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Lifeline and Link-Up)) WC Docket No. 03-109
_____))

REPLY COMMENTS OF AT&T CORP.

Pursuant to the Section 1.415 of the Commission's rules, 47 C.F.R. § 1.415, and its Notice of Proposed Rulemaking (FCC 03-120) released June 9, 2003, and published in 68 Fed. Reg. 42333 (July 17, 2003), AT&T Corp. ("AT&T") submits these reply comments on the *Recommended Decision* of the Joint Board as to how the Commission's Lifeline and Link-Up programs can be improved so as to increase subscribership among low-income individuals.¹

First, the Commission should streamline the rules for carrier eligibility to receive federal Low Income Support so that the broadest set of carriers can be compensated for their Lifeline and Link-Up services, by adopting a separate Low Income eligible telecommunications carrier ("ETC") designation process that is *not* tied to a requirement that the carrier offering Lifeline/Link-Up service serve the entire state. Second, contrary to the suggestion of some parties, onerous conditions such as state auto-enrollment requirements should not be engrafted into eligibility for federal support.

¹ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Recommended Decision, 18 FCC Rcd. 6589 (2003) ("*Recommended Decision*").

Third, the Commission should consider delaying the addition of income eligibility as an independent criterion for a consumer to qualify for Lifeline/Link-Up support pending universal service reform given that it would substantially increase the size of the USF and accelerate the “death spiral.”

I. THE RULES REGARDING ETC DESIGNATION SHOULD BE SUBSTANTIALLY STREAMLINED TO ALLOW MORE CARRIERS TO PARTICIPATE IN THE LIFELINE AND LINK-UP PROGRAMS.

As AT&T showed in its comments, the Commission should establish a separate certification for carriers to become eligible telecommunications carriers (“ETCs”) for Lifeline/Link-Up (collectively Low Income Support) independent of the certification required for High Cost Support. AT&T at 2-6. Section 214(e) requires ETCs to offer and advertise their supported services throughout the service area to avoid the potential for a carrier to “cherry-pick,” *i.e.*, to receive support for serving customers in high cost areas while actually providing service only in the lower cost portions of a service area.

Lifeline/Link-Up Support, by contrast, aims to reduce the price of local service for the low-income consumer, who may be urban or rural. So long as the customer chooses a particular carrier as its low-income service provider (and that carrier provides the low-income consumer with rate discounts commensurate with the amount of Low Income Support it would receive), that carrier should be eligible for Low Income Support on behalf of the customer.

This is particularly the case in those states (*e.g.*, Minnesota, Pennsylvania and Wisconsin) that require *all* LECs (whether or not ETCs) to provide reduced Lifeline rates—meaning that non-ETCs must provide service at lower rates to eligible Lifeline

customers, but are ineligible for Low Income Support. Especially in such states, denying Low Income Support to competitive entrants (while granting such support to incumbents) is not competitively neutral.

AT&T thus supports *separate* ETC designations for the High Cost and Low Income Support Mechanisms. Instead of unified ETC designation, the Commission should allow receipt of federal Low Income Support whenever a carrier agrees to provide the supported services as defined by the Commission's rules, 47 C.F.R. § 54.101, *or* has qualified for support under parallel state programs. This would ensure that carriers willing to provide the federally defined services become, at a minimum, eligible for *federal* Low Income Support. NASUCA (at 4-6) similarly notes that carriers should be permitted to receive federal support "with benefit levels and eligibility standards set by the FCC."

II. ONEROUS STATE CRITERIA SHOULD NOT PRECLUDE ELIGIBILITY FOR FEDERAL LIFELINE AND LINK-UP PROGRAMS.

To the extent some states have onerous criteria for carriers to become eligible for state Lifeline support, that should *not* preclude certification for federal support. For example, Texas and West Virginia have auto-enroll requirements for their state Lifeline programs. The costs for new entrants to modify their systems so that they can auto-enroll customers may be cost-prohibitive relative to the number of Lifeline customers they expect to serve. And, in Wisconsin, recipients of state Lifeline funds must offer public interest payphones to qualify for support. Even if a carrier cannot comply with these types of state requirements, it should have the right to receive *federal* Low Income Support if it is providing the federally-defined supported services.

Numerous parties support auto-enrollment for Lifeline customers, and NASUCA (14-17) suggests that the Commission should establish auto-enrollment as a federal requirement for state programs. To the contrary, although in theory auto-enrollment may appear desirable, it can in fact deter carriers from providing Lifeline because auto-enroll programs are frequently “complex, administratively burdensome and costly” for carriers to participate. BellSouth at 4. “Clearly, automatic enrollment poses significant challenges that must be considered and addressed prior to the Commission or any state implementing such a mechanism.” BellSouth at 5. Because carriers wishing to provide Lifeline and Link-Up services should be encouraged rather than stymied in their efforts to obtain universal service support so as to maximize the availability of these programs and increase subscribership, the Commission should not prescribe auto-enrollment or other requirements that could impose undue burdens on carriers.

III. THE COMMISSION SHOULD NOT ADOPT INCOME ELIGIBILITY AS AN ADDITIONAL QUALIFICATION FOR LOW INCOME SUPPORT UNTIL IT REFORMS THE UNIVERSAL SERVICE PROGRAM.

As MCI WorldCom (at 2) and Verizon (at 2, 7) point out, expansion of the eligibility criteria for consumers to qualify for federal Low Income Support to include income eligibility could increase the size of the Universal Service Fund by more than \$100 million annually. The federal Universal Service Fund continues to face a death spiral of dramatically shrinking wireline interstate telecommunications revenues and ever-increasing contribution factors, conditions that will render the system increasingly unsustainable and discriminatory as wireline interstate services continue to lose ground to wireless, Internet, bundled wireline, and other services that are draining funds from the revenues-based assessment system through exemptions, uneconomic “safe harbors,” and

even creative accounting. Accordingly, the Commission should consider delaying adoption of income eligibility criteria until it has undertaken universal service reform to ensure the stability of the system.

In all events, if the Commission elects to adopt income eligibility criteria, states rather than carriers should be tasked with the income verification process. As Dobson explains, such “a proposal raises a myriad of concerns, including privacy, confidentiality, and administrative burden. Carriers’ employees are not currently trained to review and interpret complex government forms such as tax forms, W-2 wage statements, or pay stubs.” Dobson at 3-4. Accordingly, if the Commission adopts income eligibility criteria, the states, and not carriers, should be tasked with the administration of those criteria.

CONCLUSION

For the reasons stated above and in AT&T's Comments, the Commission should: (1) streamline its rules for carrier eligibility to receive federal Lifeline and Link-Up support, (2) not allow onerous state qualifications to preclude carriers from receiving federal support, (3) consider delaying adoption of an income eligibility criterion pending universal service reform. In addition, the Commission should: (4) encourage state commissions to identify consumers eligible for these programs, and (5) make Lifeline portable as between qualified carriers.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Judy Sello, do hereby certify that on this 2nd day of September, 2003, a copy of the foregoing "Reply Comments of AT&T Corp." was served by U.S. first class mail, postage prepaid, on the parties shown on the attached Service List.

/s/ Judy Sello
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