

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 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 LEAP WIRELESS INTERNATIONAL, INC.
AND CRICKET COMMUNICATIONS, INC.**

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April 21, 2011

SUMMARY

Leap Wireless International, Inc. and Cricket Communications, Inc. (together, “Cricket”) applaud the Commission’s efforts to improve existing Low-Income support mechanisms. Cricket shares the Commission’s desire to ensure that these programs remain a viable means of allowing all Americans to enjoy the benefits of basic telecommunications services, regardless of income. As a facilities-based provider that charges program participants its standard market-based rates for service, Cricket also shares the Commission’s concern that certain carriers are gaming these programs in ways that undermine the integrity of the Low-Income programs. In particular, a number of prepaid wireless ETCs have designed Lifeline-specific offerings that have enabled them to generate inflated Lifeline and Link Up subsidies. Such Lifeline-specific offerings, in contrast to unlimited monthly calling plans that are available to the general public, are placing significant strains on the Lifeline program and yet are failing to ensure that low-income consumers will have continuous access to the public switched telephone network (“PSTN”).

Accordingly, Cricket supports the Commission’s efforts to implement additional measures to guard against waste, fraud, and abuse (*e.g.*, establishing a centralized database of program participants to help detect instances of duplicative support); streamline program administration (*e.g.*, implementing minimum standards for eligibility and verification across all states); and preclude providers from gaming the system (*e.g.*, specifying minimum charges for Lifeline recipients to prevent efforts by certain prepaid providers to inflate their line counts by offering free or nominally priced service). The resulting cost savings should eliminate the need for a funding cap, a measure that would be antithetical to the objectives of the Lifeline and Link Up programs and the explicit goals of Section 254 of the Act.

Cricket also supports the *NPRM*’s proposal to update the Low-Income programs to reflect changes in technology. Cricket agrees that support should be used to subsidize all

“voice telephony services”—including the voice component of bundled services. Cricket also agrees that broadband service has become an essential mode of communication, and endorses the use of a pilot program to identify the most efficient means of boosting broadband adoption rates among low-income consumers.

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Leap Wireless International, Inc. and Cricket Communications, Inc. (together, “Cricket”) respectfully submit these comments in response to the *Notice of Proposed Rulemaking* adopted by the Commission on March 3, 2011 in the above-captioned proceeding (“*NPRM*”). In the *NPRM*, the Commission proposes to “comprehensively reform and modernize the Lifeline and Link Up program . . . [to] significantly 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.” *NPRM* ¶ 1.

Cricket applauds the Commission’s efforts to modernize existing Low-Income support mechanisms. Cricket is well aware of the valuable contribution that these programs currently make in ensuring that all Americans—regardless of income—can stay connected to the public-switched telephone network (“PSTN”) and enjoy the benefits of basic telecommunications services. As a provider of digital wireless voice and broadband services with a focus on low-income and value-seeking consumers that often are ignored by other carriers, Cricket understands that many consumers simply cannot afford these services at

market-based rates, even from a value-oriented carrier such as Cricket. And, as an active participant in the Lifeline and Link Up programs, Cricket has seen firsthand how its customers benefit from these programs.¹

Cricket supports the Commission's efforts to improve these support mechanisms. As a facilities-based provider that charges customers its standard market-based rates for service (rather than extending free or nominally priced services), Cricket shares the Commission's interest in ensuring that Lifeline remains a means of connecting low-income consumers to the PSTN and spurring broadband utilization, rather than generating windfall profits for resellers that seek to game the system. Prepaid wireless carriers that offer packages of free or nominally priced minutes are seeking to exploit the availability of Lifeline funding, but the program was intended to provide *discounts* off generally applicable monthly rate plans rather than to subsidize prepaid services that do not enable participants to maintain continuous access to the PSTN. Putting a stop to such abuses should be a central priority in this rulemaking.

More broadly, Cricket believes that there are a number of measures that the Commission can and should take to update the Lifeline and Link Up programs, streamline program administration, and bolster protections against waste, fraud, and abuse. Such measures, if properly implemented, should improve the effectiveness of these programs. At the same time, the resulting cost savings would eliminate the need for a cap on overall support levels (which necessarily would leave many low-income Americans without the

¹ Cricket has been designated as an eligible telecommunications carrier ("ETC") in California, Maryland, Missouri, Oregon, and South Carolina, and currently has petitions for initial designation as an ETC pending in Arizona, Colorado, and Pennsylvania, and before the Commission with respect to New York, North Carolina, Tennessee, Virginia, and the District of Columbia. *See* WC Docket No. 09-197. Cricket affiliate Denali Spectrum Operations, LLC has received an interim approval order in Illinois. Each of these ETC designations and petitions covers the provision of Lifeline and Link Up services only.

means to enjoy the benefits of advanced telecommunications services), while freeing resources with which the Commission could explore ways to extend subsidized broadband services to low-income consumers.

DISCUSSION

I. CRICKET SUPPORTS THE COMMISSION’S EFFORTS TO IMPROVE THE ADMINISTRATION OF THE LIFELINE AND LINK UP PROGRAMS

A. The Commission Should Adopt Concrete Performance Goals for the Lifeline and Link Up Programs.

The *NPRM* proposes to “establish explicit performance goals in order to provide a basis for determining whether Lifeline/Link Up is successfully promoting and advancing the availability of quality services at just, reasonable, and affordable rates for low income consumers.” *NPRM* ¶ 32. Cricket generally supports the approach embraced by the *NPRM*, and the broad performance goals identified by the Commission. That being said, Cricket believes that approach should be modified, as necessary, to reflect the Commission’s recognition of the benefits of mobility, as distinct from those derived from connectivity generally (*e.g.*, through wireline technologies).

As the *National Broadband Plan* recognizes, “mobile services and technologies are driving innovation and playing an increasingly important role in our lives and our economy.”² Consequently, individuals without the ability to access mobile service face “significant disadvantages” compared with those that have such access.³ Thus, for example, the Commission should track the extent to which Lifeline allows low-income consumers to avoid these disadvantages by measuring the comparability of *mobile* adoption rates for low-income and higher-income consumers.

² Omnibus Broadband Initiative, *CONNECTING AMERICA: THE NATIONAL BROADBAND PLAN*, at 9 (“*National Broadband Plan*”).

³ See, *e.g.*, *Universal Service Reform: Mobility Fund*, Notice of Proposed Rulemaking, WT Docket No. 10-208, FCC 10-182, at ¶ 2 (Oct. 14, 2010).

At a more fundamental level, Cricket believes that the appropriateness of any performance goals adopted by the Commission will turn, in no small part, on the specific manner in which they are implemented. Similarly, the effectiveness of any performance metrics adopted by the Commission ultimately will depend on whether measured data is evaluated properly and used productively.⁴ The *NPRM* does not yet present specific proposals detailing the exact metrics that would be used to measure progress in achieving the Commission’s objectives, or the manner in which data would be collected and evaluated. Cricket looks forward to working with the Commission and other stakeholders on the development of more concrete performance goals and metrics.

B. Cricket Supports the Commission’s Efforts to Curb Waste, Fraud, and Abuse in the Lifeline and Link Up Programs.

As noted above, the paramount “waste, fraud, and abuse” issue confronting the Commission is the proliferation of prepaid wireless plans that exist to generate windfalls for participating providers. The Commission should preclude ETCs from offering “Lifeline-specific” plans and instead require ETCs to make supported service plans available to *all* customers. The Commission also should ensure that supported service plans provide continuous access to the PSTN rather than an allotment of minutes that may well expire and leave low-income consumers disconnected. More broadly, the Commission should adopt proposals in the *NPRM* to prevent duplicative support.

⁴ For example, while Cricket sees wisdom in the Commission’s proposal to track inflation-adjusted USF contribution per household to gauge changes in the overall USF funding burden, *NPRM* ¶ 38, Cricket would object to any suggestion that increases in such a measure over time necessarily would indicate increased inefficiency. To the contrary, such an increase could indicate that these programs are simply serving a larger number of low-income households—thus becoming more effective in meeting program objectives.

1. The Commission should take steps to curb potential abuses by “prepaid” ETCs not offering “pay-in-advance” monthly services.

Even apart from the fundamental problem that prepaid offerings of limited minutes do not ensure uninterrupted access to the PSTN, the *NPRM* identifies various other abuses associated with free or nominally priced prepaid services. A central concern is that “pre-paid wireless ETCs” do not assess monthly service charges for Lifeline-supported service, even though they report such lines to USAC for reimbursement. *NPRM* ¶ 80. Among other problems that flow from the absence of monthly charges, the *NPRM* notes that although an ETC may receive Lifeline support only for *active* subscribers, some carriers are seeking reimbursement for subscribers that have terminated or are no longer using their service. *NPRM* ¶ 65.

To address this potential for unjustified Lifeline support payments, Cricket supports undertaking these and other reforms proposed in the *NPRM*:

- Prohibiting “pre-paid” wireless ETCs from seeking reimbursement for any Lifeline customer who has failed to use his or her service for 60 consecutive days, to ensure that support is not provided for fictitious “service,” *see NPRM* ¶ 82;
- Requiring “pre-paid” wireless ETCs to claim only partial or *pro rata* dollars for a given month, based on the date on which the fixed number of minutes purchased by a given Lifeline subscriber “runs out,” to ensure that support is provided only for *actual* connectivity, *see NPRM* ¶ 67; and
- Requiring “pre-paid” wireless ETCs to charge a minimum monthly fee (*e.g.*, the lesser of one-half of the customary charge for the selected service plan or the Lifeline support amount), to incent subscribers to accept only service they intend to actually use and ensure that these ETCs do not provide “free” or negligible-cost services in order to inflate their line counts, *see NPRM* ¶ 86.

While these reforms should address the mounting problems caused by “pre-paid” providers, it is critical to avoid lumping together “pay in advance” carriers such as Cricket with carriers that sell only minutes of use. Cricket and other “pay-in-advance” carriers *do* assess a monthly charge, and *do* offer customers a full month of unlimited service at a fixed rate. In contrast, “pre-paid” ETCs (*e.g.*, Tracfone Wireless or Virgin Mobile) provide only a

fixed number of minutes, which frequently run out in the middle of a month, leaving subscribers without service for a significant period of time. Because Cricket and similar carriers do not provide service *unless and until* a subscriber pays for that service, and that service will not “run out” if it is used, subscribers have clear incentives to make active use of that service. Consequently, it is not necessary to impose burdensome usage monitoring requirements on such “pay-in-advance” carriers.

2. The Commission should provide Link Up support to ETCs only for “customary” service initiation fees that are imposed on all subscribers.

The problems with prepaid services also extend to Link Up discounts. The *NPRM* observes that certain carriers are seeking Link Up support for “activation charges” that typically are not imposed on non-Link Up subscribers.⁵ Cricket agrees that this practice could be used to game the Commission’s rules and unreasonably increase the amount of support to which an ETC is entitled. Accordingly, Cricket supports the Commission’s proposal to limit Link Up recovery to one-half of the “customary charge for commencing telecommunications service,” defined as “the ordinary initiation charge that an ETC routinely imposes on all customers within a state”—excluding activation charges that are waived, reduced, or eliminated when activation is accompanied by purchase of additional products, services, or minutes. *NPRM* ¶¶ 73-74.

Cricket believes that this simple measure would go a long way toward curbing abuse of the Link up mechanism. Because ETCs would be compelled to charge the same connection charges for both Link Up and non-Link Up subscribers, market pressures would constrain the ability of ETCs to inflate those charges. Accordingly, there should be no need to require ETCs to submit cost support to justify their service initiation or connection fees. *Cf. NPRM* ¶ 79.

3. The Commission should take steps to ensure that the Lifeline and Link Up programs do not provide duplicative support.

In addition to targeting abusive prepaid calling schemes, the Commission should take action to prevent duplicative support more generally. The *NPRM* correctly recognizes that “a key component of . . . providing support that is sufficient but not excessive is to protect the [USF] against waste, fraud, and abuse.” *NPRM* ¶ 39. Cricket agrees wholeheartedly, and shares the Commission’s view that combating waste, fraud, and abuse will benefit consumers by eliminating unnecessary and unproductive expenditures.

- a. The Commission should establish a centralized database of support recipients to help guard against the provision of duplicative support across different providers.*

The *NPRM* proposes to create a national database of Lifeline and Link Up program participants, which would be used to verify consumer eligibility, track verification, and check for duplicates to ensure greater program accountability. *NPRM* ¶ 207. Cricket agrees that the use of a database would facilitate the efforts of ETCs, USAC, and the Commission to guard against duplicative funding that violates the Commission’s rules. Given the obvious benefits of such a database for the Lifeline and Link Up programs, it should be funded out of the USF and administered by USAC, or a designated third-party administrator.

Among other things, such a database would provide ETCs with a simple mechanism with which to verify that a Lifeline applicant is not already receiving support from another provider. The database could be populated by ETCs on a real-time or periodic basis, using a standardized set of data points for each applicant (*e.g.*, name, address, social security number, basis for eligibility, etc.). ETCs also could be required to certify their good-faith belief in the accuracy of this information; that they have exercised diligence in attempting to detect potential instances of waste, fraud, and abuse; and that they otherwise have complied with

⁵ *NPRM* ¶ 72. See also *TracFone Wireless Inc. Petition for Declaratory Ruling*, WC Docket No. 09-197, CC Docket No. 96-45 (filed Dec. 1, 2010).

program rules and requirements. After an ETC enters this information, the database could identify potential instances in which recipients *may* have applied for duplicative support (including cases where multiple entries do not match exactly, but merit further investigation). Similarly, the database administrator could review the entire database periodically to audit program implementation. In this fashion, use of the database would facilitate the Commission’s efforts to curb waste, fraud, and abuse.

- b. The Commission should resolve ambiguities in the “one-per-a-household” rule, but in a way that does not deny support to vulnerable consumers living in group residences.*

While there are legitimate arguments for supporting multiple adults in a household, Cricket agrees that the “one-to-a-household” standard strikes an appropriate balance between extending coverage and fiscal restraint. However, the application of the “one-to-a-household” rule has become somewhat muddled in recent years as the result of fundamental shifts in telecommunications markets, including a general migration of low-income customers from wireline to wireless services. These ambiguities complicate the administration of the Lifeline and Link Up programs and make it difficult for ETCs to realize the objectives of these programs.

While Cricket generally shares the Commission’s desire to eliminate these ambiguities, Cricket cautions that adopting bright-line rules that are overly simplistic could result in the inadvertent exclusion of low-income consumers that should be eligible for support. Thus, Cricket does not support the adoption of a strict “one-per-postal-address” rule that does not reflect the simple fact that multiple “households” or “residences” could be located at a single postal address.⁶

⁶ See *NPRM* ¶ 111. If the Commission does shift to a “one-per-postal-address” rule, the Commission should clarify, at a minimum, what is necessary to differentiate addresses from each other (*e.g.*, unique apartment/room numbers).

While a U.S. Postal address is a good proxy for identifying unique “households” in most cases, it is not perfect. For example, in some cases a single postal address may be assigned to an entire building, which processes resident mail for different “households” in that building. This is common not only in apartment buildings, but also in group residences and other non-conventional living situations (*e.g.*, shelters, hospitals, treatment centers, and nursing homes). *See generally NPRM ¶¶ 121-125.* Low-income residents in these facilities often are unable to live on their own, and typically are even more vulnerable than the average low-income consumer.

Excluding these residents from the Lifeline and Link Up programs would fatally undermine the Commission’s efforts to achieve the objectives of universal service. Accordingly, the Commission should take measures to ensure that these consumers are not denied support. Among other things, the Commission should create an exception to the “one-per-postal-address” rule for legitimate group residences identified by the states. Notably, many group residences (*e.g.*, nursing homes, shelters) already are subject to state oversight, such that states could identify these residences using existing administrative processes. Cricket also supports the proposal to enable administrators of group facilities to certify compliance on behalf of eligible residents. *See NPRM ¶ 123.*

- c. The Commission should require “households” receiving duplicative support to select a single provider within 30 days, and should not require ETCs to refund such support absent a showing of carrier misconduct.*

The *NPRM* proposes rules to remedy instances in which USAC discovers that a single subscriber is receiving duplicative support through more than one ETC by requiring that subscriber to select a single provider within 30 days. *NPRM ¶ 58.* Cricket generally supports this proposal, which appropriately balances the need to guard against waste, fraud, and abuse with the desire to avoid an abrupt termination in supported service and to provide a

subscriber with the opportunity to challenge USAC's finding.⁷ However, Cricket opposes the *NPRM*'s proposal to require ETCs to refund any duplicative support already paid by USAC to ETCs and used to provide service to subscribers. While the *NPRM* claims that such a requirement "would create appropriately strong incentives for providers to take measures to ensure that they are not seeking excessive support," *NPRM* ¶ 62, in fact this approach would succeed only in undermining the ability of ETCs to fulfill the objectives of the Lifeline and Link Up programs.

Among other things, this approach would punish ETCs that have made good-faith efforts to enforce the Commission's rules and extend service to low-income consumers. The Commission itself has acknowledged that ETCs frequently have great difficulty detecting instances in which duplicative support is provided to a single subscriber or "household," despite their best efforts.⁸ In some cases ETCs themselves may be victims of fraudulent representations or documentation made or provided by "eligible" subscribers. In such cases, a strict liability approach to refunds would merely burden ETCs and undermine their efforts to serve low-income consumers, without offering any significant deterrent against carrier misconduct or negligence. At the same time, this approach would chill the incentives of ETCs and other carriers to participate fully in the Lifeline and Link Up programs. Rather than face potentially significant liability, many carriers would choose not to participate in the Lifeline and Link Up programs at all.

To the extent that the Commission wishes to create stronger incentives for ETCs to curb waste, fraud, and abuse, the Commission should do so by adopting more stringent

⁷ Cricket notes that the Commission would need to continue support to the ETC for this period, as requiring the ETC to offer a discounted rate without any reimbursement would amount to rate prescription inconsistent with Section 204 of the Act. 47 U.S.C. § 204.

⁸ This is one of the reasons that the Commission has proposed the creation of a centralized database of support recipients.

eligibility and verification requirements that effectively minimize the risk of duplicative support. Any ETC that makes reasonable efforts to comply with such requirements in good faith should be shielded from liability in the event that a case of duplicative support is discovered at a later date. *NPRM* ¶ 62. If the Commission requires additional comfort, it also could require ETCs to certify their compliance on an annual basis, as in the context of the Commission’s customer proprietary network information (“CPNI”) rules. *See* 47 C.F.R. § 64.2009(e).

C. The Commission Should Streamline Program Administration by Adopting Uniform Minimum Eligibility and Verification Standards.

The *NPRM* proposes to amend the Commission’s existing rules to “require all states to utilize, at a minimum, the [eligibility and verification] program criteria currently utilized by federal default states.” *NPRM* ¶ 154. Cricket fully supports this proposal, which would create greater consistency in eligibility and verification requirements nationally. It also would help to eliminate ambiguities in certain state regulatory frameworks and streamline the administration of Low-Income support programs by ETCs.

Cricket’s experience as an ETC to date has revealed numerous ambiguities regarding the substance and application of eligibility and verification rules and procedures in certain states. These ambiguities unduly complicate the administration of the Lifeline and Link Up programs, make them less efficient, and threaten to frustrate carriers’ good-faith efforts to comply with program rules and requirements. For example, many states maintain eligibility rules for *state* universal service programs (for which eligibility may be restricted to wireline providers), but maintain no separate rules for *federal* universal service programs (which are open to wireless providers like Cricket).⁹ The absence or underspecification of meaningful

⁹ This approach appears to have resulted from the fact that most ETCs, historically, have been wireline local exchange carriers that participated in both programs. Obviously, that is no longer the case, as numerous wireless providers are now ETCs.

state rules for wireless providers confounds the efforts of Cricket and other wireless ETCs to determine what eligibility and verification rules are applicable. By requiring states to adopt the federal default rules as a floor, the Commission would help to eliminate many of these ambiguities and ensure that ETCs can operate without undue risk of enforcement action at the federal or state level.

At the same time, such a requirement would lead to greater uniformity in state requirements, and thus streamline the ability of ETCs to administer the Lifeline and Link Up programs across state lines in the most efficient manner possible. Cricket notes that the Commission and USAC could encourage compliance with the federal default rules by including appropriate questions/data requests in the centralized registry for Lifeline recipients.¹⁰

While uniformity in eligibility and verification criteria is desirable, the Commission should not adopt uniform requirements for outreach and marketing. As the Commission has recognized in other contexts, the appropriateness of various outreach methods will vary across communities and user groups, such that the Commission should not dictate any “one-size-fits-all” solution.¹¹ In addition, what may be reasonable expectations for outreach by

However, many of these wireless ETCs are excluded from state universal service programs, such that state procedures are inapplicable to them.

¹⁰ A requirement that providers input data in a standard format, and make standard certifications with respect to each consumer, would facilitate the Commission’s efforts to implement minimum eligibility and verification requirements across all ETCs. *See NPRM* ¶ 154.

¹¹ *Cf., e.g., Broadcast and Cable Equal Employment Opportunity Rules and Policies*, Report and Order, 15 FCC Rcd 2329, at ¶ 88 (2000) (“We have concluded, based on the comments and our experience enforcing previous EEO rules over the last 30 years, that there is considerable value in allowing individual broadcasters flexibility to design outreach programs that will work in their communities, and that there is no effective ‘one size fits all’ recruitment model.”).

large carriers may be unreasonably burdensome for smaller carriers.¹² Accordingly, the Commission should allow ETCs flexibility to determine how best to fulfill their obligations under Section 214(e)(1)(B) of the Act. 47 U.S.C. § 214(e)(1)(B).

II. THE COMMISSION SHOULD REFRAIN FROM IMPOSING A CAP ON OVERALL LIFELINE AND LINK UP SUPPORT LEVELS

The *NPRM* asks whether the Commission should impose a cap on the overall size of the Lifeline and Link Up programs. *NPRM* ¶ 145. While Cricket understands the Commission’s desire to control the growth of the USF, Cricket strongly opposes any proposal that would place an artificial cap on the size of the Low-Income fund. Simply put, such a cap would be antithetical to the objectives of the Lifeline and Link Up programs and the explicit goals of Section 254 of the Act, which directs the Commission to ensure that low-income consumers have access to telecommunications and information services comparable to those enjoyed by consumers with higher incomes. 47 U.S.C. § 254(b)(3).

The Lifeline and Link Up programs represent the Commission’s principal mechanisms for fulfilling this statutory mandate, and as such “are a critical part of the Commission’s universal service mission . . . to ensure the availability of basic communications services to all Americans, including low-income consumers.” *NPRM* ¶ 1. For this reason, any artificial cap on Lifeline and Link Up support necessarily would preclude the Commission from fulfilling this mandate and meeting its obligations to low-income consumers under Section 254(b)(3). Critically, limiting the availability of Lifeline and Link Up support would limit the ability of low-income consumers to receive service, likely by excluding a substantial number of low-income consumers from participating in these programs. This, in turn, would preclude these consumers from enjoying the benefits of connectivity with the rest of the country. In this respect, Low-Income programs stand in

¹² *Id.* (“Moreover, such flexibility will afford relief to broadcasters in smaller markets, which may not need to use as many recruitment sources to achieve broad outreach in

stark contrast to High-Cost programs, for which the effect on end-user rates and penetration is unclear.

As the *NPRM* acknowledges, voice and broadband adoption rates for low-income consumers already are far behind those for more affluent populations, as well as the national average. *NPRM* ¶¶ 30, 43. At the same time, low-income programs currently reach only a fraction of eligible households that could benefit from these programs; tellingly, the *NPRM* estimates that in 2009, 8.6 million eligible households participated in Lifeline nationwide, representing only about 33 percent of the 25.7 million low-income households at the time. *NPRM* ¶ 25. It makes no sense to consider a cap on funding when the Low-Income programs admittedly reach *too few* consumers in need, prompting the Commission to consider mandating broader outreach requirements. If anything, program enrollment, and support levels, should be considerably *higher* to meet the universal service objectives established in Section 254.

In any event, capping Lifeline and Link Up support levels would not prevent further growth in the overall fund or significantly reduce the funding burden on end users. In fact, the universal service fund has grown in size principally due to inefficiencies in the administration of High-Cost support mechanisms; funding for the Low-Income program is only about one-third of that for the High-Cost program. Notably, the Commission already has advanced proposals to reform the High-Cost fund, which should lead to significant cost savings.¹³

Instead of imposing an artificial cap on Low-Income support levels, the Commission should aim to improve the *efficiency* with which funds are used (and, as noted above, to eliminate fraud and abuse). The reform measures discussed above (*e.g.*, customer usage, *pro*

their markets.”).

¹³ See *Connect America Fund*, Notice of Proposed Rulemaking, WC Docket No. 10-90, FCC 11-13 (Feb. 8, 2011).

rata reporting, and minimum monthly fee requirements) would help to achieve this objective and to control the overall Lifeline and Link Up funding levels, while ensuring that the public receives maximum bang for its buck.

III. CRICKET SUPPORTS THE COMMISSION’S EFFORTS TO MODERNIZE THE LIFELINE AND LINK UP PROGRAMS

A. The Commission Should Adopt the Proposal to Support “Voice Telephony Service” under a Simplified Structure.

The *NPRM* proposes to amend the definition of “Lifeline” in Section 54.401 of the Commission’s rules so as to provide support for a set of defined functionalities known as “voice telephony service.” *NPRM* ¶ 243. Cricket endorses this proposal. Directing support to “voice telephony service,” in lieu of “basic local service,” would reflect fundamental changes in the voice telecommunications market. These include, among other things, the increased bundling of local and long-distance service into a single service offering, and the widespread emergence of wireless services.

The *NPRM* also seeks comment on whether there is a more appropriate reimbursement framework than the current four-tier system for determining federal Lifeline support amounts. *NPRM* ¶ 248. Cricket agrees that the calculation of Lifeline support amounts, and the administration of the Lifeline program generally, could be streamlined significantly by eliminating the existing system of support tiers. Instead of awarding support through a complicating tiering scheme, the Commission could instead simply award monthly Lifeline support per line in an amount equal to one-half of total charges for “voice telephony service,” up to a maximum of \$13.50.

Support should be calculated in the same manner for any *monthly* service, regardless of whether it is paid in advance or postpaid, and irrespective of the particular technology used (*e.g.*, wireline vs. wireless). The Commission also should provide support for the “voice” component of bundled service offerings, as these offerings provide overall cost-savings to

low-income consumers. Support should be calculated based on the revenue component attributable to “voice telephony service,” using allocation mechanisms that are already employed in the Form 499-A and 499-Q contexts.

B. The Commission Should Establish a Pilot Program to Explore How the Lifeline and Link Up Programs Can Best Be Extended to Cover Broadband Services.

The *NPRM* recognizes that “[a]ccess to broadband is increasingly important for all Americans to actively participate in our economy and our society.” *NPRM* ¶ 266. Cricket agrees that broadband service has become an essential mode of communication, and believes that all Americans should share the benefits of such services, regardless of income. Indeed, Cricket continues to develop innovative broadband solutions to allow its customers to more fully leverage all the broadband technology has to offer. In particular, Cricket is exploring ways to more effectively extend these benefits to low-income consumers, who form a substantial part of Cricket’s customer base, and who often are ignored by other carriers.

Based on extensive experience serving its customer base, Cricket understands that many consumers simply cannot afford broadband services. As a result, these consumers have been unable to share in the substantial benefits that these services offer, even where broadband is otherwise available. Cricket strongly supports the Commission’s conviction that all Americans should be able to access these services, and, therefore, Cricket supports the expansion of the Lifeline and Link Up programs to cover broadband services as a critical means of boosting adoption rates among a vulnerable segment of our society.

As the *NPRM* acknowledges, there is a significant gap in broadband penetration and uptake between low-income and more affluent consumers, which is even more significant than the existing gap in telephone penetration rates. *NPRM* ¶ 11. More specifically, almost all households with incomes greater than \$75,000 have broadband at home, while less than

half of adults with household incomes less than \$20,000 have broadband at home.¹⁴

Tellingly, cost is the primary factor accounting for this discrepancy.¹⁵ Extending Lifeline and Link Up support to broadband services would help remove this barrier to broadband penetration and help close the “Digital Divide” in the United States.

Nevertheless, it is clear that the Commission cannot simply treat broadband services as if they were voice services and apply the same rules and program framework to both types of services in administering an expanded Low-Income program. The broadband income gap is not only more significant than the telephone income gap, but also presents fundamentally different challenges. Accordingly, Cricket believes that a measured approach is best and supports the Commission’s proposal to set aside a discrete amount of USF support to fund a pilot program, which would be used to identify the most efficient means of ensuring that low-income consumers have access to broadband. Comprehensive data derived from this program could be used to inform the development of a long-term framework for Low-Income broadband support that is efficient and effective.

CONCLUSION

For the reasons set forth herein, Cricket urges the Commission to reform the Lifeline and Link Up mechanisms in a manner consistent with these comments.

¹⁴ See John B. Horrigan, *Broadband Adoption and Use in America* 13, Exh. 1 (OBI Working Paper Series, Working Paper No. 1, 2010), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-296442A1.pdf.

¹⁵ *Id.* at 5.

Respectfully submitted,

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April 21, 2011