Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109
	)	
Universal Service Contribution Methodology	)	WC Docket No. 06-122
	)	
Numbering Resource Optimization	)	CC Docket No. 99-200
	)	
Implementation of the Local Competition Provisions in the Telecommunications Act of 1996	)	CC Docket No. 96-98
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Intercarrier Compensation for ISP-Bound Traffic	)	CC Docket No. 99-68
	)	
IP-Enabled Services	)	WC Docket No. 04-36

COMMENTS OF TRACFONE WIRELESS, INC.

Tracfone Wireless, Inc. (TracFone), by its attorneys, hereby comments on the alternative intercarrier compensation and universal service reform proposals attached to the Commission's recently-issued order in the above-captioned docketed proceedings.[1] In the Remand Order/FNPRM, the Commission invited comment on three alternative proposals for reforming intercarrier compensation and universal service. One of those proposals (Appendix A) is the comprehensive reform proposal of circulated by Chairman Martin prior to the November 4, 2008

[1] In the Matter of High-Cost Universal Service Support, *et al* (*Order on Remand and Report and Order and Further Notice of Proposed Rulemaking*), FCC 08-262, released November 5, 2008 ("Remand Order/FNPRM").

Commission meeting; the second proposal (Appendix B) is a narrower proposal limited to reforming universal service circulated on October 31, 2008; the third proposal (Appendix C) is an alternative comprehensive proposal circulated on November 5, 2008. TracFone's comments are limited to two aspects of those proposals: 1) the proposed establishment of a telephone numbers-based universal service fund (USF) contribution methodology and the proposed alternative contribution methodology for prepaid wireless services; and 2) the proposal to establish a broadband Lifeline pilot program for low income households.

I. If the Commission Adopts a Numbers-Based USF Contribution Methodology, a By the Minute Contribution Plan for Prepaid Wireless Services Would be an Essential Component of the Plan

All three proposals include a transition from the current revenues-based USF contribution methodology to a contribution methodology in which contributors (providers of interstate telecommunications services and, in some cases, such as providers of "telecommunications" including interconnected Voice over the Internet Protocol services) would be assessed based on assigned working telephone numbers. Various iterations of the numbers-based proposal have been before the Commission since 2002 and numerous comments have been received in favor of and in opposition to basing USF contributions on telephone numbers.

TracFone has on multiple occasions raised concerns about a numbers-based USF contribution methodology. Having received comments on the pros and cons of a numbers-based system for more than six years, the Commission is by now well-aware of the arguments in favor of and in opposition to replacing the current revenues-based methodology with a numbers-based methodology.

TracFone is pleased that all three proposals attached to the Remand Order/FNPRM include an alternative contribution methodology for prepaid wireless. Each proposal describes a methodology based on a plan suggested by TracFone which it calls the "USF By the Minute"

plan.[2] Under the USF By the Minute plan, providers of prepaid wireless services would have their USF contributions calculated by dividing the monthly per number assessment (currently proposed to be $1.00) by the average monthly minutes of use per postpaid wireless consumer as compiled by CTIA-The Wireless Association®, and then multiplying that amount by the prepaid provider's number of minutes per month. This method would ensure that providers of prepaid wireless service -- and ultimately users of those services -- make a fair contribution to the USF while avoiding disproportionate increases in the USF contribution burden borne by those users who, as the Commission acknowledges, typically are low income consumers. As the Commission notes in the plan description in its proposals, the USF By the Minute plan has been supported by various commenters.[3] Significantly, it has received no objection to the proposal from any party.

The USF By the Minute plan is a fair plan which should be included in the event that the Commission chooses to implement a numbers-based contribution methodology. TracFone commends the Commission for including the USF By the Minute plan in each of its numbers-based contribution reform proposals, and respectfully urges the Commission to include the plan should it elect to adopt a numbers-based contribution methodology.

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[2] See Appendix A at ¶¶ 135-139; Appendix B at ¶¶ 83-88, Appendix C at ¶¶ 131-135.
[3] See, *e.g.*, Appendix A at n. 339.

II. The Broadband Lifeline Pilot Program Proposed by the Commission Should be Modified in Order to Effectively Increase Broadband Penetration Among Low Income Households

Both Chairman Martin's initial proposal (Appendix A) and the alternative proposal (Appendix C) include a proposed plan to establish a pilot project to make broadband service available to low income households. That proposal is modeled, in part, on broadband for low income household proposals submitted by TracFone,[4] and by the Computer & Communication Industry Association (CCIA).[5] Though somewhat different in their particulars, both TracFone and CCIA have noted that utilization of broadband Internet access services is disappointingly low among low income households and have asked the Commission to address that growing Digital Divide between economic "haves" and "have nots." Both proposals received favorable comment from many parties.[6] TracFone and CCIA cite to a recent study of the Pew Internet & American Life Project that found that only twenty-five percent of households with annual incomes below $20,000 subscribe to broadband services -- far below the national average of fifty-five percent and very far below the eighty-five percent broadband penetration rate among households with incomes above $100,000.

To address this Digital Divide, TracFone has proposed that the Commission conduct a pilot project in which 500,000 to 1,000,000 low income households in several jurisdictions would participate. Under the TracFone plan, participating providers (Eligible

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[4] Petition to Establish a Trial Broadband Lifeline/Link Up Program, WC Docket No. 03-109, CC Docket No. 96-45, filed October 9, 2008.

[5] Petition for Rulemaking of Computer & Communication Industry Association (In the Matter of Petition for Rulemaking to Enable Low-Income Consumers to Access Broadband Through the Universal Service Lifeline and Link-Up Programs), filed October 7, 2008.

[6] Among those who have commented in support of a broadband Lifeline program are T-Mobile USA, Inc., SeniorNet, the National Caucus and Center on Black Aged, the Telecommunications Research and Action Center, the Coalition of Organizations for Accessible Technology, Consumer Action, the American Federation for the Blind, the Alliance for Public Technology, Florida Consumer Action, and the National Consumers League.

Telecommunications Carriers) would receive subsidies up to $250 to offset the cost of providing a suitable Internet access device -- either a laptop/desktop computer or a hand held device. In addition, each participating household would receive $30.00 in monthly support to offset the cost of broadband Internet access service. The program would operate for one or for two years, during which time, its effects could be assessed and a determination made as to whether the program should be continued either in its current form or in a modified form.

TracFone is pleased that the Commission has proposed a broadband Lifeline pilot program. The specific program suggested by the Commission is more limited than TracFone's proposal. Under the Commission proposal, the program would be funded for three years at $300 million per year. The program would cover fifty percent of the installation and device cost up to $100 per customer. In addition, the program would double the amount of monthly support up to $10 to the ETC providing service to offset the increased cost of providing broadband Internet access.

In proposing a more limited and less costly program than that suggested by TracFone, the Commission expressed concern that the TracFone plan, if implemented nationally, could significantly increase the size of the USF. TracFone shares the Commission's concern about USF growth and generally supports efforts to control fund size and limit growth. It is for that reason that TracFone supported a cap on competitive ETC high cost support and supported the Commission's proposal to utilize reverse auctions to award high cost support.

However, it should be noted that the plan set forth by TracFone is a pilot project -- it is an experiment. By limiting the amount of support to $100 per device and $10 per month for Internet access, TracFone is concerned that the amounts will be insufficient to materially increase broadband usage by low income households. TracFone fears that, at the limited support

levels contained in the Commission's proposal, few, if any ETCs, will be inclined to participate. A more fully-funded broadband support program, even if limited to a finite number of participants or confined to a few geographic areas, will provide the Commission with invaluable information as to whether such a plan can work, *i.e.*, whether a broadband Lifeline program can significantly increase availability of broadband Internet access to low income households. Once the results of the pilot program are assessed, decisions can then be made as to whether it is worth fully funding and whether the program should be expanded.

The Commission may learn through this broadband Lifeline pilot program that subsidization of low income households' purchase of broadband Internet access can significantly increase broadband penetration and bridge the Digital Divide. If that occurs, the Commission and others then can focus on how such broadband support for low income households should be funded. Funding need not necessarily come from the federal Universal Service Fund. Such programs may be funded by the national treasury through Congressional appropriations. Whether or not to seek such appropriations through the legislative process may be considered depending on the results of the pilot program. The importance of a pilot program is that it will provide the data upon which future broadband funding decisions can be based.

As the Commission correctly notes, broadband access has not yet been determined to be a universal service supported service.[7] Since it is not at all certain whether or not the program will be successful and it is unknown what long-term changes to the overall universal service program may be made, TracFone believes that the Commission's concerns about fund growth at this time are premature. For that reason, TracFone urges the Commission to approve a pilot program

[7] Appendix A at n. 174.

which provides meaningful and adequate support so that the stimulus effect, if any, on broadband penetration among low income households can be properly examined.

Conclusion

For the reasons set forth in these comments, TracFone respectfully urges that the Commission include a By the Minute contribution methodology plan for prepaid wireless if it adopts a telephone numbers-based universal service fund contribution methodology, and that it establish a broadband Lifeline pilot program with sufficient funding support so that the impact of Lifeline support on low income broadband Internet access penetration may be properly evaluated.

Respectfully submitted,

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November 26, 2008