



household choosing to have (or not have) telephone service. Therefore Sprint believes mechanisms that are specific and targeted to low-income households—such as the Lifeline and Link-Up programs—are the best mechanisms for promoting universal service, and are more efficient than artificially suppressing rates for basic local telephone service below cost, which has the effect of creating market distortions. Accordingly, Sprint applauds the Commission’s recent decision to introduce an income-based eligibility category (set at 135% of the federal poverty guidelines) to its Lifeline and Link-Up eligibility criteria. However, it is important to recognize that the introduction of any new eligibility criteria, such as the income-based test, will cause carriers to incur additional costs in terms of systems adjustments and process implementation. And it is also true that these costs must be recovered—as all costs are recovered—ultimately from the pockets of end users. Therefore while Sprint applauds the recent introduction of the income-based criteria in general, it is worthwhile to keep in mind that consumers will foot the bill for this change as well as any additional changes or adjustments to the Lifeline eligibility criteria.

Because of this fact, Sprint strongly believes that it is premature at this time to consider increasing the income-based eligibility criterion to 150% of the federal poverty guidelines. Technically, the 135% eligibility criterion has not even gone into effect in all states as of the date of this filing. Rather than increasing the federal default eligibility criterion to 150% it would be more appropriate and more useful to allow the initial action (setting eligibility at 135%) to take effect and—after a sufficient amount of time—to monitor the impact of this initial expansion of eligibility. And in the process of monitoring

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<sup>2</sup> *Telecommunications Demand in Theory and Practice*, Lester Taylor, Kluwer Academic Publishers, 1994.

the impact of implementing the 135% criterion, Sprint believes the Commission should continue to investigate other factors that have the ability to affect any customer's decision whether or not to take advantage of programs such as Lifeline and Link-Up.

For example, the Commission noted in its Report and Order that "Only one-third of households currently eligible for Lifeline/Link-Up assistance actually subscribe to this program," and, accordingly, the Commission expressed a desire to do more "to make telephone service affordable for more low-income households." (Report and Order, ¶ 1). While this objective is commendable, the Commission's stated desire to "make telephone service affordable" implicitly assumes that telephone service currently is *not* affordable, an assumption that does not appear to be supported with specific data or analysis. Simply stated, the fact that customers take advantage of a discount that is available to them does not mean the service was necessarily unaffordable without the discount. In fact, Sprint's own experience suggests that many Lifeline-eligible customers find that telephone service is affordable without the Lifeline discount.

For example, in certain states in which Sprint operates as an ILEC, customers who subscribe to Lifeline are precluded from purchasing vertical features. The logic behind this restriction is obvious: If a customer can afford to spend significant dollars on ancillary services such as three-way calling or caller ID it is highly unlikely that the customer *requires* the Lifeline discount to remain connected to the public switched network, and it is equally unlikely that the customer would drop off the network without the discount. But Sprint's experience is that customers who are eligible for Lifeline, when faced with the choice of "Lifeline discount but no features" or "No Lifeline discount" very often choose "No Lifeline discount." In fact, Sprint has had customers who are already subscribed to

Lifeline insist that their names be taken off the list when they (belatedly) discovered the restriction on features.<sup>3</sup> There is no question that this constraint played a part when, recently in Sprint's local serving territory in Ohio, nearly 70% of customers who were eligible for Lifeline opted not to subscribe to the service when faced with the requirement of forgoing the purchase of calling features.<sup>4</sup>

Accordingly, Sprint believes it would be worthwhile for the Commission to ask—and answer—certain questions before taking any additional action in terms of the federal Lifeline and Link-Up programs. The fact that only one-third of eligible households participate in Lifeline programs can serve as a useful starting point for these questions. It is technically true that expanding the eligibility criteria will have the effect of increasing the raw number of Lifeline participants. However, there is no reason to believe—nor is there evidence to suggest—that expanding eligibility criteria will increase the *percentage* of eligible customers who actually take Lifeline. If the Commission were to expand eligibility to 150% of the federal poverty guidelines it is entirely possible that only one-third of the now-larger group of eligible customers would actually subscribe to the program. Sprint believes that, prior to making any additional changes to the Lifeline program or eligibility criteria, the Commission should investigate exactly why more low-

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<sup>3</sup> Sprint is always careful to fully inform customers of Lifeline requirements, but it is not unusual for some customers to overlook certain conditions.

<sup>4</sup> Of the over 10,000 customers newly eligible (per change in state regulation) to be added to Lifeline in Sprint's Ohio service territory, over 7,000 opted out of Lifeline in favor of keeping their current level of service which included features or bundles.

income households who could subscribe to Lifeline under the current eligibility criteria choose not to do so.<sup>5</sup>

One possible explanation for such a low “take rate” could be poor awareness on the part of customers. If so, a simple approach to meeting the Commission’s goal would be to find ways to increase awareness, and this is addressed in the paragraphs below responding to the Commission’s inquiries regarding advertising and outreach. At the same time, it is wise to recall that the Commission has expressed concern in other proceedings regarding the overall size of the federal universal service fund and the growth of the fund. As stated in the Report and Order and FNPRM, expanding the eligibility criteria has the potential to increase the fund by \$200 million annually. It would be prudent to determine that such an expansion, if pursued, was truly necessary in order to preserve universal service and keep additional households connected to the public switched telephone network. Sprint believes it is also sensible to note the Commission staff’s own conclusion regarding changes to eligibility, namely that expanding the eligibility criteria “would not result in a statistically significant increase in the number of households that take telephone service” (Staff Lifeline Analysis, page K-32).

### **Rules Governing Advertising**

The Commission also seeks comment on whether rules should be adopted governing the advertising of Lifeline/Link-Up programs. Specifically, the Commission

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<sup>5</sup> As another example, customers in Puerto Rico are precluded from subscribing to Lifeline if they have more than one line to their residence. It would be informative to investigate how many customers are eligible for Lifeline but choose not to subscribe because they would rather not be constrained regarding their ability to enjoy a second line.

asks whether ETCs should be required to print and distribute posters, flyers and other print media to public assistance agencies. As noted in the Order, effective outreach programs have been shown to improve Lifeline/Link-Up participation (§ 41). Accordingly, the Commission has established outreach guidelines designed to increase awareness of the low-income support programs. But the Commission has wisely refrained from requiring specific outreach programs in order to provide both states and carriers with the largest amount of flexibility possible to tailor their particular efforts to the situation at hand.

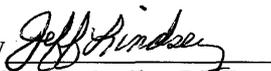
Sprint believes it is wise for the Commission to exercise similar restraint in the case of advertising, and refrain from establishing specific requirements regarding advertising. All ETCs are already required to advertise their Lifeline/Link-Up programs in media of general distribution, and USAC has been effective in monitoring this activity. But there is no *a priori* reason to believe that, in all cases, posters and flyers would be the most effective mechanism for increasing awareness, and states and carriers should be allowed the flexibility to engage in whatever awareness-raising activities are best suited to their unique circumstances.

Furthermore, Sprint believes it would also be prudent for the Commission to wait and monitor the effect that its outreach guidelines may have on Lifeline subscription. It is very possible that the increased outreach efforts described in the Order may achieve the same intended goal as any specific advertising requirements—that is, the goal of increasing awareness. In particular, because the issue of addressing non-English speaking populations has been included in the Commission's guidelines, Sprint believes the Commission's concerns regarding these groups may be allayed by carriers pursuing the outreach activities already prescribed.

Finally, Sprint also suggests that, in lieu of explicit advertising requirements, it may be worthwhile to investigate the possibility of having state commissions conduct additional outreach activities, in conjunction with public assistance agencies. Not only would this ensure a certain degree of message consistency in areas served by multiple carriers, but because low-income programs vary from state to state, it may be more efficient (and more cost-effective) to strive for increased awareness of a state's program overall, rather than any single carrier's implementation of the state's program.

Respectfully submitted,

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## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing COMMENTS OF SPRINT CORPORATION was sent by electronic mail or by United States first-class mail, postage prepaid on this the 23rd day of August, 2004 to the following parties.

  
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