

December 10, 2009

**VIA ELECTRONIC FILING**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: GN Docket No. 09-47  
GN Docket No. 09-51  
GN Docket No. 09-137

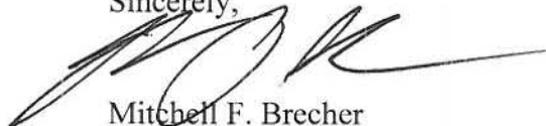
**NOTICE OF EX PARTE PRESENTATION**

Dear Ms. Dortch:

On December 8, 2009, F.J. Pollak, President and Chief Executive Officer, TracFone Wireless, Inc., and Harmony Knutson, Vice President, Government Relations, Navigators Global, LLC met with Blair Levin, head of the Commission's Broadband Team. During the meeting, Mr. Pollak and Ms. Knutson discussed TracFone's experience as a provider of Lifeline telecommunications service as a designated eligible telecommunications carrier and ideas regarding how to make available broadband service to hard-to-reach segments of the population, including low income households as well as how to encourage low income households to utilize broadband services. At the meeting, the attached presentation summarizing TracFone's experiences as a provider of telecommunication services to low-income households and its ideas for broadband deployment and adoption was provided to Mr. Levin.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically. Please direct any questions regarding this letter or the attached presentation to undersigned counsel for TracFone.

Sincerely,



Mitchell F. Brecher

Attachment

Cc: Mr. Blair Levin

Attachment

Presentation to Broadband Adoption Team  
DECEMBER 2009

## TracFone Wireless Overview

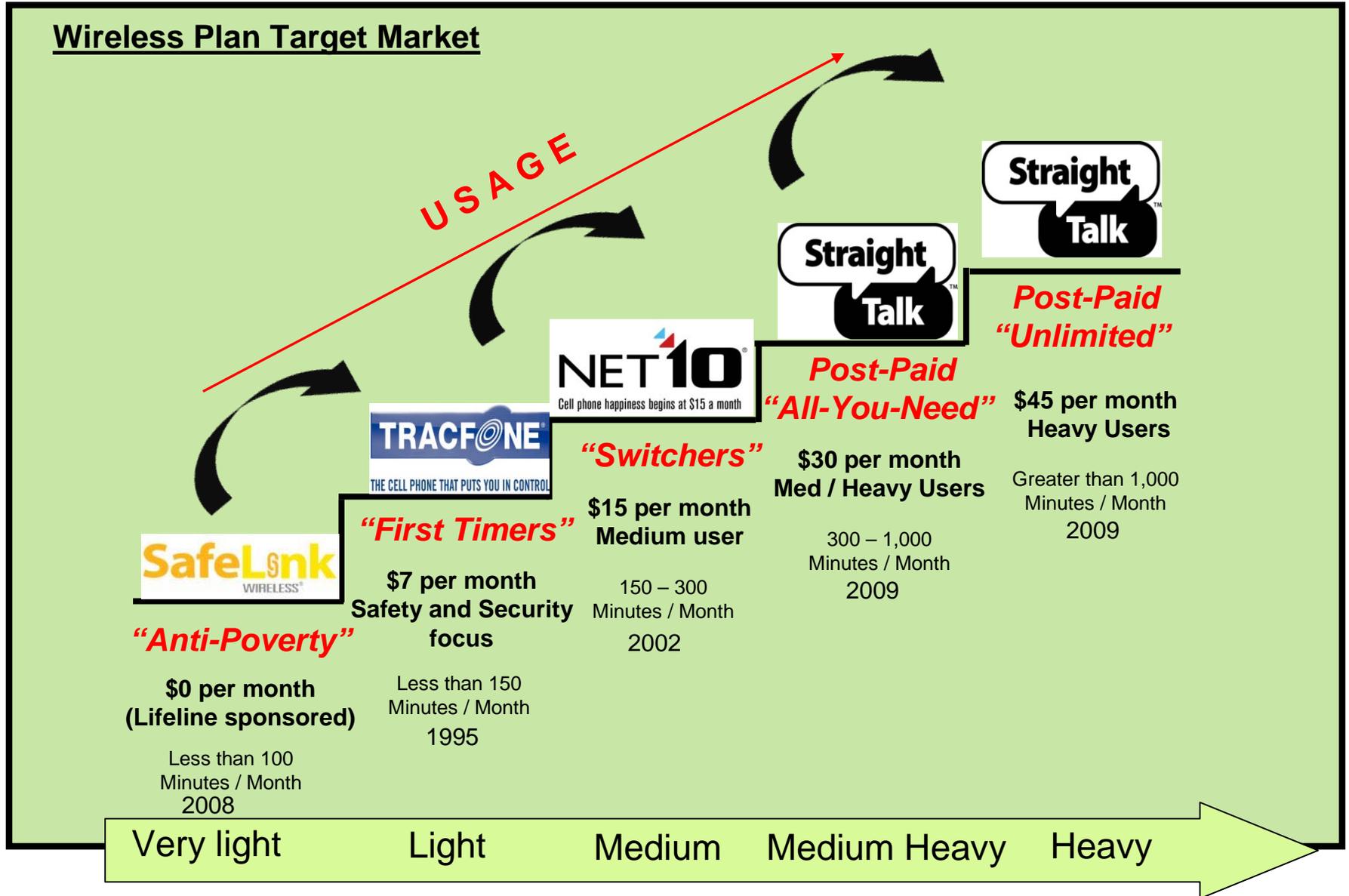


# TracFone Wireless, Inc. – Our History

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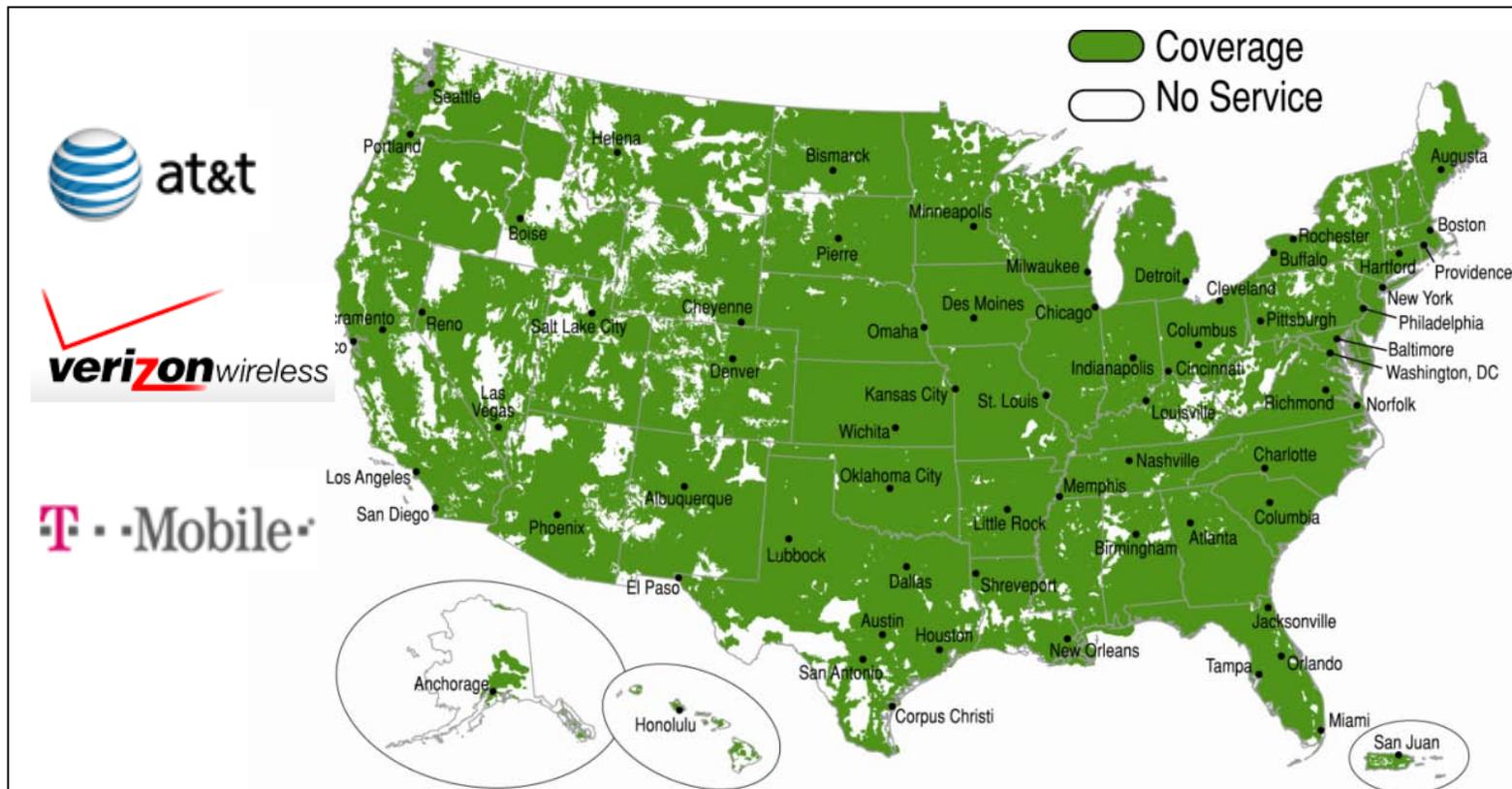
- Who We Were
  - Handset Based technology – you actually “track” your minutes
  - Originally partnered with 71 carriers
- Who We Are Today
  - 98% owned by America Movil (NYSE:AMX) and Carlos Slim
  - Based in Miami. 600 full time employees
  - Over 13 million customers and one of the fastest growing wireless carriers
  - TracFone Wireless Inc. is the largest no-contract cell phone provider in the US, and has been since its inception 12 years ago
  - We have over 2x as many customers as our nearest competitor
- Where We Are Today
  - TracFone’s brands are available in more than 80,000 retail locations nationwide. It has long been the leading cell phone sold at Walmart, Kmart, Dollar General, Family Dollar and many other chains
- What We Stand For
  - TracFone believes cell phone ownership is a right, not a privilege, and it is committed to making cell phones available to everyone
  - We believe that people should not have to overpay for their wireless phone service and we subscribe to the Wal-Mart philosophy “Save Money, Live Better” or Target’s – “Expect More, Pay Less”
  - Four brands deliver unparalleled access for the underserved

# TracFone Brands Now Serve Every Type of Cell Phone User



## TracFone Provides Cell Phones in More of the US Than Any Other Carrier

- MVNO – We use everyone else's cell towers and they get credit for our activations
- TracFone works in close partnership with AT&T, Verizon Wireless, T-Mobile and other major carriers, who carry its signals. Because of its aggregated distribution network, TracFone is able to provide cell phone service in more ZIP codes than any other carrier
- With no towers to maintain, TracFone is able to maintain a lean infrastructure and thereby provide cell phone service to a very large segment of the population who would otherwise not be able to afford cell phone access
  - We can profit from customers that spend \$10 a month



# SafeLink Wireless – Lifeline Service

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- SafeLink offers qualifying Lifeline Households a Free Cell Phone and 68\* Free minutes a month. This unique version of Lifeline has been a tremendous success in the states that have launched the service.
  - SafeLink is available in 20 states today and in DC
  - SafeLink has been approved in 3 other states that should launch later this year
  - Applications are pending in almost every other state and in Puerto Rico
- Operational / Program Challenges
  - Before SafeLink, most Lifeline programs were provided solely by the incumbent telephone companies who are regulated by the state PUC's
  - SafeLink is a wireless program, not regulated by states, funded from a Federal Fund, but ETC approvals are granted by the states who by nature want to impose their own regulations and do not always recognize Federal Law
  - Based on experience gained during the first year of offering SafeLink, TracFone has identified certain areas where FCC-imposed requirement could be modified and improved upon.
  - The success of SafeLink is in part a by-product of TracFone's ability to keep costs low, so it can offer a totally free service and advertise this service aggressively. Self-Certification is critical to keep enrollment costs low.

# Broadband Adoption Strategy

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Keys to reaching underserved, hard-to-reach market segment (especially low income households)

- Know and understand the market segment you are trying to reach.
  - TracFone specialized in serving low volume, low income consumers in a cost effective manner long before it became an ETC and began offering Lifeline service (“We built a business serving customers who spend \$10 per month or less on wireless service”).
- Effective and efficient media advertising
  - TV/radio
  - Print ads
  - Consumer outreach
  - Display advertising (billboards, bus sides, etc.)
- Offer a product or service consumers want but otherwise could not afford
- Coordination with governmental offices who administer eligibility qualifying programs (such as the Florida Department of Families and Children, the Maryland Department of Human Resources, the Texas Department of Health and Human Services). Those departments can be important “partners” in identifying qualified low income households and facilitating their enrollment in Lifeline.

# Broadband Adoption Strategy

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## Keys to a Successful National Broadband Adoption Plan

Cardinal Rule - A national broadband program for low income households should be administered nationally.

- A single national administrator (e.g., the FCC);
  - Nationally-uniform procedures and criteria
- A patchwork quilt of 50 separate designation procedures for providers and 50 different eligibility criteria for consumers will not facilitate effective and efficient deployment of broadband services to low income, hard to reach consumers throughout the United States.

# Broadband Adoption Strategy

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Provide sufficient support to enable providers to deliver an affordable benefit to qualified households.

October 2008 TracFone Proposal for a Broadband Pilot Program based on Lifeline/Link Up

- Up to \$300 support to provide an Internet access device (e.g., a desk top or lap top computer)
- \$30 per month to cover broadband access service.

# Broadband Adoption Strategy

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Public Computer Centers are Important but should not be Viewed as Substitutes for In-Home Broadband Access Under the National Broadband Plan.

- In-home access is always available (24/7), not just during the “business hours”
- Public computer centers have limited computers and terminals and will not always be available to all who want or need to use them, even during open hours.
- A truly national broadband plan will enable all households to send and receive e-mail (the preferred means of communication today) and to access and download web content from their homes.

# Broadband Adoption Strategy

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TracFone Study (September 2009)

Internet Access, Usage and Interest Among SafeLink Users

Study was conducted for TracFone by Options Marketing Research & Consulting, Inc.

Key Findings:

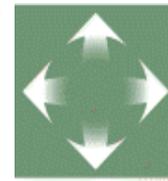
- 86% of SafeLink users do not have Internet access at home.
- Of those that have Internet access, only 10% have broadband access.
- More than half (52%) want broadband access at home.
- Of those who want broadband access, more than 50% do not have home computers.
- Of those who want broadband access, more than half say that it would have to be free (32%) or less than \$10 per month (20%) for the service to be affordable to them.

# Broadband Adoption Strategy

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To Ensure Sufficient Resources for a National Broadband Adoption Program, Something's Got to Give

- To the extent that such a program is to be supported by the Universal Service Fund, adjustments must be made to other USF programs to keep the size of the fund within the means of the consuming public
- On the contribution side, the base of contributors should be broadened to require contributions from all who provide broadband service.
  - o If USF funds are to be used to support broadband service to those who need support, then providers of broadband service (and ultimately their consumers) should contribute to the fund.
- On the distribution side, changes need to be made, especially regarding high cost support.
  - o Eliminate the identical support rule;
  - o Use reverse auctions to award high cost support to the most efficient providers.
  - o Eliminate high cost support in market where competitors are serving the market without high cost support.



**OPTIONS**

Marketing Research & Consulting, Inc.

# **Internet Access, Usage and Interest**

## **Among SafeLink Users**

### **September 2009**

**Topline Report**

**Prepared for:**

**SafeLink**  
WIRELESS<sup>®</sup>

**October 13, 2009**

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## Research Objectives and Research Design

SafeLink management recently commissioned a survey of 1000 SafeLink Wireless users to establish their:

- Internet access status
- Access to and interest in obtaining broadband service at home
- Current or potential Internet usage behavior

To meet these information needs a short telephone survey of SafeLink Wireless users was conducted between August 30 and September 4, 2009. SafeLink users qualified to participate in the survey if they:

- Had no Internet access at home and were interested in obtaining broadband service, or
- Had dialup access at home and were interested in obtaining Broadband service, or
- Had Internet access outside of the home.

Those who had Internet access outside of the home (73%) were asked:

- What type of access they had (dialup or broadband), where their access originated, how they used the Internet and whether or not they had an email address

Those who wanted broadband service at home (56%) were asked:

- How they would use the Internet, what price would be considered affordable for monthly broadband access, whether or not they had a computer at home and what price would be considered affordable for a computer if they did not have one

On the following pages, the survey results are outlined for the Total Sample of SafeLink users as well as the following subgroups:

- Those with Internet access
- Those without Internet access

This study was designed and executed by Options Marketing Research and Consulting at the request of TracFone Wireless. Any questions can be directed to Robin Naismith, VP, at 949-219-0520, ext. 113 or [rnaismith@options-mrc.com](mailto:rnaismith@options-mrc.com).

## Summary of Findings

A September 2009 study of 1000 SafeLink Users to identify Broadband access and affordability concluded the following:

- ▶ 86% of SafeLink Users do not have any access to the Internet at home.
- ▶ A relatively small proportion, 10%, have Broadband access at home.
- ▶ 52% of SafeLink users would like to have Broadband access at home.
- ▶ Among those who would like to have Broadband access, 50% indicated they would need Broadband access to free or extremely low in cost: 38% indicated it would have to be free and another 12% indicated it would have to be \$10 or less per month.
- ▶ Over half of those who want Broadband access do not have computers. Among all SafeLink users: 32% want Broadband and do not have a computer and 20% want Broadband and do have a computer.
- ▶ Among those who want Broadband but do not have a computer, 54% indicated they could not afford a computer at any cost at this time ("would have to be free").

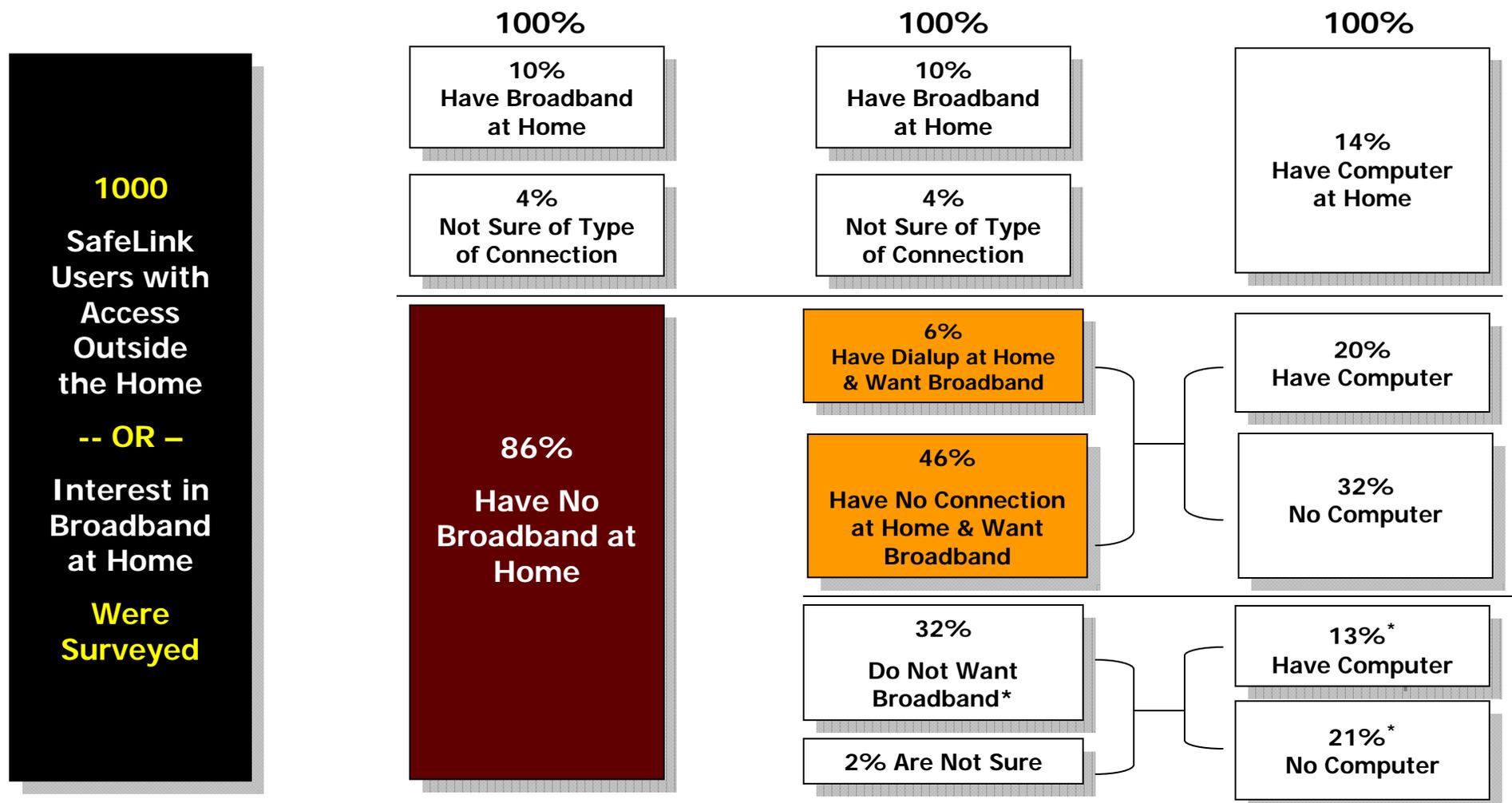
From a list, SafeLink Users indicated they would use their Broadband in the following ways:

- ▶ 88% Educational purposes
- ▶ 81% Send or receive email
- ▶ 77% Search for job or employment opportunities
- ▶ 71% Entertainment
- ▶ 60% Online commercial transactions

# **Broadband Access and Affordability**

## Home Broadband Status, Interest and Computer Status

86% of SafeLink Users do not have Broadband access at home. 10% do, and 4% are not sure of their service.  
 52% would like to have Broadband access at home.  
 32% would like to have Broadband access at home but do not own a computer.

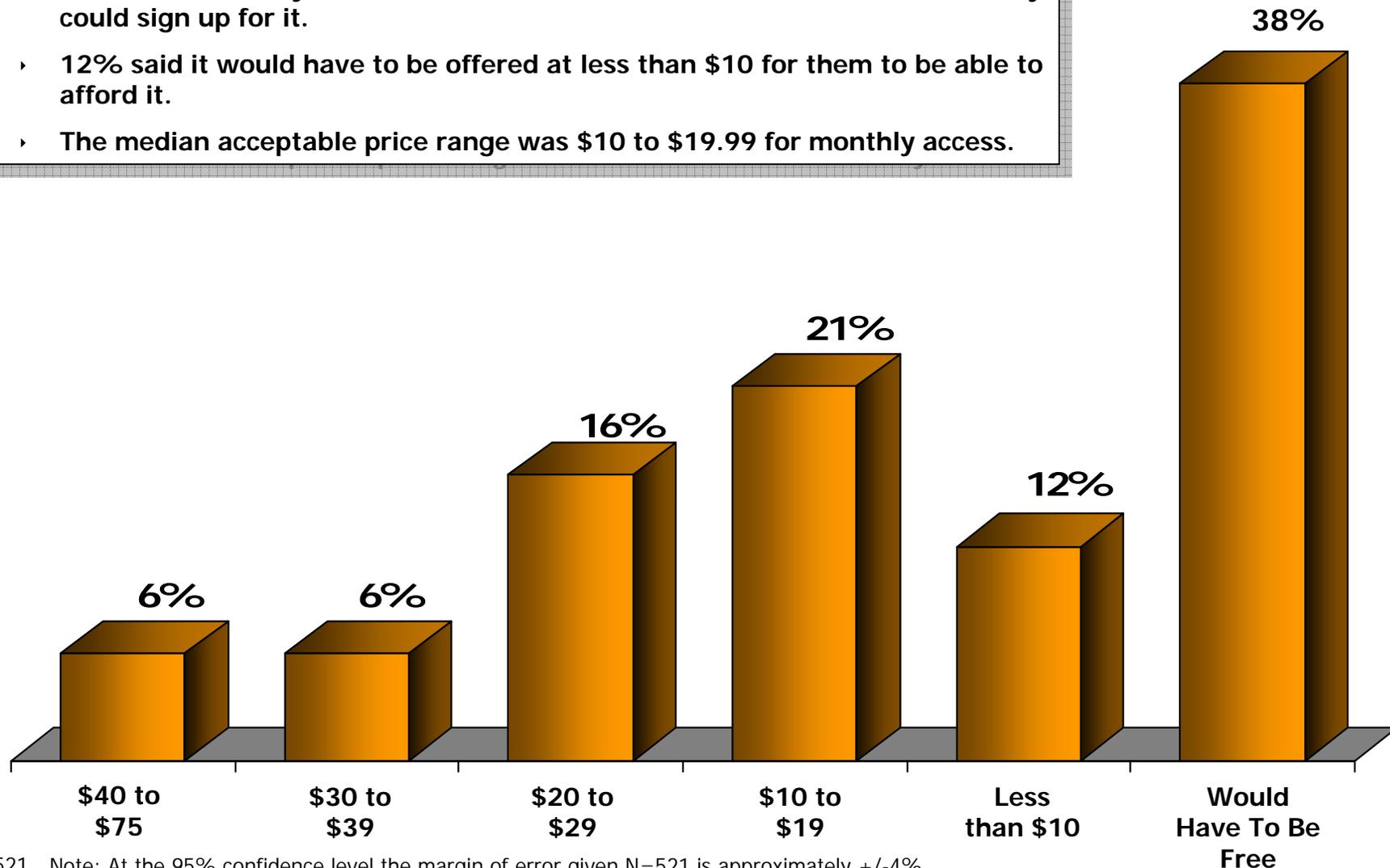


Note: At the 95% confidence level, the margin of error given N=1000 is approximately +/-3%. \* Derived

## At What Price Would Broadband Access Become Affordable Enough for You to Sign Up?

Among those who would like to have Broadband at home (52%),

- ▶ 38% said monthly Broadband service would have to be free before they could sign up for it.
- ▶ 12% said it would have to be offered at less than \$10 for them to be able to afford it.
- ▶ The median acceptable price range was \$10 to \$19.99 for monthly access.

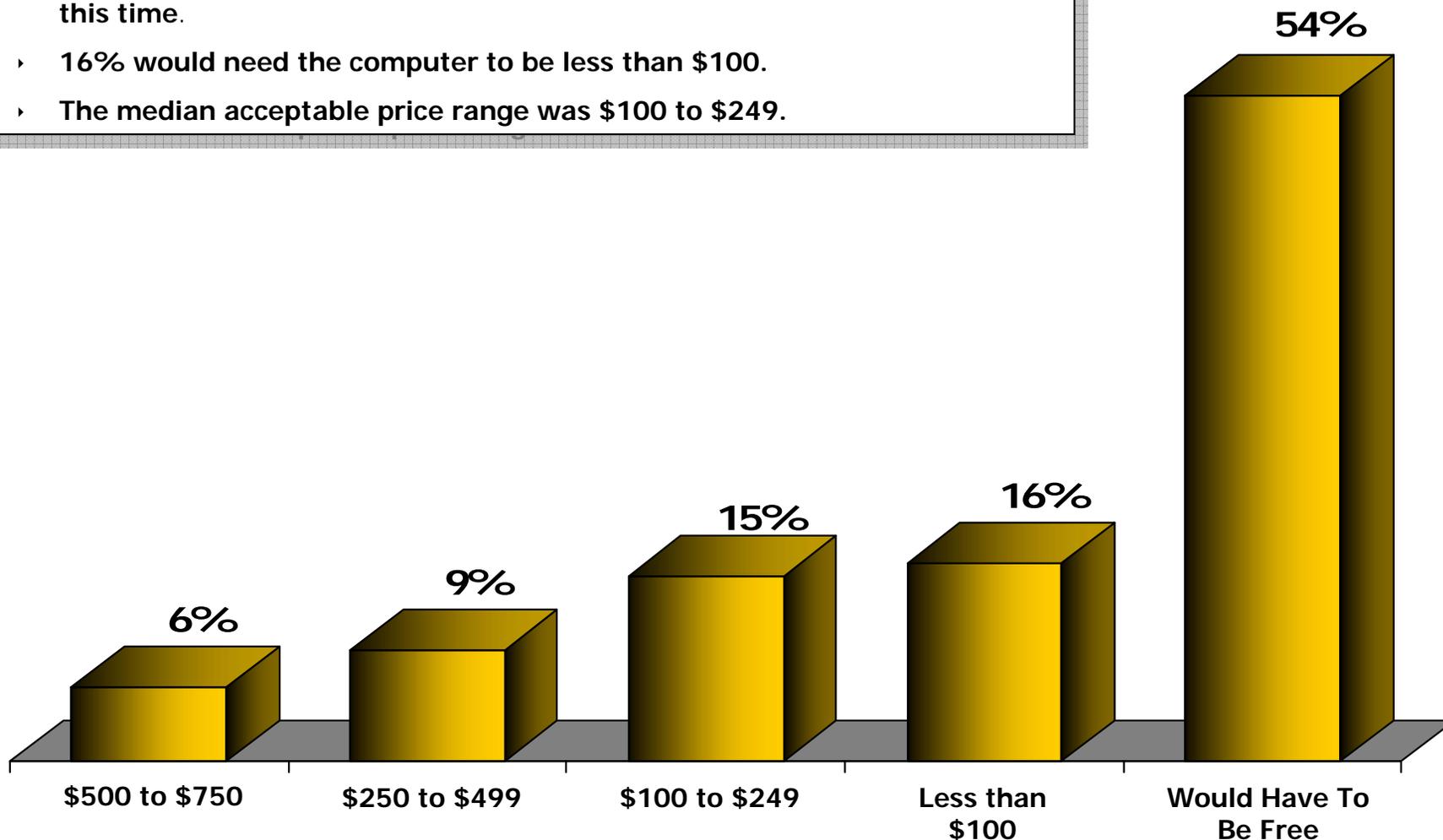


N=521 Note: At the 95% confidence level the margin of error given N=521 is approximately +/-4%.

## At What Price Would a Home Computer Become Affordable Enough for You to Buy?

Among those who do not have a computer at home (32%):

- ▶ 54% said a computer would have to be free, they cannot afford one at this time.
- ▶ 16% would need the computer to be less than \$100.
- ▶ The median acceptable price range was \$100 to \$249.

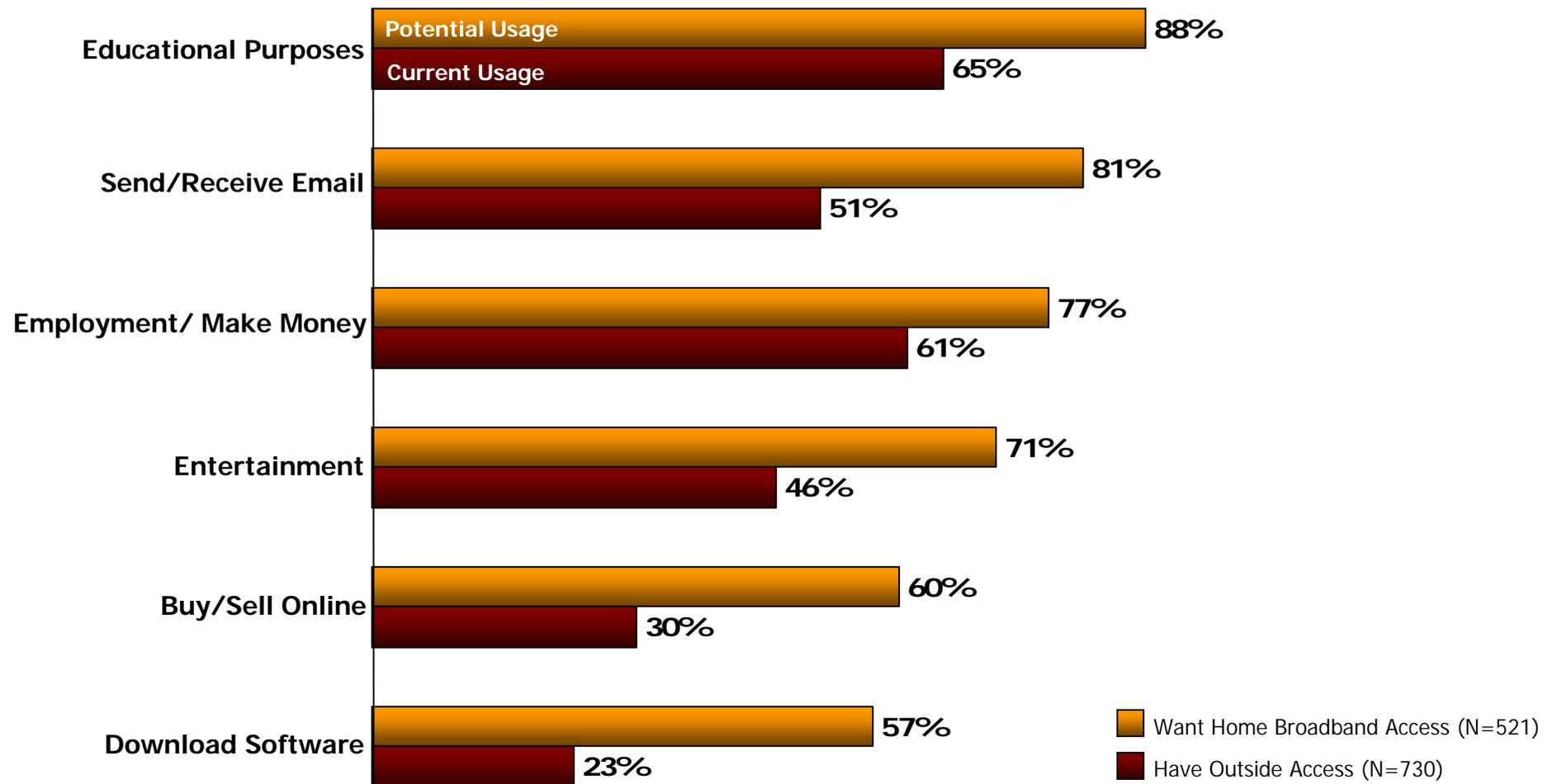


N=322 Note: At the 95% confidence level the margin of error given N=322 is approximately +/-6%.

# Broadband Uses/Benefits

## Internet Usage: Current vs. Expected Usage

When compared to outside-the-home usage behavior, those who want Broadband access at home indicated significantly broader potential usage of the Internet overall and heavier usage in each measured area. Also, those who want Broadband at home were most likely to indicate they would use it for Educational purposes (88%).



Note: At the 95% confidence level the margin of error given the sample sizes of both groups is approximately +/-4%.

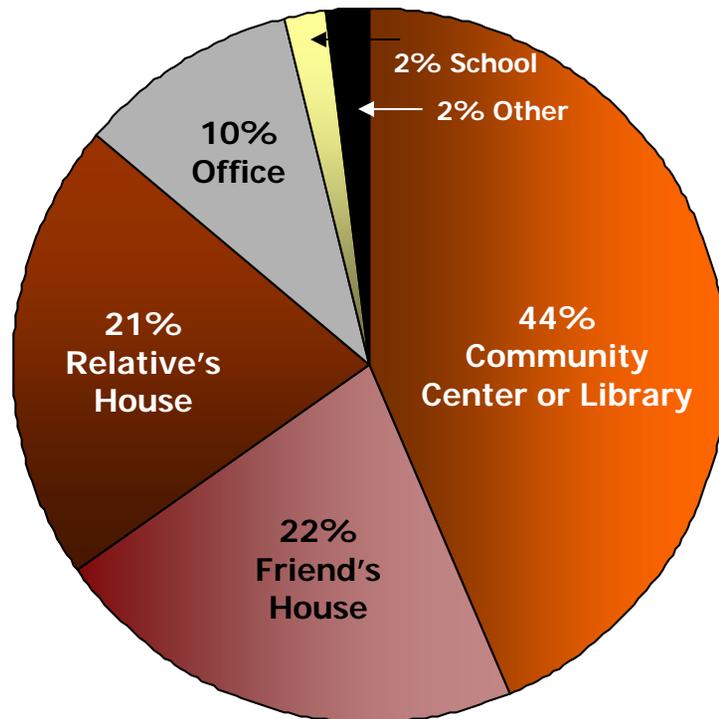
# **Location of Access Outside of Home**

## Outside Access: Location of Service and Email Address Status

Among SafeLink users with outside Internet access (73%), community centers/libraries and friend's and relative's houses were the most frequent access points.

62% have an email address.

Where is the computer that you use outside the home? (N=731)



| % Have Email Address | N=731 |
|----------------------|-------|
| Yes                  | 62    |
| No                   | 38    |

Note: At the 95% confidence level the margin of error given N=731 is approximately +/-4%.

# SafeLink User Profile

# SafeLink User Profile

## Age, Gender and Children in Household

The average surveyed SafeLink customer was a minority female in her late 40's.

| SafeLink Customers  |                 |
|---|-----------------|
| <b>% Indicating...</b>  | N=1000          |
| <b>Average Age</b>  | <b>46 years</b> |
| Under 35  | 23              |
| 35 to 54  | 49              |
| 55 Over   | 28              |
| <b>Female</b>   | <b>77</b>       |
| <b>Have Children Under 18</b>   | <b>49</b>       |
| At the 95% confidence level, the margin of error given N=1000 is approximately +/-3%. |                 |



Note: At the 95% confidence level the margin of error given N=731 is approximately +/-4%.