Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link Up	)	WC Docket No. 03-109

COMMENTS OF SPRINT NEXTEL CORPORATION

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April 21, 2011

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Sprint Nextel Corporation ("Sprint") hereby respectfully submits its comments on the Notice of Proposed Rulemaking ("NPRM") released March 4, 2011 (FCC 11-32) in the above-captioned proceedings.[1] In this NPRM, the Commission proposes to reform and modernize the Low Income Universal Service Fund ("USF") to "bolster protections against waste, fraud, and abuse; control the size of the program; strengthen program administration and accountability; improve enrollment and outreach efforts; and support pilot projects that would assist the Commission in assessing strategies to increase broadband adoption, while not increasing overall program size."[2]

I. INTRODUCTION AND SUMMARY

Sprint supports the Commission's efforts to improve Lifeline program administration and reduce waste, fraud and abuse. A national database offers great promise as a means of reducing duplicate Lifeline claims and streamlining the annual

[1] Sprint provides postpaid Lifeline service under the Sprint brand, and, through its Virgin Mobile business unit, prepaid Lifeline service under the Assurance Wireless brand.
[2] NRPM, ¶ 1.

verification process, and Sprint suggests below desirable features and functions that should be incorporated into such a database. The Commission should not, however, direct all efforts to recover erroneously disbursed Lifeline funds at the service provider, as much of the erroneous disbursements are due to factors beyond the ETC's knowledge and control; instead, the Commission should adopt minimum safeguards to act as a "safe harbor" for ETCs against recovery actions.

Sprint supports proposals to control the size of the Lifeline fund, including eliminating support for toll limitation service and limiting support for Link Up, and a prohibition on application of Lifeline discounts on discontinued accounts (Sprint provides a list of factors to be used to determine whether an account is active). Sprint also suggests guidelines for the application of Lifeline discounts, in certain circumstances, to multiple consumers at the same street address, and opposes a cap on the Low Income USF.

Finally, Sprint urges the Commission to allow competitive market forces to determine consumer outreach and marketing efforts and minimum service requirements. Regulatory intervention here should be limited to a requirement that Lifeline ETCs reference "Lifeline" in their marketing material.

II. PROPOSALS TO REDUCE AND ADDRESS DUPLICATE CLAIMS

The Commission has proposed several rules intended to "reduce the likelihood that residents of a single address will receive more than one subsidized service through the [Lifeline] program."[3] Sprint agrees that additional steps should be taken to reduce the

[3] NPRM, ¶52.

incidence of erroneous application of multiple Lifeline discounts to individual end users and, in certain conditions, to multiple end users with a common street address. As discussed below, implementation of a national Lifeline database should help to prevent the application of many categories of erroneous discounts. However, the Commission should not seek to recover erroneous Lifeline discounts from the ETC, either before or coincident with the operation of a Lifeline database or other long-term reform element, where the error is outside the ETC's knowledge or control. Sprint recommends below several safeguards/evidence of "responsible behavior" which would constitute a safe harbor for ETCs against recovery actions.

A. Benefits of A National Database

The Commission has asked for comment on a more comprehensive, long-term improvement to strengthen the Lifeline program – the creation of a national database "to verify consumer eligibility, track verification and check for duplicates to ensure greater program accountability."[4] Sprint agrees that a national Lifeline database has the potential to streamline operation of the Lifeline program and to reduce waste, fraud and abuse, and that its relative costs and benefits should be explored further. As part of the cost analysis, the Commission must define the scope of the project – its functionalities, update capabilities, etc. Sprint provides below some thoughts as to desirable features, functions and administration of a national Lifeline database.

- A national Lifeline database should, at a minimum, include end user information sufficient to determine whether a Lifeline applicant is currently receiving a Lifeline discount – consumer name, address, telephone number and indicator (yes/no) as to whether he or another

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[4] NPRM, ¶ 207.

member of his family[5] currently receives a Lifeline discount and if so, for what telephone number. If the database is to be used to facilitate a change in the Lifeline service provider, it would also need to include the identity of the consumer's current Lifeline ETC.

- The database should include eligibility information, such as which qualifying public assistance program (*e.g.*, Medicaid, Food Stamps, LIHEAP) the Lifeline applicant/customer is enrolled in. Assuming that this information is kept current, the database could be used for both initial determination of eligibility and annual verification of continuing eligibility. Use of a national database for the annual verification process will be particularly effective at keeping eligible consumers on the Lifeline program, since verification of on-going eligibility can be performed automatically rather than through manual submissions by the end user.

- Information included in the database should be available on a real-time, on-line basis, and must be updated regularly.

- The database provider should be chosen via an open competitive bid process, for a specific contract period. The winning database provider must allow interface with carriers and carriers' agents.

- The cost of designing, implementing, and maintaining the database should be included in USAC's management expenses, since the database would be a key tool to administer the Lifeline program and to help ensure compliance with applicable rules.

B. Recovery of Erroneous Lifeline Discounts Should Be Directed At the Responsible Party

The Commission has proposed that USAC "be required to seek recovery for funds from all ETCs with duplicates for the applicable period."[6] Rather than directing all recovery efforts at the ETC, ETCs should be responsible only for recovery of Lifeline subsidies that were distributed in error as a result of the ETC's own action or inaction. ETCs should not be responsible for recovery of funds distributed as the result of error or fraud outside their knowledge and control. To aid in the determination of when an ETC

[5] See discussion in Section III.C below regarding a "one per residence" policy.
[6] NPRM, ¶ 62.

should be responsible for erroneous Lifeline discounts, Sprint supports the establishment of minimum safeguards that could act as a safe harbor for ETCs, and the proposal that ETCs not be liable for reimbursement of duplicate distributions where they can demonstrate responsible efforts to avoid such distributions.

A blanket rule which holds ETCs responsible for recovery of all erroneous Lifeline discounts is inappropriate, as it would penalize the ETC for fraud or errors over which it has no control or knowledge. For example, as the Commission has recognized, ETCs currently have no way of independently determining whether a Lifeline applicant or customer is also receiving a Lifeline discount from another carrier.[7] If an ETC has taken reasonable efforts to advise Lifeline applicants and customers that they may have only one discount -- for example, with explicit language to this effect on a signed Lifeline application,[8] or though periodic reminders to existing customers -- then there is no basis for holding the ETC responsible for errors or misrepresentations by the end user.

The Commission has recognized elsewhere that recovery of erroneously disbursed USF funds should be directed at the party responsible for the error. In the E-rate

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[7] *See, e.g.,* January 21, 2011 letter from Sharon Gillett, Chief, Wireline Competition Bureau, FCC, to Richard Belden, COO, USAC, p. 2 (footnote omitted):

> …it is difficult for ETCs to make an independent determination that a subscriber is receiving only one Lifeline. There is no comprehensive database in place for ETCs to determine whether an eligible consumer is enrolled in Lifeline with another ETC, and ETCs are not in the position to share customer information with one another. ETCs therefore lack the data needed to prevent the occurrence of duplicate Lifeline claims.

[8] Inclusion of this language on a Lifeline application would not be necessary if and when the Commission mandates implementation of a national database that can screen for duplicate discounts.

program, the Commission initially ordered that all recovery efforts be directed at the service provider, even if the error or fraud was outside the service provider's control. Upon reconsideration, however, the Commission concluded that "recovery actions should be directed to the party or parties that committed the rule or statutory violation in question."[9] It recognized that "recovering disbursed funds from the party or parties that violated the statute or a Commission rule will further our goals of minimizing waste, fraud and abuse in the schools and library support mechanism," and "will promote greater accountability and care on the part of beneficiaries" who are responsible for the violation."[10]

The erroneous distribution of Lifeline support is directly analogous in many respects to the erroneous disbursement of E-rate funds. Where the error or fraud is on the part of the end user beneficiary and not the service provider, it is inappropriate to direct recovery efforts at the service provider.

The proposal to recover all erroneously disbursed Lifeline benefits from the ETC also should be rejected because it imposes an unwarranted administrative and financial burden on the ETC. Such collection activities are resource intensive yet provide no financial benefit to the ETC in cases where the recovered funds must be remitted to a third party such as USAC. Moreover, an ETC's ability to recover previously issued Lifeline discounts from end users is extremely limited. Even if the end user acknowledges responsibility for the error (not always the case), it is highly unlikely that

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[9] *Federal-State Joint Board on Universal Service; Changes to the Board of Directors for NECA; Schools and Libraries Universal Service Support, Order on Reconsideration and Fourth Report and Order*, 19 FCC Rcd 15252; FCC LEXIS 4327 *11-*12 (¶10) (2004).
[10] *Id.* at *15-*16 (¶ 13).

these low income consumers will have funds available to repay any duplicate discount, especially if the "applicable period" stretches over several months. Some end users who received a duplicate discount may no longer even be a customer of the ETC at the time the recovery process is initiated. Thus, the proposal to make ETCs responsible for erroneously distributed Lifeline benefits when the error or fraud is outside the ETC's control not only imposes a significant administrative cost on ETCs, it also forces ETCs to bear the cost of any bad debt in cases in which the end user beneficiary does not or can not remit repayment.

Sprint does agree that an ETC should be responsible for repaying erroneous Lifeline discounts in cases in which the error or fraud is due to some lapse on the part of the ETC. For example, if an ETC fails to make any effort to determine the eligibility of an applicant to participate in the Lifeline program, or is unable to provide evidence that a Lifeline line claimed on its Form 497 is actually one of its customers, then the ETC may reasonably be held responsible for repayment.

In order to help determine when an ETC might be held responsible for repaying erroneous discounts, Sprint supports adoption of a Commission policy that would "...enable ETCs to avoid reimbursement obligations if they demonstrate responsible efforts to avoid duplicative funding," and the establishment of "minimum safeguards that could act as a safe harbor for ETCs."[11] Sprint recommends the following safeguards/evidence of "responsible efforts":

- The Lifeline application explicitly states that Lifeline assistance is available for only one wireline or wireless phone line per household, and that the end user agrees to notify his existing Lifeline service provider (if

[11] NPRM, ¶ 62.

any) to cancel that service upon approval of his application by the prospective carrier;

- The end user is required to certify, under penalty of perjury, that he is authorized to take action regarding request for and receipt of the Lifeline discount[12] (*i.e.*, that he is the "head of the household");
- On the application form, the end user is required to certify, under penalty of perjury, that his household will receive only one Lifeline discount, per bullet point one above;
- During the annual re-certification process, the end user is required to certify, under penalty of perjury, that his household currently receives only one Lifeline discount;
- The Lifeline application requires a street address/apartment number (PO Box numbers are not accepted);[13]
- The ETC has in place documented methods and procedures to govern retention of information needed to verify the legitimacy of claimed Lifeline discounts.

III. PROPOSALS TO CONTROL THE SIZE OF THE LOW INCOME FUND

The Commission has appropriately recognized that controlling the size of the USF generally, and the Low Income Fund specifically, is necessary to help ensure that the fund be "predictable and sufficient" and to manage the burden on end users who ultimately pay for the fund.[14] In the instant NPRM, the Commission has sought comment on various proposals to control the size of the low income fund. As discussed below, Sprint agrees that USF support for toll limitation service should be eliminated, and should

[12] This is analogous to the requirement that a person requesting a change in telecommunications service provider confirm that he is authorized to do so (*see, e.g.*, Section 64.1120(c)(3)(iii) of the Commission's Rules).
[13] Rural Route addresses would be accepted, so long as they conform to USPS guidelines (RR __ Box ___). *See* http://www.usps.com/ncsc/addressstds/deliveryaddress.htm.
[14] NPRM, ¶ 29.

be limited for Link Up; that support for discontinued Lifeline accounts (as opposed to temporarily inactive accounts; characteristics of an active account listed below) should be halted; and that a "one discount per residence" policy should be adopted to minimize the cases in which multiple Lifeline discounts are erroneously given to a nuclear family unit. Sprint also recommends refinements to the "one discount per residence" proposal to accommodate group housing and multi-generational living arrangements. However, Sprint opposes the suggestion that the Lifeline fund be capped,[15] as this will negatively impact the most economically vulnerable Americans.

A. USF Support for Toll Limitation Service Should Be Eliminated and Should Be Limited for Link Up.

The Commission has asked whether Lifeline support for toll limitation services (TLS) should be eliminated.[16] Sprint agrees that it should be. As the Commission has noted, reimbursement for TLS is often unclaimed by many ETCs and, given the popularity of calling plans that do not distinguish between local and toll calls, TLS "may have outlived its usefulness" (*id.*). Given the need to control the size of the USF generally, support for extraneous services should be eliminated wherever possible.

The Commission has also asked whether support for Link Up should be limited to the "ordinary initiation charge that an ETC routinely imposes on all customers within a state."[17] Sprint agrees that Link Up subsidies should be limited or even eliminated. As the Commission has noted, the ever-increasing level of automation has reduced the cost of initiating service, and it appears that some ETCs assess service activation charges

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[15] NPRM, ¶ 145.
[16] NPRM, ¶ 70.
[17] NPRM, ¶ 73.

more as means of maximizing their low income USF receipts than to recover the actual cost of initiating service.[18] Here again, curtailing or eliminating support for a service of questionable utility will promote the public interest by helping to keep the USF at a manageable and sustainable size, and will discourage ETCs from manipulating program rules to get unneeded subsidies.

B. Inactive Lifeline Accounts

The Commission has proposed to "prohibit ETCs from seeking reimbursement from the USF for any Lifeline customer who has failed to use his or her service for 60 consecutive days."[19] There is no dispute that Lifeline support should not be paid on cancelled accounts, and ETCs should not be encouraged or allowed to overlook cancelled accounts as a means of extending claimed Lifeline subsidies. However, inactivity does not necessarily equate to service cancellation. The fact that an end user did not place a voice call from his Lifeline-supported line for a certain period of time does not necessarily mean that he cancelled or intended to cancel his Lifeline service.

As the Commission has recognized, the choice of a cut-off period for inactivity is arbitrary, and there are customers who "may use their telephones sparingly, for emergencies or occasional communication."[20] Sprint recommends that the Commission consider a Lifeline account to be active (and thus eligible for the USF subsidy) whenever any of the following occurs during any 60-day period:

- An outbound call other than to 911 is placed from the Lifeline telephone line;

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[18] NPRM, ¶¶ 72, 77.
[19] NPRM, ¶ 82.
[20] NPRM, ¶ 82 (seeking comment on whether 30, 60, 90 or some other number of days is a reasonable proxy for service discontinuance), and ¶ 83.

- A text message is placed from the Lifeline telephone line;
- The subscriber remits payment for at least some portion of the balance due on a Lifeline-supported service account;
- The subscriber "tops up" his prepaid Lifeline account;
- The subscriber answers an incoming call to the Lifeline telephone line or checks voice mail messages left on that line;
- The subscriber confirms through direct contact with the ETC that he wishes to activate or to keep the account active.

These actions indicate that the subscriber is using the service, retains possession of the handset (and, particularly in the case of wireless devices, that the handset is charged and turned on), or is otherwise aware of and wishes to retain the service. Assuming that the subscriber is otherwise eligible to receive the Lifeline discount, all active Lifeline lines may be included on the ETC's form 497.

C. "One Per Residence" Rule

The Commission has proposed to codify a rule which would limit the Lifeline discount to "one per residential address,"[21] with a corresponding requirement that an end user certify, upon service initiation and during the annual verification process, that he "is receiving Lifeline support for only one line per residence."[22]

Sprint does not object to a requirement that an end user certify that he is receiving Lifeline support for only one line per residence. However, because "household" is not always the same as "physical address," the proposed rule should be refined to address group housing arrangements (unrelated adults and multi-generational families living at the same address) and discounts to different members of the same nuclear family residing

[21] NPRM, ¶ 106.
[22] NPRM, ¶ 167.

at the same address (*e.g.*, mother receives a Lifeline discount on the family's wireline phone, father receives discount on the wireless phone).

Sprint suggests that the limitation on Lifeline discounts be linked to a nuclear family unit that shares a residential address, where the family unit corresponds to IRS filing status. Under this proposal, two parents who claim one dependent child would have a 3-member nuclear family unit for Lifeline purposes, and that 3-member family unit would be eligible to receive only one Lifeline discount. This approach accommodates group housing situations, where unrelated adults (who presumably do not file joint income tax returns) may have the same address, and multi-generational living arrangements (adults who live in a relative's home but who are not considered dependants of that relative for tax purposes). Unrelated individuals and independent relatives outside the nuclear family unit who share an address would each be entitled to receive one Lifeline service discount, assuming that they are otherwise eligible.

The Commission might also wish to take advantage of eligibility screening performed by social service agencies for other public assistance programs as an additional means of addressing "multiple unrelated adults, same address" situations. Under this approach, any end user adult who qualifies for benefits under a related public assistance program also would be presumed eligible (with appropriate documentation) for a Lifeline discount.[23] This would be relatively easy to implement if the Commission adopts a coordinated enrollment approach (*see* NPRM, ¶ 199). Prequalification under a government public assistance program could promote Lifeline subscription among

[23] Of course, some screening must be done to ensure that an end user who is enrolled in multiple public assistance programs still receives only one Lifeline discount.

eligible end users who might otherwise be unaware of, or reluctant to apply separately for, Lifeline assistance.

The Commission also has proposed to amend Section 54.410 of its Rules to require all ETCs "to obtain a certification from every subscriber verified during the annual verification process that the subscriber is receiving Lifeline for only one line per residence."[24] While Sprint does not object to this proposal, we would note that response rates during the Lifeline verification process are quite low, and adding another requirement to this process could depress end user response rates even further. Because failure to respond will result in mandatory de-enrollment of otherwise eligible end users, the Commission must weigh the benefits of a more stringent verification process against the societal cost of eliminating support to otherwise eligible end users.

D. The Low Income Fund Should Not Be Capped

The Commission has asked whether it should cap the Low Income USF. It should not. It is true that the fund has grown rapidly over the past several quarters, due to several factors including very difficult economic conditions and vigorous marketing by newly designated Lifeline ETCs. It is also likely that fund growth will be slowed as the economy improves and as the duplicate Lifeline subscription issue is addressed and, once a long-term database or other solution is implemented, prevented.

The possibility of a fund cap is at odds with the suggestion elsewhere in the NPRM that more vigorous outreach by Lifeline service providers is somehow necessary or desirable, and with the Commission's stated concern that telephone subscription rates

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[24] NPRM, ¶ 167.

for low income consumers remain below the national average.[25] Rather than rushing to cap the Low Income USF (which could result in rationing of available support to the most economically vulnerable end users), the Commission should evaluate whether other proposals in the NPRM that address waste, fraud and abuse, and which reduce or eliminate payments for services that have outlived their usefulness, are sufficient to slow the growth in the fund without compromising necessary service to low income Americans.

IV. THE COMMISSION SHOULD NOT MANDATE CONSUMER OUTREACH AND MARKETING OR MINIMUM SERVICE REQUIREMENTS

The Commission has asked whether it should impose "marketing guidelines on ETCs to ensure that consumers fully understand the benefit being offered,"[26] impose "specific outreach requirements on ETCs,"[27] adopt minimum Lifeline service requirements,[28] or adopt a rule "requiring all ETCs in all states to collect some minimum monthly amount from participating households."[29] As discussed below, except for one limited proposal, the Commission can and should rely upon competitive forces rather than regulatory fiat to achieve its desired results here.

Sprint agrees that Lifeline materials should make it clear that the offering is supported by the Lifeline USF program. To the extent that duplicate Lifeline discounts to

[25] NPRM, ¶ 26 (also noting that "states with higher dollar amounts of Lifeline support exhibited higher growth in phone subscribership from 1997 to the present").
[26] NPRM, ¶ 228.
[27] NPRM, ¶ 235.
[28] NPRM, ¶ 253.
[29] NPRM, ¶ 86.

the same end user are the result of consumer misunderstanding or confusion, clarification along the lines suggested in the NPRM could be helpful and would be relatively easy to implement. Therefore, Sprint recommends that ETCs may satisfy a "trademarked-service is supported by Lifeline" requirement by specifically including the word "Lifeline" in their Lifeline service applications and marketing material.

Sprint currently makes it clear that its Lifeline offerings are supported by the Lifeline USF. For example, our Assurance Wireless website[30] program description tab is prominently labeled "Assurance Wireless Lifeline Program"; the qualification tab is labeled "How to Qualify for the Lifeline Program"; and the response to the first question in the FAQ tab ("what is Assurance Wireless?") states in part:

> Assurance Wireless is brought to you by Virgin Mobile USA and is a Lifeline Assistance program supported by the Universal Service Fund. Lifeline Assistance is only available on one phone line per household. Assurance Wireless is available in limited geographic areas and is subject to the Assurance Wireless Terms of Service.

Similarly, Sprint's postpaid Lifeline website[31] states that "Lifeline and Link Up are programs offering wireless telephone discounts to qualified, low-income customers. Under the Lifeline program, eligible subscribers may receive discounted cell phone service from Sprint," and prominently displays a link to the USAC Low Income website.

Beyond a requirement that ETCs' Lifeline material include the word "Lifeline," however, the Commission should refrain from specifying what consumer outreach and marketing activities an ETC must perform. There is no evidence that existing outreach and marketing efforts have been inadequate or ineffective; to the contrary, the dramatic

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[30] *See* www.assurancewireless.com.
[31] *See* www.sprint.com/lifeline.

growth in the number of Lifeline subscribers in the past two years is evidence of the effectiveness of existing outreach and marketing efforts. In fact, there has been a dramatic increase in Lifeline service advertising and outreach in recent years, corresponding in large part to the designation of Lifeline-only ETCs. Virgin Mobile, for example, has spent tens of millions of dollars promoting its Assurance Wireless prepaid Lifeline offering through television, radio and newspaper advertising, direct mail campaigns, and partnerships with organizations and agencies that serve Lifeline-eligible clients. Assurance Wireless has issued press releases and held community events in states in which it received ETC designation announcing and promoting its Lifeline offering. In addition to their Lifeline websites, Sprint's postpaid and prepaid business units have dedicated toll-free numbers staffed by customer service representatives who have been specially trained to address Lifeline issues; run advertising campaigns in English and, in some markets, Spanish; and engaged in direct mail and social service agency outreach.

The continuing growth in the number and geographic scope of entities that have been designated as ETCs,[32] all of which are required to engage in Lifeline outreach activities, may be expected to further increase awareness of the Lifeline USF program as well as stimulate competition in this market. An ETC that wishes to attract new Lifeline customers has market incentives to engage in effective outreach efforts and sales

[32] According to USAC, there were 2270 entities designated to provide Lifeline service in the fourth quarter of 2010 (*see* USAC Form LI03, 4Q2010; this report counts a service provider once for each jurisdiction in which it is a designated ETC). In recent months, numerous non-facilities based carriers (including TracFone, i-wireless, Cricket Communications, Conexions LLC, Platinumtel Communications, Line Up LLC,

Footnote continued on next page

initiatives, and a carrier that is providing service in a particular area presumably will be familiar with the needs of that community. Thus, there is no need for the Commission to attempt to micromanage ETCs' outreach and marketing efforts. Commission-mandated outreach and marketing requirements are likely to be ineffective, potentially costly, and would limit the ETC's flexibility to address local needs.

The Commission should also avoid adopting minimum Lifeline service requirements, such as the number of minutes to be included in an ETC's Lifeline service offering[33] or requiring that the Lifeline discount be available on all service packages rather than to the lowest-priced offering only.[34] Competitive pressures will be more effective at establishing and increasing service standards than are static and inflexible regulatory mandates.

Here again, the experience in the prepaid Lifeline market is instructive. When TracFone was first designated as an ETC, it offered a prepaid wireless Lifeline service package with 68 free minutes. Upon designation as an ETC, Virgin Mobile entered the prepaid Lifeline market with a base offer of 200 free minutes. TracFone subsequently introduced a 250-minute offer, and Virgin Mobile increased its base offer to 250 minutes and introduced 500 and 1000 minute plans. Other ETCs offer Lifeline packages with other features designed to attract new customers and meet end user needs. These service enhancements were initiated in response to competition and market imperatives, not because a regulatory body directed the service providers to do so.

Consumer Cellular, Head Start, Midwestern Telecommunications, and NTCH) also have received or have sought Lifeline-only ETC designations from the FCC.

[33] NPRM, ¶ 253.

[34] NPRM, ¶ 258.

The Commission should also refrain from amending its rules to require that Lifeline discounts be applied to any Lifeline calling plan offered by an ETC with a voice component (rather than just to the ETC's lowest-priced offering),[35] as such proposal could have negative consequences for Lifeline customers and low income subscribership levels. Bundled service packages and more feature-rich packages, while doubtless highly attractive to some end users, are, in most cases, also more costly than an ETC's lowest-priced voice offering. Unfortunately, not all Lifeline customers have sufficient financial resources to pay for these more expensive service packages, thereby exposing ETCs, which are obliged to provide Lifeline service to eligible consumers, to higher levels of bad debt. Consumer bill shock -- a situation over which the Commission has expressed a deep concern[36] -- can result from higher-than-expected invoices and invoices that reflect an accumulating overdue balance due. Customers who are unable to pay their bills then face loss of service – the opposite result of what the Lifeline program was intended to address.

Finally, the Commission should refrain from requiring ETCs to collect some minimum monthly Lifeline payment from their subscribers. It is not at all clear what purpose such a rule would serve. A token payment is unlikely to deter any end user intent on committing fraud, and a substantial payment may pose a barrier that deters low income consumers from obtaining Lifeline service. Moreover, a mandatory billing

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[35] Based on the capabilities of their billing systems and their tolerance for bad debt, ETCs should be allowed but not required to apply the Lifeline discount to any service package, at the individual ETC's discretion.

[36] *See, e.g., Empowering Consumers to Avoid Bill Shock, Consumer Information and Disclosure*, CG Docket No. 10-207 and 09-158, *Notice of Proposed Rulemaking*, 25 FCC Rcd 14625 (2010).

requirement will drive up ETCs' cost of providing Lifeline service. Given billing and collection expenses, a required minimum payment could well render prepaid Lifeline service a non-viable business model.[37] Without at least some semblance of evidence that a minimum payment will have any effect on Lifeline program waste, fraud, and abuse, the Commission should strictly avoid interfering in pricing decisions in the highly competitive wireless service market.

V. CONCLUSION

Sprint supports the Commission's efforts to improve the effectiveness and viability of the Lifeline program, and suggests refinements to numerous of the proposals to make them fairer and more effective. Some of the proposals in the NPRM -- including implementation of a national Lifeline database, adoption of minimum safeguards to act as a safe harbor for ETCs against recovery action, and eliminating/limiting USF support for unnecessary services -- are sound or at least worthy of careful consideration. Other proposals (making ETCs responsible for recovery of all erroneously disbursed Lifeline funds, a blanket "one per residence" rule, capping the Low Income USF, and government-mandated outreach, marketing and minimum service requirements) are contrary to the public interest and should not be adopted either at all or in the form presented in the NPRM.

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[37] Many Assurance Wireless customers use only the basic monthly service package and thus do not incur extra charges for which a bill or a top-up payment would be necessary. Requiring such customers to remit a payment obviates one of the most attractive features of the Assurance Wireless prepaid offering – the lack of an invoice. It is also not uncommon for customers to ignore invoices with a small balance due, which triggers late fees and sometimes service cancellation or collection activity.

Respectfully submitted,

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April 21, 2011

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments of Sprint Nextel Corporation was filed electronically or via US Mail on this 21st day of April, 2011 to the parties listed below.

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