

February 23, 2011

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

**Re: Ex Parte Filing in WC 03-109 Lifeline and Link Up, CC 96-45 Federal-State Joint Board on Universal Service**

Dear Ms. Dortch:

In this letter, Nexus Communications, Inc. (“Nexus”) provides an outline of a possible pilot program to explore ways to expand broadband services to participants in the federal Low Income program. We understand that this is a topic that may be considered in the Commission’s forthcoming Notice of Proposed Rulemaking (“NPRM”) regarding the Low Income program.<sup>1</sup>

Nexus is an eligible telecommunications carrier (“ETC”) that focuses on serving communities with a high proportion of consumers eligible for participation in the Low Income program.<sup>2</sup> Over the last several years, Nexus has developed a number of community outreach and related programs that have proven successful in encouraging eligible citizens to take advantage of the support the Low Income program provides. As a result, Nexus believes that it can provide valuable insight into how the Commission should structure a pilot program that would actually be effective in bringing broadband services—particularly mobile broadband—to low income Americans.

Nexus’ extensive outreach efforts include deploying mobile information vehicles directly to economically disadvantaged neighborhoods, which was recently recognized by the Federal-State Joint Board on Universal Service.<sup>3</sup> Nexus regularly engages in this type of outreach effort.

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<sup>1</sup> The NPRM is on the Commission’s agenda for its March 3, 2011 meeting.

<sup>2</sup> Nexus has received ETC designation in the states of Alabama, Arkansas, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, New Jersey, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, West Virginia and Wisconsin.

<sup>3</sup> *In Re Federal-State Joint Board on Universal Service; Lifeline and Link Up*, Recommended Decision, 2010 FCC LEXIS 6557, at ¶ 64 (Jt. Bd. rel. Nov. 4, 2010).

Moreover, during the recent mine disaster in West Virginia, Nexus provided wireless handsets directly to low income residents of the area affected by the accident providing a mobile communication means to stay in touch during that tragic and stressful time. Nexus is very much in tune, therefore, with those who need access to affordable telecommunication services; *i.e.* the citizens that the Low Income program is specifically intended to benefit, including those income challenged persons dealing with extraordinary circumstances.

Based on its involvement with low income communities across twenty states over the last five years, Nexus submits that effectively deploying communications services, including high-speed broadband services, to participants in the Low Income program entails two key features. First, there should be no upfront out-of-pocket fees for participants or, at most, a nominal fee. Second, the initial verification of the consumer's eligibility to participate in the program must not be made more difficult by adding additional hurdles and in fact, should be as streamlined and simple as possible. Requiring a significant upfront fee will present a major barrier to achieving the Commission's goal of extending broadband services to this deserving population. It is important to understand, in this regard, that fees as "low" as \$10 or \$20 can be extremely significant to the head of a household with (for example) no job, multiple children to feed and clothe, etc. Nexus fully supports the view that the Commission, USAC and ETCs must make sustained efforts to eliminate waste, fraud and abuse. The Commission, however, should not implement program changes which, although intended to prevent such problems, might in fact unintentionally impair the growing success of the Low Income program's ultimate goal: expanding communications services to low income Americans.

With respect to broadband services for this community, the National Broadband Plan ("NBP") suggested that pilot programs should experiment with the level of subsidies necessary for service activation, equipment, and the other costs related to broadband access, as well as any minimum payment requirements for consumers.<sup>4</sup> Nexus believes that a well-designed and well-executed pilot program addressing these concerns would greatly assist the Commission in determining the precise mix of subsidies that would most effectively achieve these goals. Such a program would also provide critical information regarding whether, and the extent to which, requiring the consumer to pay any out-of-pocket fees would reduce/prevent waste, fraud and abuse to a degree that would outweigh the possible effect of such fees to simply suppress program participation by eligible consumers.

Finally, Nexus' extensive experience delivering telecommunications services to low income communities strongly supports our view that active outreach efforts—not merely the passive placement of ads or other steps to make service offerings "available" in the abstract—will be a critical element in any program that builds off the success gained over the last two years expanding the Lifeline program to prepaid wireless and delivering the supported services via broadband to low income Americans.

In light of the foregoing, Nexus suggests that the Commission establish a six-month pilot program, conducted in four different cities, that would provide broadband service by means of "smart phones" – that is, handheld devices that provide wireless calling functionality plus (at a minimum) access to email and an Internet access via mobile browser. The program would

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<sup>4</sup> *Connecting America: The National Broadband Plan*, available at [www.broadband.gov](http://www.broadband.gov), at 173.

require the participation of broadband spectrum holders and ETCs with successful real-world experience marketing communications service to the target community, providing ongoing customer support to the community, etc.

The purpose of conducting the pilot program in four different markets is to enable the Commission and the industry to obtain real-world market data with regard to the community response to four different pricing and service arrangements – data that could be used to inform the Commission’s longer-term conclusions regarding how to structure a permanent broadband universal service program for low income Americans. Thus, as Nexus envisions the pilot program, the specific offering would vary in each of the four market cities, as outlined below:

- (1) in one market, end users would pay no out-of-pocket non-recurring fees and a low monthly recurring charge (perhaps \$1.00);
- (2) in a second market, end users pay a nominal out-of-pocket fee to activate the service (perhaps \$1.00 or \$5.00) and a low monthly recurring charge (perhaps \$1.00 per month);
- (3) in a third market, end users pay a more substantial service activation charge (perhaps \$10.00), and a commensurate monthly recurring charge, such as \$5.00 or \$10.00; and
- (4) in a fourth market, end users pay a higher activation fee (perhaps \$25.00 or more), but nevertheless provides a significant level of subsidy, and a commensurate monthly recurring charge, such as \$20.00.

The point of offering an option with no out-of-pocket fee, versus several options with progressively higher out-of-pocket offerings, would be to obtain information on how much of a deterrent to program participation even seemingly low or nominal out-of-pocket fees, as well as higher fees, might actually be. The different levels of recurring fees would provide similar information regarding the degree to which low income consumers value broadband functionality as compared to other goods and services on which they could spend their limited household resources.

As Nexus envisions this program, the pilot markets would be selected based on an analysis of income and unemployment levels, lack of broadband services and availability of wholesale broadband backbone capacity. The ETCs would undertake the outreach efforts.<sup>5</sup>

At the end of the six month trial, the ETCs, the Commission and the underlying broadband spectrum holders would review the performance of the pilot, including the relative “take rates” of the different service options, whether any demographic or other factors appeared to play a significant role in the differences, etc. Our hope and expectation would be that this information would provide useful guidance to the Commission in formulating broader support of broadband services by the Low Income program.

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<sup>5</sup> Other possibilities for the Commission to consider would include soliciting agreement on the part of some or all consumers who choose to take advantage of the pilot program’s subsidized services to be interviewed from time to time (logically, although not necessarily, via phone or email) to discuss their use of the service, agreement to allow statistical information regarding their usage to be retained and analyzed (with appropriate protection of individually identifiable information), etc.

Nexus believes that the decisions the Commission will be making regarding extending the current low income universal service program to embrace broadband services will have profound effects on the nation's low income consumers for many years to come. Those decisions, therefore, should be based on real-world experience and data to the maximum extent possible. The pilot program outlined above would provide such experience and data. Nexus stands ready to work with the Commission and other industry participants to develop and participate in such a program, and we invite the Commission to seek further information from the industry and others regarding how such a program could be implemented in the near future.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Chris Savage", with a stylized flourish at the end.

Christopher W. Savage  
Danielle Frappier

cc: Zachary Katz  
Carol Matthey  
Trent Harkrader  
Vickie Robinson  
Kimberly Scardino  
Nicholas Degani