

# LUKAS, NACE, GUTIERREZ & SACHS, LLP

8300 GREENSBORO DRIVE, SUITE 1200  
MCLEAN, VIRGINIA 22102  
703 584 8678 • 703 584 8696 FAX

WWW.FCCLAW.COM

RUSSELL D. LUKAS  
DAVID L. NACE  
THOMAS GUTIERREZ\*  
ELIZABETH R. SACHS\*  
DAVID A. LAFURIA  
PAMELA L. GIST  
TODD SLAMOWITZ\*  
BROOKS E. HARLOW\*  
TODD B. LANTOR\*  
STEVEN M. CHERNOFF\*  
KATHERINE PATSAS NEVITT\*

CONSULTING ENGINEERS  
ALI KUZEHKANANI  
LEILA REZANAVAZ  
—  
OF COUNSEL  
GEORGE L. LYON, JR.  
LEONARD S. KOLSKY\*  
JOHN CIMKO\*  
J. K. HAGE III\*  
JOHN J. MCAVOY\*  
HON. GERALD S. MCGOWAN\*  
TAMARA DAVIS BROWN\*  
JEFFREY A. MITCHELL  
ROBERT S. KOPPEL\*

\*NOT ADMITTED IN VA

December 15, 2011

VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, S.W., Room TW-B204  
Washington, DC 20554

Re: Smith Bagley, Inc.  
WC Docket No. 11-42 and 03-109

Madam Secretary:

In accordance with Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, we hereby provide you with notice of an oral ex parte presentation in connection with the above-captioned proceeding. On December 14, 2011, undersigned counsel, on behalf of Smith Bagley, Inc. ("SBI"), met with Geoffrey Blackwell, Irene Flannery, Garnet Hanly and Jamie Susskind, to discuss universal service support on tribal lands.

SBI discussed the extraordinary economic conditions present on the five Native American lands that it serves, highlighting economic data from the Navajo Nation. We discussed the need for Lifeline reform to focus support to areas most in need. On Navajo, for example, many homes continue to lack access to basic services, including power, plumbing and telecommunications. Many substandard housing units are located away from roads, in areas that present substantial challenges for traditional utilities to string power and telephone wires.

Many of these households are poverty-stricken. They often include the elderly, adults and children within the same unit, or community of units. When adults leave for any reason, they must have a mobile telephone to remain in communication with the home, and to make other calls. That creates a significant health and safety benefit at the home, which is left without telephone service.

To remedy this situation, SBI has advocated supported Lifeline service for “one per adult” in situations where the household income is below the federal poverty rate. Funding one per adult would further the Congressional goal of providing these citizens with access to modern telecommunications services that are reasonably comparable to others across the country.

In response to a question at the meeting, SBI provides information from its April 21, 2011 comments in the above-captioned proceedings. There, SBI estimated that roughly 40% of its 55,000 tribal Lifeline customers or about 22,000 households, are below the poverty line and eligible to be enrolled. Assuming a 100% take rate, this would cost the program approximately \$9 million per year, or just over one tenth of one percent of the \$8 billion dollar universal service fund. The current tribal participation rate in Lifeline is approximately 32%, so the more likely financial requirement would be just over \$3 million per year. SBI also noted that nationwide, tribal poverty levels are significantly lower than on Navajo, at approximately 25%.<sup>1</sup> Using a nationwide tribal population of approximately 2.1 million, this implies that there are about 525,000 people living in poverty, or approximately 185,000 households.<sup>2</sup> If one additional adult in each household were provided tribal lifeline service, again, assuming a 100% take rate, the additional program funding would be \$77,700,000 (185,000 x \$35 x 12). Using the current 32% take rate, the funding requirement would be approximately \$24,864,000, or three tenths of one percent of the entire program size.

SBI also presented demographic data on Navajo to provide the Commission with suggested means of limiting a “one per adult” rule to areas that have extraordinary needs. The poverty rates, per capita income levels, telephone penetration, and other statistics are all useful measuring sticks for the Commission to consider when attempting to target Lifeline support to areas most in need. SBI also suggested that the performance metrics set forth in the FCC’s NPRM in this proceeding (FCC 11-32 at paras. 34-37) can be used to determine when the statutory goals are being met.

In sum, targeting Lifeline funding to communities most in need best furthers program goals. Improving health and safety of Americans living in poverty, in remote areas, with limited access to telecommunications, must be a top priority.

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<sup>1</sup> See U.S. CENSUS BUREAU, *The American Community—American Indians and Alaska Natives: 2004*, American Community Survey Reports at 16 (2007), <http://www.census.gov/prod/2007pubs/acs-07.pdf>.

<sup>2</sup> U.S. Census data indicated an American Indian and Native American population of 2.1 million in 2004, an estimated poverty rate of 25% and average household size of 2.85 persons. See *id.* at 1-2, 10.

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If you have any questions or require any additional information, please contact undersigned counsel directly.

A copy of materials distributed at the meetings is enclosed for the record.

Sincerely,

A handwritten signature in black ink, appearing to read "David A. LaFuria".

David A. LaFuria  
Counsel for Smith Bagley, Inc.

cc: Geoffrey Blackwell, Esq.  
Irene Flannery, Esq.  
Garnet Hanley, Esq.  
Jamie Susskind, Esq.

Enclosures