

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

In the Matter of	)	
	)	
Petitions Concerning Eligible	)	CC Docket No. 96-45
Telecommunications Carrier Designations	)	
And the Lifeline and Link-Up	)	WC Docket No. 03-109
Universal Service Support Mechanisms	)	

**REPLY COMMENTS OF VERIZON**

Several commenters encourage the Commission to grant the petitions of AT&T and TracFone based purely on the assumption that it will lead to the availability of more universal service support to low-income consumers.<sup>1</sup> However, as Verizon pointed out in opening comments, there is no evidence that would be the case. *See* Verizon Comments, at 3-6 (filed Sept. 20, 2004). Indeed, it is possible that granting the instant petitions would actually *decrease* the amount of support low-income customers receive. *Id.*, at 3-4. That is because allowing carriers to become eligible telecommunications carriers (“ETC”) only for purposes of achieving Lifeline support, without also requiring them to provide other universal service supported services, may lead to fewer carriers choosing to provide high cost support. *Id.* In addition, given the proposals to limit high cost support to only one primary line, customers may have to choose between receiving either high cost support or Lifeline support, because no one carrier offers both. *Id.*

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<sup>1</sup> *See, e.g.*, Comments of League of United Latin American Citizens, at 2 (filed Sept. 20, 2004); Comments of National Congress of American Indians, at 3 (filed Sept. 16, 2004).

Moreover, there are a number of “broad-ranging implications” that would result from granting the instant petitions.<sup>2</sup> If the Commission does not deny the petitions outright, these issues would more appropriately be addressed in a rulemaking proceeding, rather than in response to particular petitions.<sup>3</sup>

At the outset, one key issue is whether the Commission would have the statutory authority to grant the instant petitions. As several commenters have noted, the statute does not allow ETCs the ability to pick and choose the universal service supported services they will provide customers.<sup>4</sup> If the Commission were to use its general rulemaking authority to fund these providers, it would have to create a separate program – funded by something other than the universal service fund – to provide Lifeline support to these carriers. Verizon Comments, at 2 n. 4. The costs and administrative burdens of administering such a separate program would be significant.

In addition, because at least one of the petitioners has requested that “Lifeline ETCs” not be required to satisfy the “costly” obligations of becoming an ETC, *see AT&T*

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<sup>2</sup> See Comments of the National Association of State Utility Consumer Advocates (“NASUCA”), at 8 (filed Sept. 20, 2004).

<sup>3</sup> *Id.*, at 2, 8-9; Comments of the Oklahoma Rural Telephone Companies, at 6 (filed Sept. 20, 2004). Of course, if the Commission were to deny the petitions, these issues would not have to be addressed in a separate rulemaking. Indeed, AT&T’s petition is a request for reconsideration of an order in the Lifeline proceeding, where the Commission previously denied the request. *See Lifeline and Link-Up*, Report and Order and Further Notice of Proposed Rulemaking, 19 FCC Rcd 8302, ¶ 54 (2004) (“Lifeline Order”). The Commission’s decision was consistent with the recommendation of the Joint Board. *See Federal-State Joint Board on Universal Service*, Recommended Decision, 18 FCC Rcd 6589, ¶ 61 (2003) (“Recommended Decision”).

<sup>4</sup> See Verizon Comments, at 1-3; National Telecommunications Cooperative Association (“NTCA”) Comments, at 2-4; Comments of the Rural Iowa Independent Telephone, at 2 (filed Sept. 20, 2004); Comments of the United States Telecom Association, at 2-3 (filed Sept. 20, 2004).

*Petition*, at 3-4, it is unclear what, if any, standards a “Lifeline ETC” provider would have to satisfy. *See* NASUCA Comments, at 4-8.<sup>5</sup> It is also unclear how such carriers would ensure that Lifeline funds were not misused. The mobile and prepaid nature of services being offered by TracFone would make Lifeline offerings for those services particularly susceptible to customer fraud.<sup>6</sup>

In addition, there has been no real analysis of how granting the instant petitions would impact the rest of the universal service program. As the Commission reasoned when originally denying AT&T’s request, “[e]xtending Lifeline/Link-Up universal service support to carriers that do not satisfy the requirements for designation as an ETC could also serve as a disincentive for other carriers to comply with their ETC obligations.” *Lifeline Order*, ¶ 54. If the Commission were to allow carriers to become ETCs for some purposes but not others, such carriers could choose to comply with the lower threshold ETC obligations, denying customers the benefit of a full ETC provider. Other commenters have also questioned whether a “Lifeline ETC” rule would lead to cherry picking of Lifeline customers, or a siphoning off from support from full-service

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<sup>5</sup> TracFone insists that its petition is different than AT&T’s because it would “meet all requirements to be *designated* as an ETC,” but then would limit the universal service supported services it provides to customers to only Lifeline. *See* TracFone Comments, at 5 (filed Sept. 20, 2004) (emphasis added). However, this is merely a semantic difference from what AT&T requests. The statute requires an ETC “must offer and advertise *the services supported by the federal universal service mechanisms* throughout the designated service area . . .” 47 U.S.C. § 214(e)(1) (emphasis added). If a carrier signals its intention at the outset not to provide certain universal service programs to its customers, it cannot satisfy the initial criteria for obtaining ETC designation, or the ongoing obligations of an ETC.

<sup>6</sup> Because the services are prepaid and mobile, a customer might order multiple prepaid minutes per month and resell excess service to others.

ETCs.<sup>7</sup> These are all issues that should be explored and resolved in a general rulemaking proceeding before the Commission considers whether to grant the instant petitions.

**Conclusion**

The Commission should deny the petitions.

Respectfully submitted,



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<sup>7</sup> USTA Comments, at 3-4; Comments of the Rural Iowa Independent Telephone, at 2.