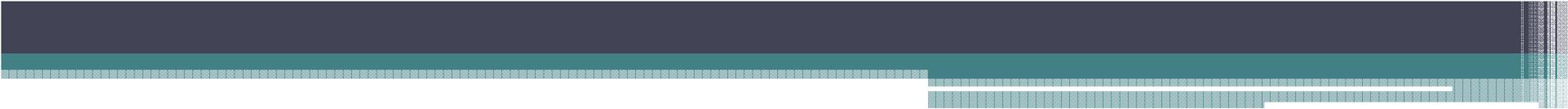


Not a Handout but a Hand Up

Preserving Lifeline and Link Up for Low Income Americans

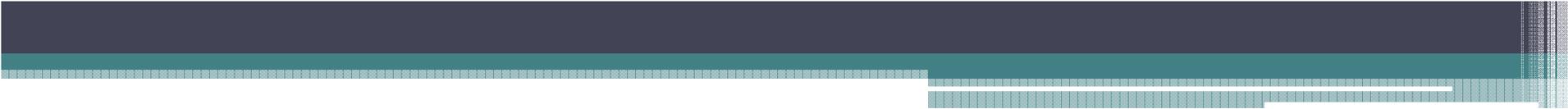
November 10, 2011

Reach  **Out**
wireless



About Nexus d/b/a ReachOut Wireless

- Facilities-based ETC committed to serving low income Americans
- Serves the poorest of low income population by engaging in intensive, in-person outreach
- Poorest of the poor not reached by ILECs, Internet-only sign up
 - 75% of Nexus Lifeline subscribers have no Internet access

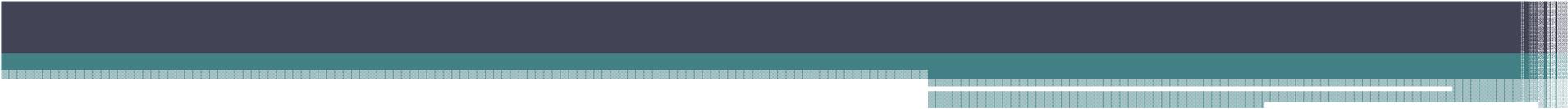


Nexus' Commitment in Action

- Nexus' "Direct Action Teams": outreach vans to poor neighborhoods; highly trained in program requirements, Nexus employees
- Provided phones to qualified Americans in time of need:
 - 2010 West Virginia mine disaster
 - 2010 flooding in Arkansas
 - 2011 tornados, wind storms Arkansas, Kansas, Missouri, Illinois and Wisconsin

A True Lifeline

- Approx. 62% of Nexus' Lifeline subscribers have no phone at time of enrollment—many have had no phone in past year
- 16% of Americans are living in poverty
- Census Bureau reports this is highest level of poverty in the 52 years it has tracked poverty
- Existence of entities like Community Voicemail demonstrate the real need for phones for employment, housing, healthcare, vital services (<http://www.cvm.org/whatiscvm.cfm>)

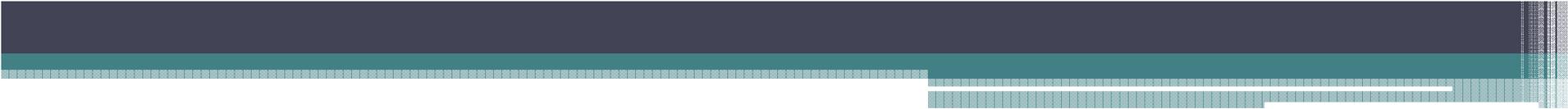


Capping Low Income Will Deny this Lifeline to Millions

- Even with recent growth, the program remains stuck at its historical low 1/3 enrollment
- Basic phone service gives the poor a hand up—not a hand out—to employment and staying connected to critical services
- Full participation in the economy is just not possible without these services

“Explosive” Growth a Red Herring

- “[W]e must acknowledge that there is still work to be done to ensure that all Americans have access to basic voice service. **Almost 10% of low-income households nationally lack telephone service.** . . . The low-income programs have been historically underutilized and **although there has been recent growth** in the program, **in 2009 only 36% of eligible consumers participated** in Lifeline.”
 - Statement of Commissioner Copps, March 2011 Low Income NRPM (emphasis added)



Link Up: Supporting the Very Poorest

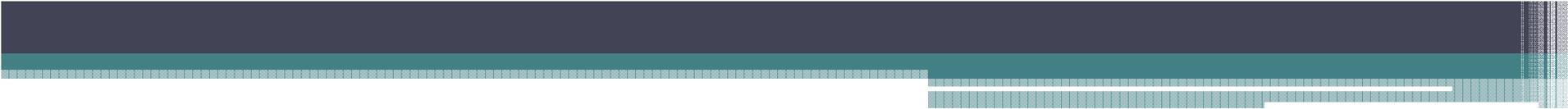
- Link Up was established to remove one of the many barriers to participation—service activation fees
 - Nexus charges activation fees—just like the rest of the industry.
 - All wireless carriers either charge activation fees, or impose contract terms coupled with early termination fees
- Eliminating Link Up would prevent the very poorest from receiving service, or force them to divert money from their already extremely limited family budgets

Activation Fees—Little Change Since '87

- “Under this program, federal funds could be used to offset state-tariffed charges incurred in connecting a subscriber to the network. In most cases, such charges cover the ***administrative costs of opening an account and the costs of turning the switch at the central office.*** We set the cap for federal assistance at \$30.00 based on our calculations that the ***national average for these charges is \$45.17 for rotary service and \$46.51 for touch tone service.*** Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, Trends in Telephone Service (February 2, 1987).”
 - 1987 Joint Board Recommended Decision

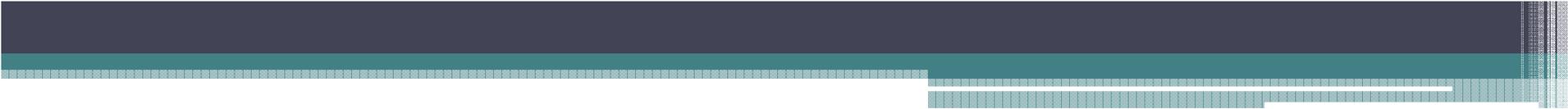
Activation Fees—Little Change Since '87

- In 1987, \$30 Link Up cap was based on \$45 fee
- In 2010, FCC reported national av. of \$43.22
- Some are lower than average—Verizon Wireless AT&T, T-Mobile charge between \$35 - \$36
 - Even using these lower charges, that's still only a 20% reduction
 - Indicates that Link Up cap should not go lower than \$24
 - 20% reduction would still save approx. \$18M
 - (approx. \$91M in Link Up in 2011)



Revenue Replacement Mechanism

- Link Up has always been a revenue-replacement mechanism
- ETCs like Nexus built legitimate businesses serving the very poorest, a population (and by extension, business model) that is dependent on Link Up
- Limiting Link Up to specific costs will overly complicate the program and misses the point
 - Would the FCC or state engage in individual rate-making cases?

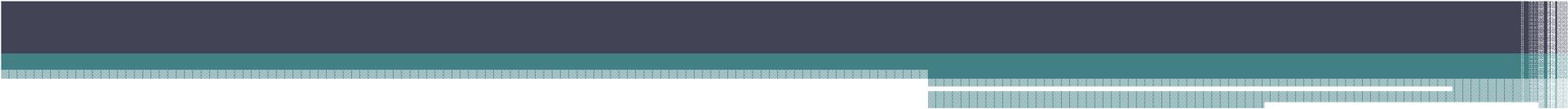


Lessons in the Enemy of the Good: “Full” Certification and Minimum Fees

- “Full” certification = euphemism for requiring people without access to scanners, photocopiers, fax machines, computers or even stable housing to submit official proof of program participation
- With 1 in 8 Americans on food stamps, true eligibility is not the problem
- States with “full” certification requirements experience much lower enrollment rates
- Underutilization persists—let’s not make it worse

Lessons in the Enemy of the Good: “Full” Certification and Minimum Fees

- *Theory*: minimum fees = consumers having “skin in the game” and avoid unused, subsidized phones
- Reality: 9 million American households have no bank account
 - A “mere” \$2 fee becomes a \$8-\$11 fee due to money order or wire fees
- Reality: non-usage policy solves this
 - ETC de-enrolls after 60 days of non-use, subsidies discontinued
 - Nexus voluntarily adopted from beginning of wireless operations



National Database is a Real Solution

- National database would:
 - Avoid duplicate support (enough savings to fund database)
 - Current interim process doesn't reach all ETCs or consumers
 - Definitively establish eligibility
 - State administrators directly confirm eligibility
 - Avoids the scanner/photocopier, paper handling problems
- Nexus and other ETCs have been pushing for database vs. years of “interim” non-solutions