

TracFone Wireless, Inc.
FCC Meetings
September 13-14, 2011

Lifeline and Link Up Reform

TracFone's Lifeline Procedures Should Apply to All Lifeline Providers

- The best way to minimize waste, fraud, and abuse of USF resources is to identify Lifeline enrollment and program processes that effectively prevent fraudulent and wasteful use of USF funds and to require all ETCs to use those processes.
- There is no rational basis for treating ETCs differently based on whether they are wireless or wireline, facilities-based or resellers, prepaid or post-paid (billed service) providers or based on any other distinction.

TracFone's Lifeline Procedures Effectively Protect USF Resources

Application Data: TracFone requires all Lifeline applicants to provide a name, address, date of birth, and last four digits of their Social Security Numbers so it can validate applicants' identities and prevent duplicate enrollments. *This process prevented 463,000 enrollments in 2011.*

Non-Usage Policy: TracFone de-enrolls Lifeline customers who did not use their Lifeline service for more than 60 days. *This process de-enrolled 1,526,208 households (23.58% of customers in 2010).*

Annual Verification: Pursuant to the 2005 Forbearance Order, TracFone requires all Lifeline customers to self-certify under penalty of perjury at enrollment and annually thereafter that they are head of household and that the household only receives Lifeline service from TracFone. *This process has de-enrolled 1,376,131 households (26.39% of customers in 2010).*

As part of this process, TracFone also requires all Lifeline customers to self-certify that they continue to be eligible for Lifeline. TracFone's annual verification of continued eligibility of all customers is more effective than checking the continued eligibility of a random sample of Lifeline customers. The random sample method only terminates Lifeline benefits to customers in the sample (less than 5%) who do not certify their eligibility and has no impact on customers not in the sample.

USF Savings: If all ETCs are required to follow these procedures and have similar results, then in one year there could be a \$650 million savings.

TracFone's Lifeline Procedures Are Successful

TracFone Wireless:

- SafeLink has 3.7 million customers
- Active participant on making Lifeline more accountable
- FCC staff has praised TracFone's fraud prevention efforts

Safelink Wireless 2010 Audit Results:

- Of the 1.1 million customers audited which represented \$11.4 million, USAC identified 303 duplicate addresses and recovered \$3,013. This represents 0.026%.

Safelink Wireless 2010/2011 Payment Quality Assurances (PQA):

- After 28 PQA's and 5.5 million customers audited which represent \$53 million on FORM 497, USAC identified 231 duplicate addresses and recovered \$2,274. This represents 0.004%.

Link Up Support Should Be Limited to Customary Charges

Link Up is defined as: “a reduction in the carrier’s customary charge for commencing telecommunications service.” (47 C.F.R. § 54.411(a)(1)).

- In 2010, \$23 million in Link Up support was paid to wireless carriers.
- Link Up support should be limited to charges which are actually imposed by carriers on all customers (Lifeline and non-Lifeline) and that are actually paid by those customers.
- Link Up support should not be used to subsidize the costs of advertising, marketing, administration, certification of applicant eligibility, or handsets.

Full Certification is Unnecessary

No evidence that full certification prevents enrollment by unqualified persons or prevents duplicate enrollment.

Disadvantages of Full Certification:

- Customers do not have documentation readily available.
- Customers lack access to copiers, scanners, fax machines and computers.
- ETCs are able to enroll significantly fewer low-income households in full certification states than in self-certification states.
- Customer acquisition costs are 6 times higher for full certification states (\$144.00 per customer for full certification vs. \$25.00 per customer for self-certification).
- Limits customer choices by discouraging ETCs from offering service.

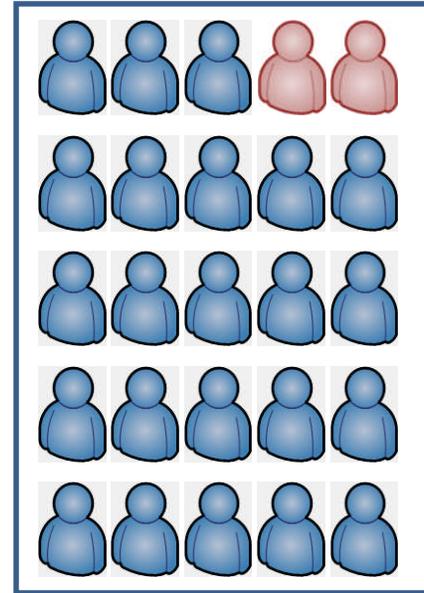
Solution: ETC access to state or national databases to certify eligibility.

Self Certification vs. Full Certification

Self Certification

CPGA*: \$25

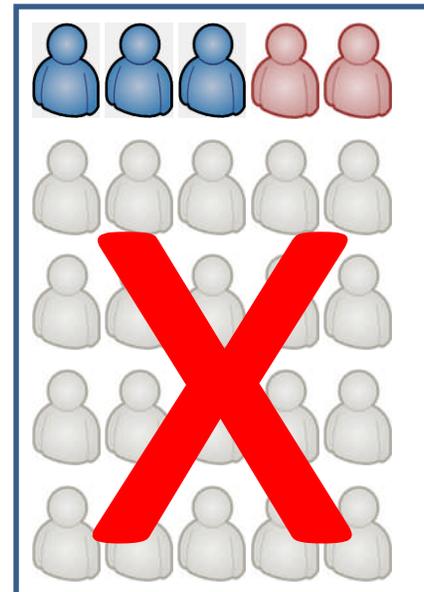
25 households enrolling, 2 would be fraudulent, and the remaining 23 that qualify would receive lifeline support.



Full Certification

CPGA: \$140

Switching to Full Certification to prevent 2 fraudulent households, would enroll only 3 households, while 20 that qualify would not complete the process, and be without lifeline support.



* Cost Per Gross Addition

Capping the Low Income Fund Harms Low-Income Households

With an average participation rate of 33 percent, the Lifeline program remains one of the most underutilized government assistance programs.

A cap on the Low Income portion of the USF limits the number of qualified low-income households which receive support.

- Once a cap amount is reached during a fiscal year, qualified low-income households seeking to enroll after that date would be denied Lifeline benefits.
- There is no public interest benefit to be gained by denying support services to needy households based on government-imposed limits.

Mandatory Charges Should Not Be Required

No evidence that free Lifeline service is a cause of waste, fraud and abuse.

Consumers benefit from having competitive choices, including the option to choose a Lifeline plan that provides free service.

60% of TracFone's Lifeline customers do not have checking accounts, credit cards or debit cards and would need to purchase money orders/cashier's checks to pay a monthly charge.

80% of TracFone's Lifeline customers have indicated that they could not afford to pay a monthly charge.

A mandatory monthly charge is not competitively neutral in that it discriminates against ETCs without billing systems.

How to Protect the Low Income Fund

Require all ETCs to implement TracFone's Lifeline procedures.

- Validating applicants' identities prevents unqualified households from enrolling in Lifeline.
- Non-usage policy terminates Lifeline benefits to households that do not use the service.
- Annual verification of head of household/only receiving Lifeline from TracFone terminates Lifeline benefits to households that are not qualified or do not want Lifeline.

All ETCs should be required to annually verify the continued eligibility of all Lifeline customers using self-certification rather than surveying a statistically-valid random sample.

Establish a national database to certify eligibility.

Eliminate Link Up support to wireless ETCs.