

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

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

**REPLY COMMENTS OF THE LINK UP FOR AMERICA COALITION**

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September 2, 2011

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## SUMMARY

The Link Up program was created in 1987 to address the barriers faced by low income Americans when trying to obtain telephone service and further advance the Commission's longstanding universal service goals. Commenters agree that the barriers posed by service initiation charges remain substantial. The Link Up program successfully has replaced a portion of the revenues associated with these charges and, as a result, has reduced the barriers these charges have presented to low income consumers. In these difficult economic times, Link Up remains essential, as the nationwide Lifeline participation rate remains only just above one-third of the eligible population.<sup>1</sup>

Not surprisingly, the comments submitted addressing the Link Up inquiries raised in the Public Notice demonstrate substantial support for preserving Link Up. Commenters agree that the elimination of Link Up would result in increased costs imposed on low income consumers and declining penetration rates among that vulnerable demographic. Indeed, no party refuted these facts or offered any contrary evidence regarding the likely impact elimination of the Link Up program would have on subscribership.

A similar reduction in subscribership would occur if Link Up were converted into a cost reimbursement program only for physical installations, which has no basis in Commission precedent or current service activation realities. Further, there is no waste, fraud or abuse in wireless carriers receiving Link Up subsidies to replace foregone revenues; the Commission already has determined that wireless eligible telecommunications carriers ("ETCs") can receive Link Up subsidies for wireless service initiation charges.

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<sup>1</sup> See Comments of the Link Up for America Coalition, WC Docket 11-42 *et al.* at 6 (filed Aug. 26, 2011) ("Coalition Comments").

In order to eliminate or reconstitute the Link Up program, or modernize it to operate in a broadband world, the Commission should collect a more complete record that will enable it to more closely examine costs and the issues raised by the Coalition and other parties in response to the Public Notice, including most importantly the potential impact on low income consumers' costs and subscribership rates.

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The Link Up for America Coalition (“Coalition”), by and through its attorneys, submits these reply comments in response to initial comments filed by various parties on August 26, 2011, pursuant to the Federal Communications Commission’s (“Commission’s”) August 5, 2011 Public Notice in the above-captioned proceedings.<sup>2</sup> The Coalition and most other parties to this proceeding do not support the elimination or severe limitation of the Link Up program, which subsidizes real and substantial initiation of service costs, and remains vital to maintain and expand telephone service penetration rates for low income Americans.

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<sup>2</sup> See *Further Inquiry Into Four Issues in the Universal Service Lifeline / Link Up Reform and Modernization Proceeding*, Public Notice, DA 11-1346 (rel. Aug. 5, 2011) (“Link Up Public Notice”).

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**I. THE RECORD CONTAINS BROAD SUPPORT FOR PRESERVING LINK UP IN ITS CURRENT FORM**

As discussed in detail below, the majority of commenters agree with the Coalition that the Link Up program should not be eliminated.<sup>3</sup> Link Up is an essential universal service program designed to support access to communications for low income Americans. The commenters also agree that the Link Up program was not intended to support only customer initiation activities that involve physical installation, and should not be so limited at this time.<sup>4</sup> This is especially true, according to multiple parties, because physical installations (or “truck rolls”) are exceedingly rare.<sup>5</sup> Therefore, limitation of the Link Up subsidy to truck rolls would essentially eliminate the program. The information submitted in the record supports the Coalition’s warning that such elimination or drastic limitation of Link Up would result in carriers passing additional costs on to consumers that will often not be able to afford them.<sup>6</sup> This would result in unacceptable declines in the low income consumer penetration rate.

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<sup>3</sup> See Comments of Nexus Communications, Inc., WC Docket No. 11-42 *et al.* (filed Aug. 26, 2011) (“Nexus Comments”); Comments of Comptel, WC Docket No. 11-42 *et al.* (filed Aug. 26, 2011) (“Comptel Comments”); Comments of Budget Prepay *et al.*, WC Docket No. 11-42 *et al.* (filed Aug. 26, 2011) (“Budget Prepaid Comments”); Comments of the California Public Utilities Commission, WC Docket No. 11-42 *et al.* (filed Aug. 26, 2011) (“CPUC Comments”); Comments of CenturyLink, WC Docket No. 11-42 *et al.* (filed Aug. 26, 2011) (“CenturyLink Comments”); Comments of Smith Bagley, Inc., WC Docket No. 11-42 *et al.* (filed Aug. 26, 2011) (“Smith Bagley Comments”); Comments of Atlantic Tele-Network, Inc. *et al.*, WC Docket No. 11-42 *et al.* (filed Aug. 26, 2011) (Atlantic Tele-Network Comments”); Comments of the National Association of State Utility Consumer Advocates and New Jersey Division of Rate Counsel, WC Docket No. 11-42 *et al.* (filed Aug. 26, 2011) (“NASUCA Comments”); and Comments of Consumer Groups, WC Docket No. 11-42 *et al.* (filed Aug. 26, 2011).

<sup>4</sup> See *e.g.*, Comptel Comments at 8-9; Nexus Comments at 10; CenturyLink Comments at 3; Smith Bagley Comments at 9; and Atlantic Tele-Network Comments at 13.

<sup>5</sup> See Nexus Comments at 10 and CenturyLink Comments at 3.

<sup>6</sup> See Smith Bagley Comments at 9; CPUC Comments at 8; CenturyLink Comments at 4; Nexus Comments at 4; and Comptel Comments at 7.

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The fact remains that the overwhelming majority of wireless carriers charge activation fees to initiate a new customer.<sup>7</sup> As detailed further below, the record is now replete with data and information showing that those fees are the result of real and substantial customer on-boarding and activation costs.<sup>8</sup> These costs include, at a minimum, having a customer representative collect subscriber information, verify eligibility, establish a billing account, and activate the new account in the carrier's operational support system so that the customer's equipment can communicate with the network.<sup>9</sup>

Finally, the commenters also agree that Link Up was designed as a revenue replacement mechanism that can support different business models, including those that rely on Link Up subsidies to support grassroots customer outreach programs.<sup>10</sup> Such outreach programs access members of the low income community that are not reached by the big box store applications and online sales model used by the larger "nationwide" ETCs.

**II. THE RECORD SHOWS THAT THE ELIMINATION OF LINK UP WOULD RESULT IN INCREASED COSTS AND DECLINING PENETRATION RATES FOR LOW INCOME CONSUMERS**

Proponents of eliminating or limiting the Link Up program provide the Commission with no reasoned basis or reliable data to support such a dramatic change. One commenter's unsupported statement that automation has reduced the cost of initiating service remains unsupported. In contrast, the record contains ample evidence that the Link Up subsidy was designed and continues to serve effectively as a revenue replacement mechanism for

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<sup>7</sup> See Nexus Comments at 16-17.

<sup>8</sup> See CPUC Comments at 8; Nexus Comments at 11; Comptel Comments at 10; Atlantic Tele-Network Comments at 14; and CenturyLink Comments at 4.

<sup>9</sup> See Nexus Comments at 11 and Comptel Comments at 10.

<sup>10</sup> See Nexus Comments at 5.

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legitimate service initiation costs that otherwise would be collected from the low income consumers that the Link Up program was designed to benefit. Commenters further indicated that many low income consumers would not be able to pay the increased costs to initiate service, which would result in declining telephone service penetration rates in the low income community.

**A. The Record Shows That Initiation of Service Costs Are Real and Substantial**

The proposed elimination of Link Up funding is based on the assertion that automation has reduced the cost of initiating service.<sup>11</sup> Sprint did not support this assertion at the time, nor did it do so in its August 26<sup>th</sup> comments. Just as the Coalition stated in its initial comments,<sup>12</sup> many commenters found this assertion to be false and unsupported.<sup>13</sup>

The comments in the record overwhelmingly show that wireline and wireless carriers' activation and initiation costs are real and remain substantial. The Coalition noted that, according to Commission statistics, average costs to initiate service have not materially declined since the Link Up subsidy cap was set.<sup>14</sup> In addition, the Coalition provided evidence that initiation charges remain around \$60.00.<sup>15</sup> The California Public Utilities Commission specifically refutes Sprint's claim, stating "[i]rrespective of Sprint's statement that 'the ever-

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<sup>11</sup> See Comments of Sprint Nextel Corporation, WC Docket No. 11-42 *et al.* at p. 9 (filed Apr. 21, 2011).

<sup>12</sup> See Coalition Comments at 10.

<sup>13</sup> See Atlantic Tele-Network Comments at 13 (Sprint "offers no justification for its proposal other than to make the conclusory statement..."); Budget Prepay Comments at 8 ("Sprint offers no evidence in support of this statement..."); Smith Bagely Comments at 8; and Comptel Comments at 7 ("None of the commenters urging the Commission to limit or eliminate the Link Up subsidy has presented evidence that non-recurring charges do not continue to constitute a barrier to low income subscriptions to voice service...").

<sup>14</sup> See Coalition Comments at 10-11.

<sup>15</sup> See *id.* at 11.

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increasing level of automation has reduced the cost of initiating service,' the connection non-recurring charge for customers is still high. In California, \$40.00 for AT&T California, \$49.00 for SureWest and \$46.00 for Verizon in California.”<sup>16</sup> In addition, according to Nexus Communications, Inc. (“Nexus”),

To activate service for a new wireless Lifeline subscriber, Nexus must have its customer service representative collect subscriber and service information (including information regarding Low Income eligibility), vet the potential subscriber and his residence with its voluntarily established database..., establish a billing account on its office database, and activate the subscriber’s account in Nexus’ operational support systems so that the customer’s telephone equipment may communicate and interact with the network.<sup>17</sup>

Similarly, Comptel indicates that “[a]t the very minimum, the administrative costs of opening an account include the expense of having a customer service representative obtain subscriber and service package information, establish a billing account for the customer, and activate the new account in the carrier’s operational support systems....”<sup>18</sup> The Budget Prepay group likewise asserts that costs of initiating service include “activation fees from the underlying provider, address validation, cost of Lifeline recordkeeping and certification, [and] setting up the customer in the company’s call center software....”<sup>19</sup> According to the Atlantic Tele-Network, Inc. group, “[t]he fact is that there are significant costs involved in the customer activation process, and companies that receive Link Up are being legitimately reimbursed for the costs inherent in activating a Lifeline customer.”<sup>20</sup>

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<sup>16</sup> CPUC Comments at 8.

<sup>17</sup> Nexus Comments at 11.

<sup>18</sup> Comptel Comments at 10.

<sup>19</sup> Budget Comments at 8.

<sup>20</sup> Atlantic Tele-Network Comments at 14.

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Further, in arguing that wireless carriers do not have service initiation costs, TracFone Wireless Inc. (“TracFone”) states that it is not aware of any underlying network provider imposing activation fees or service commencement charges on their wholesale mobile virtual network operator customers.<sup>21</sup> Coalition members’ experiences are different; we can confirm that wireless resellers are often subject to network activation and provisioning charges from their underlying provider.<sup>22</sup> As noted above, Budget Prepay also indicates that initiation costs may include activation fees from the underlying provider.<sup>23</sup>

**B. The Record Shows That Elimination of the Link Up Subsidy Will Result in Declining Voice Service Penetration Among Low Income Americans**

Accepting that initiation costs are real (and leaving some room for reasonable debate as to which costs should be covered by the Link Up revenue replacement mechanism), they must be recovered by carriers somehow. Currently, some of these costs are recovered through the Link Up subsidy. If that subsidy is eliminated, they must be recovered from the customer, which would result in an inevitable reduction in low income consumer telephone penetration rates.<sup>24</sup>

There is substantial support for this conclusion in the record. For example, according to Smith Bagley, Inc., “[r]educing Link Up support makes it more likely that carriers will pass costs along to low-income consumers, who can least afford service initiation

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<sup>21</sup> See Comments of TracFone Wireless, Inc., WT Docket No. 11-42 *et al.* at 9 (filed Aug. 26, 2011) (“TracFone Comments”).

<sup>22</sup> See Coalition Comments at Exhibit 1.

<sup>23</sup> See Budget Prepay Comments at 8.

<sup>24</sup> See Coalition Comments at 11.

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charges.”<sup>25</sup> The California Public Utilities Commission concluded that “[w]ithout Link Up discounts or the California LifeLine connection charge subsidies, LifeLine customers could not afford telephone service.”<sup>26</sup> CenturyLink argues that “[w]ithout the discounts on commencing telephone service that the Link Up program provides, the up-front cost of connection would frustrate efforts to promote telephone service adoption by low-income customers.”<sup>27</sup> Nexus, a large provider of Lifeline services, reaches the same conclusion: “Without Link Up, many eligible Americans will be unable to access the Lifeline subsidy because they will not be able to pay the carrier’s valid service activation fee.”<sup>28</sup> Finally, Comptel aptly warned, “...if the Commission were to limit or eliminate the Link Up subsidy, it would recreate a barrier to obtaining voice service and discourage low income consumers from subscribing.”<sup>29</sup>

If the Commission still is contemplating the elimination of Link Up, it is clear from the concerns raised in the record that the Commission should, at the very least, collect further information regarding the likely impact of eliminating Link Up on low income consumer subscribership levels. The current record simply does not support the proposed elimination of the Link Up program consistent with the Commission’s universal service goals.

**III. THERE IS NO BASIS IN COMMISSION PRECEDENT OR CURRENT CIRCUMSTANCES FOR RECONSTITUTING LINK UP AS COST REIMBURSEMENT ONLY FOR PHYSICAL INSTALLATIONS**

Commission precedent and current service initiation realities do not support limiting Link Up subsidies to reimburse only the costs of physical installations. In addition, due

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<sup>25</sup> Smith Bagley Comments at 9.

<sup>26</sup> CPUC Comments at 8.

<sup>27</sup> CenturyLink Comments at 4.

<sup>28</sup> Nexus Comments at 4.

<sup>29</sup> Comptel Comments at 7.

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to the limited number of service initiations that involve “truck rolls,” such a conversion would virtually eliminate the program. Therefore, it would have an impact on low income subscribership levels similar to that resulting from outright elimination of the program. No proponent of such a drastic reconstitution of the program has offered any evidence regarding the likely subscribership impact, which the Commission should consider before taking any action. Finally, any such reconstituted Link Up program would favor wireline over wireless ETCs, would not be competitively or technology neutral, and would be unmanageable.

The Coalition Comments clearly demonstrated that the Link Up program was designed to offset initiation charges that would be assessed on low income consumers to begin receiving telephone service (such as administrative costs of opening an account) and not to merely reimburse a carrier’s costs for physical installation of facilities.<sup>30</sup> Echoing this point, and citing the Commission’s Link Up rules, Comptel notes that, “[t]he purpose of the Link Up subsidy is to reimburse ETCs for the *revenues* they forgo in providing discounts to eligible low income consumers on service activation charges...”<sup>31</sup> Nexus concurred, finding there to be “no indication that [Link Up] support was meant to be limited to [the physical installation] aspect of the overall connection cost” based in part on the fact that, “[p]hysical installation was rare even in 1997 when the modern Link Up program was created...”<sup>32</sup>

Further, if physical installation was rare in 1997, CenturyLink confirms in its comments that such “truck rolls” are exceedingly rare today.<sup>33</sup> Therefore, if the Link Up

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<sup>30</sup> See Coalition Comments at 8-10.

<sup>31</sup> Comptel Comments at 8-9.

<sup>32</sup> Nexus Comments at 10.

<sup>33</sup> See CenturyLink Comments at 3 (“...service connection charges do not encompass physical installation of facilities by CenturyLink at the consumer’s residence. For most

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program were to be reconstituted as a mechanism to reimburse the rare occurrences of service initiations involving physical installations, it would virtually eliminate the program. Elimination of the Link Up program would result in declines in telephone service subscribership as discussed above.

In addition, if Link Up were to support only physical installation costs, the program that remained would predominantly, if not exclusively, serve wireline carriers. In the 1997 USF Order, the Commission endorsed a Joint Board recommendation and held that “we adopt the principle of ‘*competitive neutrality*’ and conclude that universal service support mechanisms and rules *should not unfairly advantage one provider, nor favor one technology.*”<sup>34</sup> As the Atlantic Tele-Network group states, “[l]imiting the Link Up fee for service installations that involve physical installations is a wireline-centric proposal that would violate the fundamental principle of competitive and technological neutrality.”<sup>35</sup> Moreover, as the Coalition explained in its comments, eliminating Link Up would provide TracFone with an unfair advantage over ETCs that have built business models and outreach programs reliant on the revenue replacement provided by Link Up.<sup>36</sup>

Finally, according to AT&T, a drastically limited Link Up program that supported only truck rolls would be unmanageable, difficult to police and rife with opportunities for fraud.<sup>37</sup> AT&T advocates instead more aggressive enforcement of the Commission’s rules to

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customers, initiating service does not require installation at the residence. Further, if it does, it is a separate charge...CenturyLink is fairly typical in the telephone industry.”)

<sup>34</sup> *Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd 8776, ¶ 364 (1997) (“1997 USF Order”) (emphasis added).

<sup>35</sup> Atlantic Tele-Network Comments at 13.

<sup>36</sup> See Coalition Comments at 16-17 and Nexus Comments at 7-10.

<sup>37</sup> See Comments of AT&T, WC Docket No. 11-42 *et al.* at 9-10 (filed Aug. 26, 2011).

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combat abuses of the program.<sup>38</sup> As discussed further below, the Coalition agrees that increased enforcement of the current rules would be the best solution to combat waste, fraud and abuse without eliminating or virtually eliminating a program that provides “critical” assistance to the low income community.

**IV. RECEIVING LINK UP SUBSIDIES FOR WIRELESS SERVICES AS REVENUE REPLACEMENT FOR FORGONE ACTIVATION CHARGES IS NOT WASTE, FRAUD OR ABUSE**

TracFone asserts (wildly) that it is “blatant” waste, fraud and abuse of USF resources for wireless ETCs to receive Link Up funds.<sup>39</sup> TracFone relies on several flawed premises to conclude that Link Up subsidies should be eliminated for wireless ETCs. First, TracFone relies on the debunked theory addressed above that the original purpose of Link Up was only to reimburse costs of physical connections to a customer’s residence.<sup>40</sup> Second, TracFone essentially argues that wireless ETCs are not eligible for Link Up funding.<sup>41</sup> Nothing could be farther from the truth. In the 2000 Tribal Lands order, the Commission explained that, [e]xpanded Link Up support would be available for qualifying consumers on tribal lands to offset charges for facilities that are necessary to enable a *non-wireline* eligible telecommunications carrier to provide service to the demarcation point....<sup>42</sup> The Commission later confirmed that “*non-wireline* carriers remain eligible to receive Link Up support for the ‘customary charge for

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<sup>38</sup> See *id.* at 10.

<sup>39</sup> See TracFone Comments at 6.

<sup>40</sup> See TracFone Comments at 7-8.

<sup>41</sup> See *id.* at 8.

<sup>42</sup> 2000 Link Up Order, ¶ 61 (emphasis added).

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commencing telecommunications service,' as defined in section 54.411 of the Commission's rules, *including wireless activation fees.*"<sup>43</sup>

TracFone also argues that there is no justification for Link Up funding to subsidize the costs of handsets.<sup>44</sup> However, in the 2000 Tribal Lands order, the Commission stated that, "...[t]o the extent that a non-wireline carrier can isolate costs associated with the portion of the *handset* that receives wireless signals, we conclude that those costs would be covered as costs on the network side of the network interface device."<sup>45</sup> While the Commission reconsidered this decision three years later,<sup>46</sup> it remains the case that the Commission previously has approved limited funding for handsets and it has ample authority to do so again.<sup>47</sup> As discussed further below, the Commission should consider further whether and how it should subsidize the cost of handsets in the context of expanding Link Up to broadband.

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<sup>43</sup> See *Federal-State Joint Board on Universal Service*, Twenty-Fifth Order on Reconsideration, Report and Order, Order and Further Notice of Proposed Rulemaking, FCC 03-115, ¶ 18 (2003) ("2003 USF Order") (citations omitted) (emphasis added).

<sup>44</sup> See TracFone Comments at 10.

<sup>45</sup> 2000 Link Up Order, ¶ 61 (emphasis added).

<sup>46</sup> 2003 USF Order, ¶ 18 ("Upon reconsideration, we conclude that Link-Up should not offset any costs of a wireless handset."). Our initial research done to support our comments filed on August 26, 2011 failed to uncover this aspect of the 2003 USF Order. We regret and apologize for our error and the manner in which this error was reflected in our initial comments. Specifically, we note that this decision should have been discussed in our initial comments at page 5 where we asserted that Link Up was designed to cover certain costs, including part of the cost of wireless handsets. A subsequent reference to the costs of wireless handsets on page 9 of our initial comments should have been omitted. For clarity, we note that no Coalition member presently requests reimbursement for handset costs, though the Coalition maintains that the Commission should extend Link Up to cover at least some of the cost of broadband-capable handsets as the Lifeline program is modernized to bring broadband to low income consumers.

<sup>47</sup> See Comments of Cox Communications, Inc., WC Docket No. 11-42 et al. at 4-7 (filed Aug. 26, 2011) ("using universal service funding to support computer equipment and training for low-income consumers is reasonably ancillary to the effective performance of the Commission's statutorily mandated responsibilities to provide 'access to advanced telecommunications and information services,' and to ensure that 'low-income consumers' have access to 'advanced telecommunications and information services.'").

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TracFone further relies on its assertion that it and Virgin Mobile do not charge activation fees to conclude that Link Up subsidies are unnecessary.<sup>48</sup> As described in the Coalition Comments, the standard industry practice is to charge an activation fee.<sup>49</sup> Further, TracFone's and Virgin Mobile's Lifeline supported services are provided under a different business model than that of Coalition members and other community-based service providers. TracFone and Virgin Mobile are able to quickly sign up certain (relatively, more affluent) customers in a market with advertising and online sales.<sup>50</sup> The Coalition members, and other parties to this proceeding, engage in more broad reaching grassroots outreach efforts to sign up new low income customers.<sup>51</sup> The larger carriers' business model has an inherently limited reach. We agree with Nexus' assertion that "...online sales and big box store marketing simply will not reach Americans most cut off from the nation's telecommunications network."<sup>52</sup> Further, larger carriers such as TracFone and Virgin Mobile are able to cross-subsidize their activation costs with costs imposed on a larger subscriber base. As summarized by Nexus, "Link Up support allows low-income focused ETCs to recover their non-recurring costs without having to subsidize them with large non-Lifeline subscriber bases or to pass them on to the customer in the form of increased per minute rates or monthly bills."<sup>53</sup>

TracFone claims that wireless ETCs' receipt of Link Up funds is waste, fraud and abuse, but neither alleges nor demonstrates any actual non-compliance with the Link Up rules on

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<sup>48</sup> See TracFone Comments at 9.

<sup>49</sup> See Coalition Comments at 12.

<sup>50</sup> See *id.* at 17-18.

<sup>51</sup> See *id.* at 14-16.

<sup>52</sup> Nexus Comments at 9.

<sup>53</sup> *Id.* at 10.

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the part of its competitors. The Coalition respectfully submits that TracFone throws around charges of waste, fraud and abuse too loosely. Perhaps TracFone's focus on waste, fraud and abuse should be redirected to its own verification procedures, which, in an audit required by the Massachusetts Department of Telecommunications and Cable and conducted in 2009, showed that twenty-one out of forty-three sampled TracFone customers were deemed ineligible.<sup>54</sup> The Coalition agrees with AT&T that the Commission can do more to reduce waste, fraud and abuse with greater enforcement efforts than through program rule changes. At bottom, it is plain to see that TracFone's interest in eliminating Link Up is for anticompetitive reasons only and not for the good of low income Americans.

**V. THE COALITION SUPPORTS MODERNIZATION OF LINK UP, BUT THAT WILL REQUIRE A MORE FULLY DEVELOPED RECORD**

Just a few months ago, in its 2011 Lifeline/Link Up NPRM, the Commission stated that "*Lifeline and Link Up are a critical part of the Commission's universal service mission, ensuring that we implement Congress's directive to ensure the availability of basic communications services to all Americans, including low-income consumers.*"<sup>55</sup> Although the record contains broad support for retaining the Link Up program in its current form, the Coalition supports efforts to modernize the Link Up program that focus on increasing subscribership among and bringing broadband to low income Americans. The latter goal should not be achieved at the expense of the former.

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<sup>54</sup> See *TracFone Wireless, Inc. Annual Verification of SafeLink Wireless Lifeline Subscribers*, Order, D.T.C. 09-9 (June 30, 2010). An ineligibility percentage of 49%, extrapolated nationwide across 3.3 million Lifeline subscribers at \$9.38 per month each, would result in TracFone's receipt of \$17.6 million a month in ineligible Lifeline funds, or \$211 million in a year.

<sup>55</sup> *Lifeline and Link Up Reform and Modernization; Federal-State Joint Board on Universal Service; Lifeline and Link Up*, Notice of Proposed Rulemaking, 26 FCC Rcd 2770, ¶ 1 (rel. Mar. 4, 2011) ("2011 Lifeline/Link Up NPRM") (emphasis added).

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The Coalition does not support the elimination or drastic restructuring of the Link Up program without an adequate record, which must include analyses of the effects of any proposed changes on low income subscribership levels and how any revised Link Up program could be managed. Unsupported statements from parties such as Leap Wireless International, Inc. / Cricket Communications, Inc. that “Link Up support generally is not necessary to enable consumers to access the PSTN” and that the Low Income program would be more “effective if the Link Up mechanism were eliminated” cannot form the basis of reasoned decision making.<sup>56</sup> Such “voting” contributes nothing toward the creation of an adequate record on which to reform a longstanding and successful Commission universal service program.

Further, there is support from the parties to this proceeding for expanding the Link Up program to cover broadband equipment and training, which the Coalition encourages. A transition to include broadband support would require even greater outreach efforts similar to those grassroots programs undertaken by Coalition members. In addition, whether and how to address support for broadband-capable handsets is an essential inquiry the Commission must resolve, as low income consumers increasingly are turning to prepaid wireless as their on-ramp to the Internet.<sup>57</sup> These issues should be incorporated into a deeper record-based review of how much of the cost of customer outreach, initiation and equipment Link Up funds should and can support. As suggested in the Coalition Comments, any significant change to the Link Up

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<sup>56</sup> See Comments of Leap Wireless International, Inc. and Cricket Communications, Inc., WT Docket No. 11-42 *et al.* at 4 (filed Aug. 26, 2011).

<sup>57</sup> See Lucy Hood, *Smartphones Are Bridging the Digital Divide: Minorities are accessing the Internet through cheap, prepaid wireless data plans*, The Wall Street Journal, Aug. 29, 2011, available at <http://online.wsj.com/article/SB1000142405311903327904576526732908837822.html?KEYWORDS=smartphones+are+bridging>.

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program would require a more complete record with additional data regarding costs, business models, outreach efforts and penetration rates.<sup>58</sup>

**VI. CONCLUSION**

For the foregoing reasons, the Coalition urges the Commission not to adopt any proposal to eliminate or drastically limit the Link Up program. Such action is not supported by the record in this proceeding. To better assess what reforms to the Link Up program are necessary as the Low Income fund is modernized to support broadband, the Commission should insist on and collect a more complete record regarding the potential impact of such reforms on subscribership rates in the low income community.

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<sup>58</sup> See Coalition Comments at 19-22.