

Preserving Link Up for Low Income Americans

WC Docket No. 11-42

Link Up for America Coalition
December 5, 2011

Link Up for America Coalition

- **The Coalition members include the following facilities-based wireless CETCs:**
 - Assist Wireless, Global Connections of America, NewPhone, Ready Wireless, Tag Mobile, Telrite/Life Wireless, Absolute Home Phones and Affordable Phone
- **Our goals are to preserve Link Up for low income Americans and to be good stewards of the Fund by eliminating waste, fraud and abuse**
 - Coalition members have instituted a voluntary Code of Conduct and Interim De-Duping Process that will save the Fund millions prior to implementation of a permanent database solution
 - TerraCom and YourTel also have committed to these voluntary self-regulatory programs

Link Up Is a Success Story

- **Link Up was established to remove low income consumer penetration barriers presented by customary activation charges**
 - The Commission repeatedly has touted the success of Link Up, calling it “critical” as recently as March
- **ETC competition brings benefits to low income consumers and the Fund**
 - Coalition members have driven subscribership rates up using legitimate business plans incorporating in-market outreach and extensive in-person customer activation programs
- **Link Up is a revenue replacement mechanism**
 - Wireless CETCs use Link Up subsidies to reduce their customary charges
- **Link Up is competitively neutral and technology neutral and should remain so**
 - It is not unfair to carriers ineligible for Link Up
 - It is not a wireline only program

Where We Stand

- **The Coalition does not support the elimination of Link Up**
 - The record does not support eliminating Link Up as it would drive down penetration rates for low income consumers
 - General wireless industry practice is to charge an activation fee of approximately \$35.50
 - *e.g.*, AT&T Mobility (\$36), Verizon Wireless (\$35), Sprint (\$36), T-Mobile (\$35), CellularOne (\$40), SouthernLinc (\$35), Cincinnati Bell (\$35), Qwest Wireless (\$35)
 - The Commission originally set the Link Up cap at \$30 based on national average connection charges of \$45.17
 - Therefore, if the Commission reduces the Link Up cap for wireless, the appropriate cap would be \$24 (\$45.17 is to \$30 as \$35.50 is to \$23.58)
 - Any amount lower for wireless services would not be competitively or technology neutral

Where We Stand

- **The Coalition supports modernization of Link Up**
 - A permanent database solution will address most Link Up waste, fraud and abuse
 - The Commission should expand Link Up for broadband
 - Implementation of reforms must include guidance to avoid administrative uncertainty and allow CETCs sufficient time to change customer-facing materials and business plans

Where We Stand

- **Customary charges**
 - We agree that customary charges are the stated charges ordinarily imposed on customers in a state and are not imposed only on Lifeline/Link Up customers
 - We do not agree that customary charges should be defined to exclude charges waived, reduced or eliminated
 - Many states require CETCs to waive customary charges not covered by the Link Up subsidy
 - Waivers, reductions and credits/elimination of these charges benefit low income consumers and serve the goal of the fund
 - Restrictions on CETCs' ability to waive, reduce or credit customary charges would be unreasonably discriminatory...further, it would be bad public policy
 - The Commission should focus on what's good for low income consumers and not on what's good for certain CETCs
 - Some CETCs chose not to rely on or are ineligible for Link Up
 - Coalition members and their low income customers are using Link Up as it was intended to be used

Setting the Record Straight on Costs

- **Link Up is not now and never has been limited to the costs of “truck rolls” or other physical installation of facilities**
 - Such a limitation would effectively eliminate Link Up for wireless providers
- **Parties claiming reduced customer activation costs have not provided data to support their claims**
 - Coalition data shows that costs remain substantial
 - FCC statistics show that activation charges remain about the same
 - Most wireline and wireless carriers impose activation charges on new customers
 - There are a few exceptions

Setting the Record Straight on Costs

- **Detractors are wrong with respect to costs supported by the Link Up revenue recovery mechanism – a whole lot more than “flipping the switch” was contemplated**
 - Administrative costs for account and phone setup and customer initial order fulfillment, new customer activation and provisioning, and initial setup for customer support and office support services
 - The Tribal Order extended the realm of costs contemplated by the Link Up revenue recovery mechanism to include
 - Truck rolls/facilities installation
 - Handsets (partial; reconsidered several years later)
 - The 2010 Joint Board Recommended Decision implies that outreach costs are contemplated by the current Link Up revenue recovery mechanism
 - The Act and FCC rules require outreach
- **The Commission can and should choose to expand Link Up support for broadband-capable handsets**

Fact or Fiction

- Fiction: Link Up is only for connections
 - *Fact: FCC has said Link Up is for the replacement of foregone revenue from activation charges applied to recover service commencement costs, including (but not limited to) administrative costs*
- Fiction: Link Up is only for residential/landline phone lines
 - *Fact: FCC has said Link Up is available for wireless ETCs*
- Fiction: Link Up is not intended to cover outreach
 - *Fact: Joint Board has said ETCs have outreach requirements because Link Up/Lifeline subsidies go to them*
 - *Fact: Some ETCs use Link Up to support marketing (CenturyLink says its activation charges include recovery for overhead, including marketing)*
- Fiction: Coalition members are not facilities-based CETCs
 - *Fact: At least fourteen state public utility commissions disagree*
 - *Fact: In accordance with the Act, members use a combination of their own facilities and resale to provide wireless Lifeline service*

Fact or Fiction

- Fiction: CETC activation charges can't be customary, because they factor in costs associated with serving Lifeline customers or are imposed only on Lifeline customers
 - *Fact: Coalition members do not impose activation charges exclusively on Lifeline customers*
 - *Fact: FCC's rules permit the establishment of charges based on average costs to serve different classes of customers*
- Fiction: customary charges cannot be customary, if they are waived
 - *Fact: Many states require that customary charges be waived*
 - *Fact: This does not make the charge something other than customary*
 - *Fact: AT&T agrees that state waiver requirements should not render an ETC ineligible for Link Up funding*

Fact or Fiction

- Fiction: Big ETCs' success in signing-up Lifeline customers without Link Up support shows that Link Up is not needed
 - *Fact: FCC has said that Link Up is critical; Joint Board has said that Link Up is essential*
 - *Fact: more Low Income Consumers are being reached by Link Up eligible ETCs*
 - *Fact: ETC competition is good for low income consumers and the Fund*
 - *Fact: TracFone's cream-skimming model has limited reach and appeal*
 - *Fact: Coalition members' outreach and in-person activation programs involve and employ people in poor communities, providing in-person education about the Lifeline/Link Up program and in-person instruction about how to use our handsets*

Fact or Fiction

- Fiction: Customer activation costs have decreased significantly over time
 - *Fact: There is no evidence in the record to support this claim; the evidence shows that standard industry practice is to charge a \$35-\$36 activation fee*
- Fiction: there is no justification for keeping Link Up given declining costs and increased flexibility in establishing per minute charges to recover costs (in other words – raise per minute rates for low income consumers)
 - *Fact: record evidence does not support the declining cost assertion*
 - *Fact: sure, we can raise rates, but some customers won't be able to pay higher rates and subscription levels will go down – not good for low income consumers, us or the Commission*

What the Commission Should Do

- **Adopt a permanent data base solution**
- **Preserve Link Up**
 - Reject proposals to eliminate Link Up
 - Make any reduction in the wireless Link Up cap proportional to the cap for wireline based on average wireless industry activation fees of \$35-\$36
 - Clarify that customary charges can include those that are waived, reduced or eliminated for the benefit of low income Americans
 - Reject calls to impose new facilities requirements on wireless CETCs
- **Issue an FNPRM**
 - We support modernization of Link Up, based on cost and market data and solid understanding of how various proposals will increase low income consumer subscribership
 - We support extending Lifeline and Link Up to support broadband, including support for broadband-capable handsets

Thank You

Link Up for America Coalition

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