BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
The National Broadband Plan	)	GN Docket Nos. 09-47, 09-51, 09-137
The Role of the Universal Service Fund and Intercarrier Compensation in the National Broadband Plan	)	

COMMENTS – NBP PUBLIC NOTICE #19

Cox Communications, Inc.

J.G. Harrington
Derek Teslik

DOW LOHNES PLLC
1200 New Hampshire Avenue, N.W., Suite 800
Washington, D.C. 20036
202-776-2000

Its Attorneys

December 7, 2009

SUMMARY

The Public Notice seeks comments on a series of universal service issues that are critical to the long-term development and management of broadband in the United States. These comments focus on three of those issues: the contribution methodology, carrier of last resort ("COLR") obligations and broadband for low income individuals.

First, reform of the contribution methodology is essential because the revenues-based approach is unsustainable in the current environment. The Commission should adopt a new methodology that eliminates opportunities for arbitrage and does not unfairly burden any customer class. The Commission can meet these goals with a hybrid methodology that bases contributions on telephone numbers for residential and small business customers; that caps or tiers contributions for customers that use large quantities of numbers; and that requires enterprise customers to pay flat fees based on the connections they purchase. The Commission should not, however, subject consumer broadband services to universal service contributions until it addresses flaws in the high cost program and begins to support broadband through universal service mechanisms.

Second, the National Broadband Plan should encourage elimination of COLR obligations in competitive markets and clarification of the scope of those requirements in all markets. Although COLR obligations are not as widespread as suggested by the Public Notice, they have little utility in competitive environments. Any obligations that remain should be limited, explicit, and competitively neutral, and monopoly providers subject to COLR obligations should be required to meet quality and oversight requirements to ensure that they provide good service where they retain their monopolies.

Finally, the Commission should adapt the current Lifeline/Link-Up program to support broadband use by low-income Americans. This program is well positioned to address key barriers to broadband adoption: lack of equipment and lack of service. A Lifeline Broadband program should provide vouchers towards the purchase of computers, valid at any retailer; support for connection and installation charges; and ongoing support for service charges. Cox

estimates that a program that provided $200 for equipment and covered roughly half of typical broadband installation and service fees would cost approximately $77 million a year to reach 10 percent of low income households without broadband and $700-$800 million a year to reach all low income households.

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Cox Communications, Inc. ("Cox"), hereby submits these comments in response to the Public Notice[1] issued by the Federal Communications Commission (the "FCC" or the "Commission") requesting comment on the role of the Universal Service Fund and Intercarrier Compensation in the National Broadband Plan.

I. Introduction

Cox has long been a leader in the provision of high-quality video, voice and broadband services to consumers and businesses around the country. Cox was one of the first facilities-based competitors in the local telephone business and was a pioneer in offering broadband Internet access over its cable facilities. Cox is now the third-largest provider of video and broadband services, with more than 6 million customers, and soon will launch facilities-based wireless services as well. As a telephone provider, Cox serves more than 2.78 million residential

[1] *Public Notice*, Comments Sought on the Role of the Universal Service Fund and Intercarrier Compensation in the National Broadband Plan, DA 09-2419 (Wir. Comp. Bur. rel. Nov. 13, 2009) (the "Public Notice").

lines and more than 141,000 commercial customers, including both small and large businesses. Cox has repeatedly won awards for the quality of its service, including multiple J.D. Power and Company awards for telephone and Internet service.

Cox's long experience as a telephone competitor has included receiving certification as an eligible telecommunications carrier in several states and providing Lifeline service to more than 100,000 customers. Cox also has devoted significant resources to increasing broadband adoption in its markets. This experience informs Cox's approach to the issues raised by the Public Notice.

These comments focus on three specific areas. First, the Commission should eliminate the current universal service contribution methodology and substitute a hybrid approach that bases contributions on numbers for most customers; caps or tiers contributions for large consumers of telephone numbers; and assesses contributions on a per-connection basis for high-capacity customers. Second, the Commission should address carrier of last resort issues by eliminating those obligations where competition is in place. Third, the Commission should adopt a new Lifeline Broadband program that provides specific subsidies for equipment, installation and ongoing broadband service, using the current Lifeline framework as the basis for the new program.

Finally, Cox notes that the Public Notice requests comment on many issues that are the subject of ongoing proceedings before the Commission and are ripe for decision in those proceedings, including NCTA's Petition for Declaratory Ruling on the reform of the high cost fund.[2] These issues include reform of the contribution mechanism, inter-carrier compensation reform, and high-cost program reform. Therefore, to the extent the Commission concludes it has

[2] See National Cable & Telecommunications Association, *Petition for Rulemaking*, Docket No. 96-45 (filed Nov. 5, 2009).

enough information to address these issues, Cox believes it can and should issue revised rules without opening new proceedings.[3]

II. Contribution Methodology.

In the Public Notice, the Commission asked how the current methodology for assessing contributions to the Universal Service Fund should be modified.[4] This is, of course, not the first time that the FCC has sought comment on reforming the universal service fund contribution mechanism.[5] Moreover, Cox notes that Representatives Boucher and Terry have released a universal service reform bill that would, among other things, direct the Commission to consider whether the universal service support mechanism should be based on revenue, telephone numbers, or a combination of the two.[6]

Change is necessary because the existing revenues-based contribution mechanism has become unsustainable as assessable revenues have failed to keep pace with the growth of the fund. This is a long-term trend that is unlikely to reverse itself, given the ongoing reductions in charges for interstate services that have resulted from competition and the shift of traffic from traditional telecommunications services to other arrangements.

While the Commission should reform the contribution methodology to ensure the fund's long-term sustainability, it also must avoid adopting a system that would require further modifications in the future. Most importantly, any revised methodology should neither provide opportunities for regulatory arbitrage nor lead to unfair outcomes for any customer class.

Both of these considerations are significant. Opportunities for regulatory arbitrage would allow service providers to avoid universal service obligations and distort the market for

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[3] For that reason, Cox also is submitting these comments as a written *ex parte* submission in the appropriate dockets.

[4] Public Notice at 1-2.

[5] *See, e.g.*, In the Matter of Federal-State Joint Board on Universal Service, *Report and Order and Second Further Notice of Proposed Rulemaking*, 17 FCC Rcd 24952 (2002).

[6] Universal Service Reform Act of 2009, Discussion Draft, *available at* http://www.boucher.house.gov/images/usf%20discussion%20draft.pdf (last visited Dec. 7, 2009).

telecommunications services to the long-term detriment of the industry and consumers. This problem is evident today, as providers like magicJack offer service for only a few dollars more than what other providers pay in universal service assessments per residential line on average.[7]

At the same time, the Commission also should avoid any outcome that imposes unfair or wildly different burdens on particular classes of customers. Even though the revenue-based system is unsustainable, it allocates universal service costs efficiently among customers in a way that generally does not affect their incentives to purchase particular kinds of telecommunications services. A methodology that imposed radically higher (or lower) costs on specific types of customers could result in customers making decisions about what services to buy purely on the basis of universal service obligations, introducing another form of market distortion.

A hybrid per-telephone-number/per-connection methodology, designed as outlined below, would achieve these goals. As the Commission is aware, in this area self-interest determines the preferred approach: residential and smaller commercial customers generally favor a numbers-based approach; commercial customers assigned many numbers, such as hotels, want their total obligation capped; and enterprise customers that purchase high-bandwidth telecommunications-service connections prefer an approach based on the number of telecommunications connections. While in this case self-interest might be entirely reasonable, the Commission can and should balance each of these interests in revising the contribution methodology. Moreover, customers should not be assessed any universal service fee based on their broadband connections to the Internet unless and until the universal service fund is modified to cover broadband service or facilities.

The starting point for the revised funding methodology should be to base most contributions on the telephone numbers assigned to a customer. This approach is appropriate for customers who purchase services that are inextricably tied to telephone numbers, such as

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[7] As of this writing, magicJack offers a year of service for $19.95. *See* magicJack, *FAQ*, *available at* http://www.magicjack.com/2/faq/ (last visited Dec. 3, 2009). Cox's average annual universal service assessment to a residential customer is approximately $10.00.

residential service and service purchased by small businesses. However, because a purely numbers-based assessment would unreasonably and unfairly burden customers, such as hotels and hospitals, that use large quantities of telephone numbers, it is inappropriate to apply this approach to those customers without certain conditions.

The FCC could address number-intensive customers in two ways. The Commission could adopt a cap on the number of assessable telephone numbers for any one customer. Although this system would be simple to administer, it would allow some arbitrage opportunities, as customers could avoid any additional contributions above a set point. A more complex approach, but one that might more accurately reflect the burdens and benefits associated with larger customers, would be to design a tiered system that would assess a decreasing marginal contribution on customers as they add more telephone numbers to their accounts.[8]

Another segment of the market that is not addressed by a pure numbers-based approach is enterprise customers that purchase high-capacity telecommunications-service circuits not associated with telephone numbers. The Commission also should ensure that these customers make appropriate contributions to the fund. Therefore, commercial customers should pay a flat fee on such high-capacity telecommunications circuits. The Commission should consider whether this fee should vary based on the capacity purchased by a commercial customer, so as to ensure that, as with users of large quantities of telephone numbers, the fees accurately reflect the burdens and benefits associated with these customers.

Setting the specific fees for numbers and connections will require the Commission to take care to ensure that the current balance among types of customers and types of service is not unnecessarily upset. However, one advantage of the approach proposed by Cox is that it gives the Commission the opportunity to set the fees assessed on commercial and residential customers separately, which will make it easier to maintain that balance as between residential and

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[8] A tiered numbers-based fee may be unnecessary if the benefits and burdens associated with these customers can be reflected, instead, in a connections-based fee like the one described below.

commercial contributions. While a purely numbers-based system may be attractive for its apparent simplicity and consistency, in practice making the effort to adopt a balanced approach will be more beneficial to consumers in the long run.

Cox has estimated the charges that would be necessary and appropriate in the framework proposed above. The base pass-through charge would be $0.96 per assessable telephone number, and if numbers-based contributions were limited by a cap, that cap would be set at 1,000 numbers. On the other hand, if marginal per-number contributions were based on a decreasing tier, the contributions would be $0.96 per assessable number up to 500 numbers, $0.25 per assessable number for total numbers between 500 and 1000, and $0.10 per assessable number for total numbers greater than 1000. Finally, the connections-based assessments on enterprise customers should be $2.00 per telecommunications-service connection per month for dedicated connections up to and including 25 Mbps; $15.00 per connection per month for dedicated connections over 25 Mbps and up to 100 Mbps; and $250.00 per connection per month for dedicated connections over 100 Mbps. Cox emphasizes, however, that connections-based assessments should apply to telecommunications circuits that do not utilize telephone numbers.

Based on current levels of the Universal Service Fund and usage of telecommunications service, Cox has estimated that these amounts should be sufficient to cover current needs. These amounts, however, are only estimates. Consequently, the proposed per-telephone-number/per-connection model should be completely tested by contributors and the FCC prior to implementation to ensure complete fund requirements are met without excessive surplus and to allow each contributor ample time to assess potential customer relationship impacts. The testing period should be no less than one year, with required reporting and analysis performed on a monthly basis. With sufficient testing time, any necessary changes to the proposed model can be made prior to implementation.

Finally, assessing fees on consumer broadband services, including cable modem service, DSL, wireless broadband access, and services like broadband Internet over FiOS, is not appropriate until such time as the Commission's universal service program is reformed to

address the amply documented problems with the high cost program and includes support for these types of services for broadband deployment and infrastructure investment.[9] Further, it is important that contributions to the universal service fund reflect a balancing of burdens and benefits, as described above. Assessing broadband services that are not beneficiaries of the fund is inconsistent with that balancing and, in effect, constitutes a transfer from broadband to other services. Such a tax, which would have the inevitable effect of slowing broadband adoption, would be inappropriate in the context of the national goal of making broadband available to all in the absence of any directly related benefit to consumers of broadband services. There is, in particular, no reason to use funds from broadband customers to subsidize traditional landline telephone service. Consequently, it would be unwise to assess contributions on consumer broadband services at this time. Finally, even if broadband were added as a subsidized service, Cox reiterates that the Commission must reform the anti-competitive aspects of the current high cost program before it imposes a funding obligation on broadband customers.

III. Competitive Neutrality and Carrier of Last Resort Obligations.

In the Public Notice, the Commission asked how disparate carrier of last resort ("COLR") obligations and USF support levels could be harmonized with the principle of competitive neutrality adopted by the Commission in 1997.[10] Cox believes that the Public Notice overstates the regulatory disparity between competitors that exists today. In fact, both competitive and incumbent carriers are subject to COLR requirements in some states, and in other states the legislature or the public utilities commissions have removed COLR obligations for some or all carriers. The National Broadband Plan should encourage the removal of unnecessary COLR

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[9] Although Cox advocates for the creation of a Lifeline Broadband program below, that program alone should not be a trigger for the assessment of broadband services. The Lifeline program is a fraction of the High Cost program, which is fraught with many problems, including an unsustainable size. Further, Cox acknowledges that the schools and libraries program supports some broadband services. However, that is not the focus of the program or of the broader universal service fund.

[10] Public Notice at 5-6, *citing* Federal-State Joint Board on Universal Service, *Report and Order*, 12 FCC Rcd 8776, 8801-8803 (1997) (subsequent history omitted).

requirements in competitive markets and the clarification of remaining COLR requirements in all markets.

First, the Public Notice is incorrect when it states that "virtually all incumbent local exchange companies operating in rural high-cost areas have carrier of last resort (COLR) obligations for voice service, while other providers that are offering voice, video and/or broadband in such areas do not."[11] Although it is not an ILEC, Cox is subject to COLR obligations in some of the states it serves.[12] In other states, ILECs are not required to comply with any specific regulatory or statutory COLR obligations.[13] Moreover, some states have moved in recent years to eliminate COLR obligations that have become unnecessary due to the evolution of a competitive marketplace.[14] In those states that impose COLR obligations on ILECs, these obligations often are neither absolute nor inherently burdensome: in Florida, for example, carriers have had no COLR obligations since the end of 2008.[15] At the same time, carriers typically impose line extension charges on customers requesting service in locales far

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[11] Public Notice at 6.

[12] For example, Cox faces COLR obligations in Kansas and Louisiana.

[13] For example, Nebraska requires at least one carrier to serve each local exchange area, but does not necessarily require the incumbent carrier to satisfy that burden. *See* The Nebraska Public Service Commission, on Its Own Motion, Seeking to Establish a Long-Term Universal Service Funding Mechanism, *Reply Comments of Qwest Corporation*, App. No. NUSF-26 (Neb. Pub. Serv. Comm'n. Filed Dec. 14, 2001), *citing* NEB. REV. STAT. § 86-806.

[14] *See, e.g.*, Review of the Existing State Universal Service Fund as Established by LPSC General Order dated April 29, 2005, as amended May 18, 2005, *General Order*, Docket No. R-30840 (La. Pub. Serv. Comm'n Feb. 11, 2009) (establishing criteria for lifting carrier of last resort obligations in Louisiana); 2007 Nev. Stat. 684 (directing the Public Utilities Commission of Nevada to establish a procedure by which an incumbent local exchange carrier may be excused from its obligations as the provider of last resort); Petition for relief from carrier-of-last resort (COLR) obligations pursuant to Florida Statutes 364.025(6)(d) for two private subdivisions in Nocatee development, by BellSouth Telecommunications. Inc., *Order Granting Petition for Relief From Carrier-of-Last-Resort Obligation*, Docket No. 060822-TL, Order No. PSC-07-0862-FOF-TL (Fla. Pub. Serv. Comm'n. 2007); Request of AT&T Communications of the Southwest, Inc., to Terminate Carrier of Last Resort Obligation, *Report and Order*, Case No. TO-99-615 (Mo. Pub. Serv. Comm'n. 2000).

[15] FLA. STAT. § 364.025(1).

from existing plant.[16] While customers served pursuant to COLR line extension requirements may not be as profitable for providers as those served by existing plant, the carrier does not shoulder the cost of extending the plant. Consequently, in most cases existing COLR obligations do not substantially affect the economics of deploying broadband or other services in rural areas.[17]

In addition, COLR obligations have little utility in today's competitive environment. Indeed, as CenturyLink explained in a proceeding before the Nebraska Public Service Commission, the "COLR obligation is a legacy of the old monopoly regulation, where ILECs were provided exclusive franchises to serve specific areas in return for the obligation to provide service to all customers within that service territory."[18] COLR obligations were necessary historically given the economic incentives monopoly providers faced to withhold service from, or unreasonably discriminate against, customers that were the most expensive to serve. In competitive environments with two or more providers, however, these incentives weaken or disappear. Indeed, the value of the marginal revenue a carrier can earn by serving more distant or more expensive customers increases as the competition for other, less expensive customers increases. Other regulators have agreed that a robust competitive marketplace eliminates the

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[16] *See, e.g.*, N.D. Century Code § 49-21-23.2 (requiring all carriers to serve customers within their certificated areas, but only if remote customers are willing to pay the cost to extend facilities).

[17] *See* Public Notice at 6, question 5a.

[18] State Universal Support of Basic Local Service Included in a Bundled Service Offering or Contract Offering, *Direct Testimony of Ann C. Prockish on behalf of United Telephone Company of the Carolinas, LLC d/b/a CenturyLink*, Docket No. 2009-326-C (So. Car. Pub. Serv. Cmmn. filed Oct. 9, 2009); *see also* The Nebraska Public Service Commission, on Its Own Motion, Seeking to Establish a Long-Term Universal Service Funding Mechanism, *Reply Comments of Qwest Corporation*, App. No. NUSF-26 (Neb. Pub. Serv. Commn. Filed Dec. 14, 2001) ("The Nebraska Revised Statutes and the 1996 federal Telecommunications Act ("Act") broke the 'regulatory compact' that previously protected telephone companies from competition in exchange for an unqualified duty to serve by introducing competition into the local market.")

need for COLR requirements, as AT&T and other ILECs have petitioned state utility commissions successfully for reduction or elimination of existing COLR obligations.[19]

To remove any potential disparities in regulatory obligations and to the extent that states continue to impose COLR requirements, the Broadband Plan should recommend that COLR obligations be limited, explicit, and competitively neutral, particularly if such obligations are tied to high cost or low income federal USF subsidies. To provide sufficient clarity, COLR obligations should provide a limited distance from existing telephone- or broadband-ready plant within which a provider is obligated to extend service without assessing line-extension charges. Similarly, the FCC should enumerate reasonable steps a provider may take to reduce credit risk, such as requiring deposits, when extending COLR-required service to customers. Finally, monopoly providers subject to COLR obligations should be required to meet service quality standards and reporting and oversight obligations to guarantee that they provide reasonable service in areas where customers have no competitive choice. Such specificity will provide much-needed clarity in an area of policy that today is unfortunately murky and thus misused by incumbents to push anti-competitive agendas.

IV. Lifeline/Link-Up.

In the Public Notice, the Commission asked how the Lifeline/Link-Up program could be extended to support broadband use by low-income Americans.[20] The Commission specifically requested comment on, among other things, how to support devices necessary for broadband adoption, how to provide consumers with flexibility among supported broadband services, and the potential participation of non-ETCs in a new low-income broadband program.

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[19] *See, e.g.*, Request of AT&T Communications of the Southwest, Inc., to Terminate Carrier of Last Resort Obligation, *Report and Order*, Case No. TO-99-615 (Mo. Pub. Serv. Comm'n. 2000).

[20] Public Notice at 6-8.

As Cox previously has described, the Lifeline program can and should be modified to encourage broadband adoption by low-income subscribers.[21] By harnessing the existing Lifeline infrastructure, the Commission can spur broadband adoption among the low income population efficiently and inexpensively. Using Lifeline is particularly likely to be effective because the components necessary for an effective program already are in place. For example, the Lifeline program already contains the means to identify and designate eligible customers and providers and already has audit and abuse prevention structures in place. Creating a new program would require new structures and processes that would be redundant and unlikely to be more effective than the proven Lifeline approach.

Moreover, the Lifeline program is ideally positioned to address the most significant barriers to broadband adoption. The primary barrier to broadband adoption is the lack of necessary equipment: Cox's internal research shows that approximately 70% of low-income customers do not have computers. A voucher program leveraging the existing Lifeline infrastructure, as described below, would address this barrier. Likewise, installation and service fees represent an independent barrier to adoption, just as they do for telephone customers.[22] The Lifeline and Link-Up programs that today remove these barriers to taking voice services can provide the same benefits to low income consumers that wish to take broadband service.

The Lifeline Broadband program, as described in these comments, would complement and work in concert with other broadband programs, such as the NCTA's Adoption Plus proposal. The Adoption Plus proposal includes a digital literacy program, focuses narrowly on low-income students in grades six through nine, relies heavily on private sector participation and

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[21] *See* Letter of J.G. Harrington, Counsel for Cox Communications, Inc. to Marlene H. Dortch, Secretary, FCC, Apr. 13, 2009, GN Docket No. 09-40. These comments also were submitted to the National Telecommunications and Information Administration in conjunction with its consideration of how to implement the broadband stimulus provisions of the Recovery Act. *See* American Recovery and Reinvestment Act of 2009 Broadband Initiatives, *Comments of Cox Communications, Inc.*, National Telecommunications and Information Administration Docket No. 090309298-9299-01 (filed Apr. 13, 2009).

[22] *See, e.g.*, Federal-State Joint Board On Universal Service, *Report and Order*, 12 FCC Rcd 8776, 8965-6 (1997).

discounts and aims for one-time subsidies from the federal government based on the Broadband Stimulus Package rather than a continuing subsidy.[23]

A sustainable Lifeline Broadband program should be guided by four principles. First and foremost, the program should focus on the customer, by providing flexibility to obtain the necessary equipment and service. Second, the program should not encourage current low-income broadband subscribers to take a lower-speed service. Third, the program should focus on eliminating the affordability barrier. Finally, the program should be large enough to have a real and appreciable effect on broadband adoption.

First, a successful Lifeline Broadband program must be customer-focused. The program can accomplish this goal by providing a flexible mechanism that offers low-income customers the same competitive choices as other retail customers for broadband service and necessary equipment. Like the current Lifeline/Link-Up telephony program, the broadband program would offer virtual vouchers to subsidize broadband activation and service costs. These vouchers should not be limited to a specific broadband speed tier. Instead, the vouchers should provide a fixed dollar discount, just as Lifeline offers fixed monthly amounts to eligible customers.[24] The vouchers should have a value that would meaningfully reduce the cost of mid-tier broadband service but a Lifeline Broadband customer should be permitted to use them for any service tier that serves the customer's needs.[25]

Similarly, to subsidize needed equipment, the most effective mechanism would be a one-time discount voucher. These vouchers, provided by ETCs to qualifying customers, could be used at any retail outlet towards the purchase of a personal or laptop computer. While the vouchers should be valid at any retailer, nothing should prevent service providers from entering

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[23] *See, e.g.*, Steve Donohue, *Cable Offers 50% Broadband Discount to School Lunch Bunch*, CABLE DIGITAL NEWS (Dec. 1, 2009).

[24] *See* 47 C.F.R. § 54.403 (describing payments for Tier One, Tier Two and Tier Three Lifeline support).

[25] If the nominal value of the voucher exceeded the cost of the service, the voucher would cover only the actual cost.

into marketing or other arrangements with specific retailers that make additional discounts available to Lifeline Broadband customers.

Second, a flexible voucher program can ensure that the program does not inadvertently reduce the level of low-income broadband adoption. To meet this goal, the program should permit low-income broadband subscribers that qualify for the program to retain their current service, regardless of service level, while allowing them to obtain the benefits of the discount program, including an equipment subsidy if needed, to their existing service. The only limitation on the ability of a low-income customer to use the program should be that his or her provider is a program participant.

Third, the Lifeline Broadband program should focus on eliminating the affordability barrier. Cox believes that equipment and service prices are the greatest barriers to broadband adoption, and that reducing these barriers would therefore have the greatest immediate term impact on broadband penetration among low-income populations. To deliver these benefits promptly, the program should identify potential providers and designate participating providers quickly, efficiently, and with a minimum of administrative complexity. At the outset, every provider designated as an ETC for the purposes of the telephony Lifeline program should be eligible to elect to participate in the Lifeline Broadband program. Thereafter, the Commission should permit additional facilities-based broadband providers, whether wireline or wireless, to be designated as ETCs for purposes of the Lifeline Broadband program. Although ETC designation for Lifeline is a relatively simple process, it is important to have a "gate" into the Broadband Lifeline program to prevent abuse. Indeed, the Commission's experience shows that there is very little carrier fraud in the current Lifeline program.[26]

Although digital literacy is another barrier to broadband adoption, the Lifeline Broadband program should not include an education component. The existing Lifeline structure is well-

[26] *See, e.g.*, *Public Notice*, Inspector General Releases Statistical Analyses of Audits of Universal Service Fund (Off. Insp. Gen. rel. Oct. 3 2007) (announcing that the Low Income program had the lowest erroneous payment rate of the four universal service fund programs).

suited to address the prohibitive cost of broadband service, but it does not contain a mechanism that could effectively spread digital literacy. Rather than attempting to graft a such a program onto an imperfect host, the Broadband Plan should promote digital literacy in other ways, such as partnerships between service providers and community organizations, schools, and community colleges.

Fourth, a Lifeline Broadband program would be worthwhile only if it provided sufficient support to make a measurable difference in broadband adoption. Cox believes that government support covering approximately fifty percent (50%) of relevant costs, analogous to that available under the telephony Lifeline program, would be appropriate and effective. Moreover, based on Cox's Lifeline experience and on the latest data available from the USAC website, Cox estimates that a 10% increase in broadband adoption by low-income customers nationwide would require about $77 million in subsidies from the Lifeline Broadband program, Cox suggests that the program be initially funded at $300 million for the first year, which, if fully spent, should result in a 40% increase in broadband penetration among low-income subscribers.[27] Cox believes that a 40% goal is attainable and worthy. To reach this figure, Cox assumed that the program would provide a $200 equipment voucher, a $30 service activation discount, and a $15 service discount every month, and that there are approximately 2.75 million potential Lifeline Broadband consumers nationwide.[28]

Cox chose the proposed subsidy levels because they would be sufficient to provide subsidies to Lifeline Broadband customers substantial enough to allow them to purchase

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[27] To effectively close the entire 70% adoption gap that Cox's data shows, the Lifeline Broadband program would cost between $700-800 million. Cox does not believe, however, that it is necessary to fund the program for this entire amount at the outset, as the program is not likely to close the entire gap during the first year given that low-income customers may not all have the same needs and means to afford computer equipment and broadband service, even as discounted herein.

[28] Cox based the estimate of the number of potential Lifeline Broadband customers on Cox's current take rate for Lifeline telephone service among eligible customers in Cox's service area; current broadband subscribers, as extrapolated from the Commission's July 2009 Form 477 release; and the ratio of Lifeline telephone subscribers to regular telephone subscribers nationwide.

equipment and service. Although low-end PCs vary in price, a one-time $200 voucher would cover most of the cost of a netbook, laptop or desktop computer.[29] To provide this financial support to 10% of low-income customers nationwide in any one year would require $40 million. Likewise, a one-time voucher of $30 off the broadband activation fee should cover most or all of normal installation fees; providing this support to 10% low-income customers nationwide in any one year would require $6 million. Finally, the cost of broadband service with downstream speeds of 3 Mbps presently hovers around $30/month, and a $15 subsidy would provide a 50% discount off that rate. A $15 subsidy provided to 10% of low-income customers nationwide in any one year would require approximately $50 million.

Consistent with the current Link-Up rules, which allow only one subsidy for telephone activation per customer per address, equipment and activation support should be limited to one per family or customer address. However, given the rapid evolution of equipment, it might be important to the FCC to enable eligible low-income families to obtain another equipment discount every two or three years.

While the existing Lifeline program provides an appropriate framework for the Lifeline Broadband program, some elements of Cox's proposal have no analog in the existing Lifeline program. For example, there is no existing mechanism to distribute and administer equipment vouchers. Although the equipment voucher system proposed herein admittedly is more complex than the present Lifeline/Link-up virtual vouchers, NTIA's experience with DTV converter box coupons could prove helpful to USAC in administering such a program. Cox believes that the most effective way to tie the equipment subsidy to the broadband subsidy would be for broadband service providers to distribute equipment vouchers to customers when those customers register with their provider for the Lifeline Broadband program.[30]

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[29] For instance, on December 3, 2009, Best Buy's online store was offering netbooks for as little at $229, laptops for as little as $249 and desktop computers for as little as $299.

[30] Cox notes that service bundling could complicate the administration of combined Lifeline/Lifeline Broadband discounts for low-income customers taking both telephone and

(*continued . . .*)

(. . . *continued*)

Internet service from an ETC. Consequently, the Commission may wish to seek further comment on this aspect of the program.

V. Conclusion.

For all these reasons, Cox respectfully requests that the Commission act in accordance with these comments.

Respectfully submitted,

Cox Communications, Inc.

/s/_____

J.G. Harrington
Derek Teslik

DOW LOHNES PLLC
1200 New Hampshire Avenue, N.W.
Suite 800
Washington, D.C. 20036
202-776-2000

Its Attorneys

December 7, 2009

CERTIFICATE OF SERVICE

I, Derek Teslik, an attorney at the law firm of Dow Lohnes PLLC, certify that on this seventh day of December 2009, I caused the foregoing Comments to be served by first-class mail on the following:

Hon. Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street, S.W.
Room 8-B201
Washington, D.C. 20554

Hon. Robert M. McDowell
Commissioner
Federal Communications Commission
445 12th Street, S.W.
Room 8-C302
Washington, D.C. 20554

Hon. Meredith Attwell Baker
Commissioner
Federal Communications Commission
445 12th Street, S.W.
Room 8-A204
Washington, D.C. 20554

Rebekah Goodheart, Esq.
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W.
Room 8-A204
Washington, D.C. 20554

Hon. Michael J. Copps
Commissioner
Federal Communications Commission
445 12th Street, S.W.
Room 8-B115
Washington, D.C. 20554

Hon. Mignon Clyburn
Commissioner
Federal Communications Commission
445 12th Street, S.W.
Room 8-A302
Washington, D.C. 20554

Blair Levin
Executive Director, Omnibus Broadband Initiative
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Carol Mattey, Esq.
Office of Strategic Planning
Federal Communications Commission
445 12th Street, S.W.
Room 8-A204
Washington, D.C. 20554

/s/

Derek Teslik