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

REPLY COMMENTS OF CENTURYLINK

About three dozen parties shared their views in response to the Commission's *Public Notice* on selected Lifeline/Link Up reform issues.[1] In this reply, CenturyLink highlights a few issues that warrant additional comment.

First, CenturyLink joins those that recognize the need to maintain the one-per-residence limitation of the Lifeline program. A one-per-residence rule fulfills the program's fundamental goals, while a one-per-adult rule would most likely unduly expand the program's size and unnecessarily increase program waste, fraud, and abuse.

Second, Link Up support should not be eliminated for wireline carriers' customary, non-recurring service activation charges applied to all customers. The Commission should clarify that Link Up support is only available to discount service activation and installation charges for Lifeline customers if the provider customarily assesses those same charges on its non-Lifeline customers.

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[1] Public Notice, *Further Inquiry Into Four Issues in the Universal Service Lifeline/Link Up Reform and Modernization Proceeding*, WC Docket Nos. 11-42, 03-109, CC Docket No. 96-45, DA 11-1346, rel. Aug. 5, 2011 (Public Notice). Comments were filed August 26, 2011.

Third, the Commission should not adopt a sample-and-census approach for verifying program eligibility. Instead, it should modify the current formula for determining verification sample sizes.

I. MAINTAINING THE ONE-PER-RESIDENCE RULE

Several commenters argued that the one-per-residence limitation of the Lifeline program should be retained to provide essential "fiscal discipline."[2] CenturyLink agrees. Everyone must be "mindful of the fact that the USF is a limited resource and that certain compromises are necessary to ensure that there are sufficient funds available to cover all of the programs supported by the USF."[3]

Other parties, however, want the Commission to broaden Lifeline eligibility by changing to a "one-per-adult" rule.[4] Adopting a one-per-adult rule would potentially increase the program's cost to unreasonable and unrealistic levels. The primary goal of the Lifeline program is to ensure that low-income consumers have access to telephone service.[5] The current approach accomplishes that goal, by providing support for a single telephone at a residence. A one-per-adult rule, meanwhile, would serve only to multiply the number of wireless subscribers -- at a time when the Commission and USAC are striving to curb duplicate subscriptions -- and is

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[2] Leap & Cricket at 3. *See also* TracFone at 3. California PUC (at 7) also supports a one-per-household rule.

[3] TracFone at 3.

[4] *E.g.,* AT&T at 3-4; CompTel at 3; Smith Bagley at 4, 5; Sprint at 6. GCI (at 12, 21) supports a one-per-adult rule, or alternatively a one-per-family limit with an exemption for tribal lands. Gila River (at 13) proposes that tribal households be allowed a second Lifeline allowance.

[5] *See, e.g., In the Matter of Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42, Notice of Proposed Rulemaking, 26 FCC Rcd 2770, 2804 (2011) (*Lifeline and Link Up 2011 NPRM*) ("[T]he Commission has stated that eligible consumers may receive universal service low-income support for 'a single line in their principal residence.' ... This requirement historically was intended to target support where it was needed most and to maximize the number of Americans with access to the telephone network. In practice, this requirement has been implemented by providing one Lifeline/Link Up discount per residential address.").

simply "not feasible in light of funding limitations."[6] AT&T contends a one-per-adult rule is "unlikely" to cause a "spike" in Lifeline subscribership, because it ostensibly is "codif[ying] the status quo."[7] However, given the growing pressures on the low-income universal service fund -- pressures driven by rapid growth in wireless ETC subscriptions -- a policy that provides so broad an eligibility would be untenable.

II. LINK UP DISCOUNTS

The Link Up discount program was adopted for good reason: service activation charges were and are a customary fee every customer incurred when ordering new wireline telephone service. For some low-income households, if not discounted, those charges would discourage signing up for service. For wireline service that has not changed. Allowing reimbursement for routine, customary activation fees "continues to be necessary."[8]

Some parties endorsed Sprint's suggestion that Link Up support should be eliminated across the board.[9] CenturyLink shares other parties' concern about unjustified service activation fees designed simply to take advantage of the Link Up program,[10] and Link Up support for such fees should be disallowed. But, the Commission should not eliminate Link Up support for wireline carriers that apply standard, customary activation charges for all new customers, and for whom Lifeline service is only one aspect of their provision of service to customers.

For local exchange carriers like CenturyLink, these service activation charges apply to all customers. New Lifeline-eligible customers incur the same charges as all other new customers

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[6] Leap & Cricket at 3.

[7] AT&T at 2-3.

[8] CompTel at 7.

[9] Public Notice at 6.

[10] *E.g.,* Leap & Cricket at 4; TracFone at 6, 9-10.

activating service. They are ordinarily tariffed charges, necessarily applicable to everyone seeking new service. They are the very type of "customary charge" traditionally and appropriately applied to all customers, within the meaning of and consistent with the intention of the Commission's Link Up rule.[11]

Indeed, wireline providers like CenturyLink typically do not offer a separate, branded Lifeline product. They are not selling a distinct product to potential Lifeline subscribers. For them, Lifeline and Link Up services refer to the discounts available to eligible low-income customers buying the same service offered to anyone. Their Lifeline business is one aspect of their provision of telephone service to the public. In contrast, it appears that wireless ETCs commonly have distinctly branded products tailored solely to the Lifeline market. The business plan for those products may be designed specifically to take full advantage of the Lifeline/Link Up program, including using Link Up support to primarily recover the providers' costs of participating in the Lifeline program, and not to recover costs associated with telephone service activation, which costs may be minimal. Consequently, CenturyLink is concerned that providing Link Up support to such providers may be unwarranted.

Wireline carriers' activation fees, moreover, reflect genuine costs. A charge for activation has been the standard practice in the wireline telephone business for decades, and appropriately so. There are real and legitimate costs associated with activating new customers. These include, for example, the costs of provisioning services -- processing orders, verifying credit, setting up the account, activating billing, and activating the line at the wire center. Wireline carriers properly recover these costs from Lifeline customers just as with all other customers of their telephone service. Activating a new wireless account, in comparison, may be

[11] *See* 47 C.F.R. § 54.413(a). The rule provides for "reimbursement for the revenue [ETCs] forgo in reducing their customary charge for commencing telecommunications service...."

as simple as entering an identification number into a computer keyboard, and prepaid wireless products appear not to incur traditional telephone activation costs.

At CenturyLink, service activation charges for Lifeline customers are not directed at recovering costs of offering Lifeline service, such as the costs of marketing those services. Nor are CenturyLink service activation charges directed at any other costs specifically attributable to providing Lifeline service. Instead, service activation charges recover the costs associated with activating service for all customers. Service activation charges may include an allocation of GS&A overhead, which includes some marketing costs, but that is a general cost incurred from and applied to all customers and similarly reflected in other non-recurring charges and monthly rates for the company's tariffed voice services.

Given these differences in how Lifeline service is offered, activated, and provided to customers, the Commission should clarify that Link Up support is available only to discount service activation charges that are customarily assessed on and paid by both Lifeline and non-Lifeline customers of a provider. To the extent a provider has only Lifeline customers, or has fewer non-Lifeline customers than Lifeline customers, the provider should not receive Link Up support.

Only a few parties supported limiting Link Up support solely to customers requiring new customer installation at the premises.[12] The Michigan PSC supported continuing Link Up support for wireline customers as long as they continue to customarily charge installation fees, but it endorsed limiting it to new activations requiring "physical installation[s] at the residence."[13] However, as CompTel explained, the Link Up program was not intended to be

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[12] Public Notice at 7. The Indiana URC (at 4-5) proposed limiting Link Up to new activations requiring installation at the customer premises.

[13] Michigan PSC at 4.

limited to "premises visits and physical installations of new equipment."[14] Where a carrier's service is based on providing service to all customers and is applying the same "customary" charges for new activation to all customers, there is no reason traditional Link Up support should be withheld from those customers. As CenturyLink explained, such a policy could effectively drive wireline providers out of the Lifeline business, by presenting a significant and, for regulated ILECs, unavoidable disincentive to new Lifeline-eligible customers.[15] The Joint Board expressly found that even typical, customary nonrecurring charges discourage low-income households from subscribing to telephone service.[16]

The California PUC proposed eliminating Link Up support to carriers, but compelling them nevertheless to provide the same "required discount" to new Lifeline-eligible customers.[17] Such a rule would be unjustified, at least for carriers that apply the same charges equally to all new customers and for which Lifeline is only a component of their business. The California PUC's approach would improperly require carriers to cross-subsidize new Lifeline customers using other business revenues. That is an unreasonable policy and would artificially undermine the competitive position of wireline carriers that have legitimate account activation costs, especially compared to prepaid wireless ETCs. Reform of the Lifeline/Link Up program should strive to remove competitive distortions and unfairness, not increase them.

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[14] CompTel at 9-10.

[15] CenturyLink at 5-6. Unlike most state commissions, the Indiana URC (at 5) has deregulated telephone charges. ILECs like CenturyLink, however, generally have little flexibility with respect to their activation charges.

[16] *In the Matter of MTS and WATS Market Structure*, Recommended Decision and Order, 2 FCC Rcd 2324, 2332 ¶ 68 (1987).

[17] California PUC at 9. AT&T pointed out that if the Commission modifies or eliminates its Link Up rules, it must change or eliminate ETCs' obligation to provide discounts on activation fees. *See* AT&T at 8-9. CenturyLink concurs with this view.

III. SAMPLING METHODOLOGY FOR VERIFYING ELIGIBILITY

No commenter disputed that annual verification of Lifeline eligibility should be administratively reasonable. On balance, CenturyLink believes the better of the *NPRM*'s two proposals for sampling would be to modify the current sampling formula, rather than adopt a new sample-and-census approach.[18]

Lifeline providers generally agreed that the sample-and-census approach would be burdensome, and several agreed that it would be unduly so.[19] Moreover, as AT&T and CenturyLink explained, that unreasonable burden would not be felt solely by providers with small numbers of Lifeline customers. It "would be burdensome to *all* Lifeline providers."[20]

While the Commission needs to act to reduce waste, fraud, and abuse in the Lifeline/Link Up program, the Commission should also strive to avoid the burden, expense, and consumer headache of verification where it is unnecessary. CenturyLink agrees with Cricket and Leap, for example, that Lifeline carriers should not be required to verify eligibility of Lifeline customers who signed up only within the previous 90 days.[21]

Respectfully submitted,

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[18] *Lifeline and Link Up 2011 NPRM*, 26 FCC Rcd 2770.

[19] *E.g.,* AT&T at 10; CenturyLink at 4-5; Cox at 12-13; TracFone at 10-11.

[20] AT&T at 11 (emphasis in original).

[21] Leap & Cricket at 5.