

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
Lifeline and Link Up	)	WC Docket No. 03-109
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Advancing Broadband Availability Through Digital Literacy Training	)	WC Docket No. 12-23
	)	

**REPLY COMMENTS OF VERIZON<sup>1</sup>**

The initial comments in this proceeding reflect broad support for the Commission’s efforts to improve the Lifeline program for beneficiaries, and to make the program more efficient. The record contains strong support for the Commission’s proposal to create a national Lifeline database for enrollment, certification, and verification functions, which will improve the efficiency of the Lifeline program and help to eliminate waste, fraud, and abuse. The Commission should move forward with a national database and centralized Lifeline administrator as quickly as possible. With respect to other proposed program changes, the Commission should take a more cautious approach and consider the impact of recent Lifeline reforms before making further adjustments.

**DISCUSSION**

1. There is strong support for pursuing a national database for Lifeline enrollment, certification, and verification functions. Virtually all commenters support the Commission’s proposal to establish a national database for Lifeline administrative functions, agreeing that a

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<sup>1</sup> The Verizon companies participating in this filing are the regulated, wholly owned subsidiaries of Verizon Communications Inc., and Verizon Wireless (“Verizon”).

national database will improve the efficiency of the Lifeline program and reduce waste, fraud, and abuse in the program.<sup>2</sup> As T-Mobile recognizes in its comments, “[a] centrally administered eligibility database will remove any room for carrier error or misunderstanding about a consumer’s eligibility” for Lifeline assistance.<sup>3</sup> Indeed, a national eligibility database and single program administrator would recognize the overall movement in the communications industry away from a localized marketplace. Currently, the largest providers of Lifeline services all operate in multiple states. Allowing ETCs to interface with a single national administrator for all Lifeline eligibility determinations and other functions would be vastly more efficient and more effective than requiring ETCs to interface with multiple, incompatible state systems or manual processes.

Even state and local commenters support the proposal to create a national database.<sup>4</sup> For instance, the Public Service Commission of the District of Columbia recognizes correctly that a robust national database “would be a more efficient way to collect, store, and verify customer eligibility information.”<sup>5</sup> And despite its reservations about the “reliability” and “manageability”

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<sup>2</sup> See, e.g., Comments of AT&T at 6; Comments of CenturyLink at 2; Comments of COMPTEL at 2; Comments of Cox Communications, Inc. at 5; Comments of CTIA—The Wireless Association<sup>®</sup> at 2; Comments of i-wireless, LLC at 4; Comments of the Independent Telephone & Telecommunications Alliance at 4; Comments of the Joint Commenters at 3; Comments of Leap Wireless International, Inc. and Cricket Communications, Inc. at 3; Comments of the National Association of State Utility Consumer Advocates at 7; Comments of Nexus Communications, Inc. at 17; Comments of Solix, Inc. at 3–4; Comments of T-Mobile USA, Inc. at 3; Comments of TracFone Wireless, Inc. at 4; Comments of the United States Telecom Association at 2; Unless specifically noted, all references to “comments” herein refer to parties’ initial comments in this proceeding filed on or about April 2, 2012.

<sup>3</sup> T-Mobile Comments at 3.

<sup>4</sup> See, e.g., Comments of the Michigan Public Service Commission Comments at 2; Comments of the Public Utilities Commission of Ohio Comments at 2.

<sup>5</sup> Comments of the Public Service Commission of the District of Columbia at 1–2 (“DC PSC Comments”).

of a centralized national database, the Alabama Public Service Commission concedes that establishing a national database may be more economical than maintaining a database at the state level.<sup>6</sup>

ETCs should interface directly with the database to check eligibility, and, over time the database and a centralized Lifeline administrator should assume other program management functions that will produce even greater efficiencies and allow the Commission to better monitor the program.<sup>7</sup> This will minimize privacy concerns because ETCs will receive a yes/no answer about eligibility in real time, and not have access to sensitive personal data of low-income consumers.<sup>8</sup> Requiring ETCs to go through the FCC or state commissions in order to access a national database, as proposed by consumer advocates,<sup>9</sup> would add a layer of cost and complexity for no reason.

Additionally, the Commission should move forward with its plans to add continued eligibility verification functions for existing Lifeline customers to the national Lifeline database by the end of 2013.<sup>10</sup> Doing so will enable the Commission to achieve by year-end 2013 its goal of establishing an automated means to determine Lifeline eligibility for at least the most common social service assistance programs through which subscribers qualify for Lifeline benefits.<sup>11</sup>

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<sup>6</sup> See Comments of the Alabama Public Service Commission at 2 (“APSC Comments”).

<sup>7</sup> See, e.g., AT&T Comments at 4.

<sup>8</sup> See, e.g., AT&T Comments at 8; USTelecom Comments at 2.

<sup>9</sup> See Joint Comments at 4–5; NASUCA Comments at 6–7.

<sup>10</sup> COMPTTEL Comments at 2.

<sup>11</sup> See *Lifeline and Link Up Reform and Modernization, et al.*, WC Docket No. 11-42 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11 (rel. Feb. 6, 2012), at ¶ 403.

2. The record does not support mandatory application of the Lifeline discount to all bundled service packages. The majority of commenters, including all providers, oppose new requirements forcing ETCs to allow Lifeline customers to apply the discount to any bundled service package that includes a voice component.<sup>12</sup> These commenters understand the logistical challenges associated with such a rule. In addition, as AT&T points out, applying the Lifeline discount may not be a simple matter in cases where a participating provider offers a bundle together with an unaffiliated second provider that is not also an ETC, and where the participating ETC does not provide the voice component in the particular bundle.<sup>13</sup>

Commenters supporting the bundle rule typically ignore these concerns, and instead claim that such a requirement would benefit consumers in a general way.<sup>14</sup> It is unclear, however, whether this is true. An unfettered right to apply the Lifeline discount to any bundled service package could, for example, encourage consumers to purchase bundles that are more expensive than they can afford. The new requirement that ETCs apply Lifeline consumers' "partial payments" first to their discounted voice service may help minimize the risk that consumers will lose access to voice service altogether, but it still may incent some providers to market (and low-income consumers to purchase) packages that exceed a customer's financial resources, which also exposes ETCs to an increased risk of uncollectible debts.<sup>15</sup>

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<sup>12</sup> See AT&T Comments at 27; CenturyLink Comments at 7; COMPTTEL Comments at 26; Cox Comments at 14–16; CTIA Comments at 4–5; GCI Comments at 7–8; i-wireless Comments at 8; Leap/Cricket Comments at 11–12; Comments of the National Telecommunications Cooperative Association at 2–3; OH PSC Comments at 9–10; T-Mobile Comments at 7–8; TracFone Comments at 16–17.

<sup>13</sup> See AT&T Comments at XX.

<sup>14</sup> See, e.g., NASUCA Comments at 20–21.

<sup>15</sup> See, e.g., Ohio PUC Comments at 10; T-Mobile Comments at 7-8.

More important, however, the record shows that the market is addressing this issue in the absence of a prophylactic rule. Some ETCs already permit consumers to apply their discount to any bundled package, including CenturyLink and Cox.<sup>16</sup> And as NASUCA recognizes, in some states “it appears that all ETCs allow Lifeline customers to subscribe to bundles, even without a formal regulation.”<sup>17</sup> Therefore, if low-income consumers do prefer this degree of flexibility, those ETCs that permit consumers to apply Lifeline discounts to any bundled package will succeed in the now-competitive marketplace for Lifeline customers.<sup>18</sup>

3. Commenters support a cautious approach to further program changes pending assessment of the recent reforms.<sup>19</sup> For example, a majority of commenters argue against proposals to adopt even more burdensome Lifeline record retention rules such as a 10-year document retention requirement.<sup>20</sup> As Leap/Cricket points out, a 10-year record retention rule would impose even more costs on ETCs to change methods and procedures and store additional data containing confidential information about low-income consumers at the same ETCs are already implementing a bevy of program reforms on a tight schedule.<sup>21</sup> Further, such a requirement would be inconsistent with recent precedent, which establishes five years as a

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<sup>16</sup> CenturyLink Comments at 7; Cox Comments at 15.

<sup>17</sup> NASUCA Comments at 18.

<sup>18</sup> *See, e.g.*, COMPTTEL Comments at 26 (“To the extent that there is demand for a Lifeline discount on bundled service offerings, there is no reason to believe that ETCs will not respond to that demand and offer the discount without regulatory compunction.”).

<sup>19</sup> *See, e.g.*, NTCA Comments at 1–2.

<sup>20</sup> *See* CenturyLink Comments at 7–8; COMPTTEL Comments at 32; Joint Comments at 15; Leap/Cricket Comments at 12–14; USTelecom Comments at 8–9.

<sup>21</sup> Leap/Cricket Comments at 12–13.

sufficient period of time for companies to maintain other universal service program records.<sup>22</sup> Additionally, several commenters sensibly urge the Commission to assess the impact on the fund from the recent change to a \$9.25 flat-rate monthly subsidy before adjusting the reimbursement methodology again, up or down.<sup>23</sup> Likewise, a number of commenters urge the FCC to study the need before adding any additional eligibility social service programs.<sup>24</sup> These are sensible cautions. The Commission has just made major operational changes to Lifeline, the most significant reform of the low-income program since its inception. The Commission should assess the impact of those changes before embarking on additional reforms.

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The Commission should move forward with its Lifeline program reforms consistent with Verizon's comments and reply comments in this proceeding.

Respectfully submitted,

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<sup>22</sup> *Id.* at 13–14.

<sup>23</sup> *See, e.g.*, NTCA Comments at 3–4; T-Mobile Comments at 5; USTelecom Comments at 4–6.

<sup>24</sup> *See, e.g.*, CenturyLink Comments at 6; T-Mobile Comments at 10; USTelecom Comments at 6–7.