

**KELLEY DRYE & WARREN LLP**

A LIMITED LIABILITY PARTNERSHIP

**WASHINGTON HARBOUR, SUITE 400**

**3050 K STREET, NW**

**WASHINGTON, D.C. 20007-5108**

(202) 342-8400

FACSIMILE

(202) 342-8451

www.kelleydrye.com

NEW YORK, NY

LOS ANGELES, CA

CHICAGO, IL

STAMFORD, CT

PARSIPPANY, NJ

BRUSSELS, BELGIUM

AFFILIATE OFFICES

MUMBAI, INDIA

DIRECT LINE: (202) 342-8544

EMAIL: jheitmann@kelleydrye.com

July 19, 2013

**VIA ECFS**

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

**Re: Lifeline Reform 2.0 Coalition Notice of *Ex Parte* Presentation; WC Docket Nos. 11-42, 03-109, CC Docket No. 96-45**

Dear Ms. Dortch:

On Wednesday, July 17, 2013, members of the Lifeline Reform 2.0 Coalition (“Coalition”) met with Nicholas Degani of Commissioner Pai’s office to discuss the recently filed petition for rulemaking proposing additional reforms to the Lifeline program.<sup>1</sup> The Coalition attendees were: Dennis Henderson (Boomerang Wireless, LLC), Dave Skogen (Global Connection Inc. of America), Paul McAleese and Jeni Kues (i-wireless LLC) and Brian Lisle (Telrite Corporation). Also in attendance on behalf of the Coalition were Chuck Campbell from CGM, LLC and John Heitmann and Joshua Guyan from Kelley Drye & Warren LLP.

During the meeting we commended the Commission for its successful and effective reforms of the Lifeline program and discussed the remaining gaps that we see in the field that could be exploited for waste, fraud or abuse by consumers, agents or eligible telecommunications carriers (“ETCs”) themselves. The goal of the Coalition’s petition for rulemaking is to combat waste, fraud and abuse, as well as negative perceptions of the Lifeline program, regardless of the distribution model (e.g., in-person, by mail). The Coalition intends to continue discussions with other ETCs and stakeholders to refine its proposals and build widespread support for a common set of reforms that are business model agnostic.

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<sup>1</sup> See Lifeline Reform 2.0 Coalition Petition for Rulemaking, WC Docket Nos. 11-42, 03-109, CC Docket No. 96-45 (filed June 28, 2013).

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The Coalition members discussed the core reform proposals. First, ETCs should be required to review government-issued photo ID at the time of enrollment to link the identity of the applicant to the proof of eligibility. Second, ETCs should be required to retain copies of ID and proof of eligibility documentation, which will allow ETCs to create a clear trail to demonstrate eligibility or fraud for purposes of responding to audits or negative media. We stated that the privacy concerns related to retention of photo ID and proof of eligibility can best be addressed by requiring reasonable encryption of such customer data. This proposal is widely supported among the major Lifeline ETCs, including the members of the Coalition, Sprint, TracFone Wireless and Nexus Communications. Third, ETCs should be required to have an employee review and approve all enrollments prior to activation, which creates an additional layer of review for eligibility determinations that reduces incentives for fraud in part because the employee or the independent party is not compensated based on approving an enrollment.

We also discussed the need to require Lifeline ETCs to provide customer service access during reasonable hours and by dialing 611 to reach the ETC and not the ETC's underlying provider. This is important to reduce the instances where Lifeline subscribers call state public utility commissions or the FCC to voice complaints when they cannot reach customer service for their ETC. Wireless Lifeline subscribers should be informed that they can call 611 from their handset to access customer service both by the ETC and by state commissions or the FCC when complaints are raised.

Further, the members of the Coalition agree that all ETCs should be subject to regular compliance audits, not just those that are new or large (receive \$5 million or more from the fund annually). A smaller ETC that is not new to the Lifeline space can cause damage to the Lifeline program through negative news stories the same as a larger ETC. Therefore, all ETCs should be subject to regular comprehensive compliance audits. These and additional proposals discussed are described in the enclosed presentation and summary of the petition for rulemaking provided to Mr. Degani at the meeting.

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This letter is being filed electronically for inclusion in the public record of the above-referenced proceedings. Please feel free to contact the undersigned with any questions.

Respectfully submitted,



John J. Heitmann  
Joshua T. Guyan

*Counsel to the Lifeline Reform 2.0 Coalition*

Enclosures

cc: Nicholas Degani

# **ENCLOSURES**

# Lifeline Reform 2.0

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Federal Communications Commission Meetings

July 17, 2013

# Lifeline Reform 2.0 Petition Signatories

- Boomerang Wireless, LLC
- Blue Jay Wireless, LLC
- Global Connection Inc. of America
- i-wireless LLC
- Telrite Corporation

# Closing Compliance Gaps

- The Coalition's Lifeline Reform 2.0 reform package will complement the FCC's important and effective 2012 and 2013 reform efforts
- Lifeline Reform 2.0 eliminates the ability of individuals to exploit gaps that presently exist among ETCs subject to varying regulatory obligations or whose business practices may not reflect current best practices to reduce waste, fraud and abuse

# Proposed Reforms Are Effective Regardless of Distribution Model

- The reforms proposed by the Coalition will combat waste, fraud and abuse, as well as negative perceptions of the Lifeline program, regardless of the distribution model
- Eliminating in-person handset distribution or distribution from temporary structures simply eliminates one distribution model, but issues will remain for the others
  - Some of the most salacious and memorable press coverage of the program involved instances where phones were mailed rather than distributed in-person
  - Other stories have resulted from interactions at retail stores as opposed to temporary locations

# Core Reform Proposals

- The Coalition proposes **three core measures** that serve as the centerpiece of its reform package, including:
  - **Retaining copies of ID and proof of eligibility documentation**
    - Best way to address news stories; provides a better audit trail to defend against and detect fraudulent enrollment attempts
  - **Reviewing government-issued photo ID at the time of enrollment**
    - Proven to be a very effective way to confirm identity and screen out fraudulent enrollment attempts
  - **Requiring employee review and approval of enrollments prior to activation**
    - Elevates level of internal controls used across the industry and mitigates real and perceived risks associated with agents used in the distribution and enrollment process

# Comprehensive Lifeline Reform 2.0 Package of Reforms

- **Changes to the enrollment process**
  - review of applicant photo identification
  - retention of copies of ID and proof of eligibility
  - employee review and approval of all enrollments
  - identifying other ETCs by name when enrolling an applicant in Lifeline
  - greater ETC control over mobile and retail in-person enrollment locations (location tracking and sign-in, photo audits, post-enrollment audits)
  - explicit prohibition of the resale or transfer of handsets used to provide Lifeline services plus marketing disclosures and a modified certification statement)
- **Mandatory access to live customer service representatives**
  - access to live customer service representatives that can resolve subscriber concerns regarding enrollment, eligibility and service
  - de-enrollment upon request without requiring documentation
- **Enhanced auditing and reporting requirements**
  - comprehensive biennial compliance audits for all ETCs (not just new ones and big ones)
  - annual Form 555 reporting of results of the employee review and approval/rejection process

# TracFone Proposals

- We agree:
  - Negative media reports and public perception impact the Lifeline program
  - ETCs should be required to retain proof of eligibility
- We disagree:
  - Proposal to prohibit in-person distribution of handsets to prospective Lifeline customers
    - In-person handset distribution has distinct advantages for Lifeline customers (e.g., training) and ETC compliance
    - Handsets are not supported by Lifeline so FCC lacks authority to regulate their distribution
    - TracFone's preferred business model of distribution of handsets by mail has also resulted in negative media coverage and perceptions of waste, fraud and abuse
    - TracFone petition opposed by California Public Utilities Commission, CompTel, USTelecom, Nexus, General Communication, Inc., Leap Wireless/Cricket, Navajo Nation Telecommunications Regulatory Commission, Smith Bagley, Budget Prepay, NALA/PCA, Q Link Wireless and others

# Nexus Proposals

- We agree:
  - ETCs should be required to retain proof of eligibility
- We disagree:
  - Proposal to prohibit Lifeline enrollments from temporary structures
    - Whether enrollment personnel are located in tent or a store is irrelevant; each ETC must ensure full compliance with FCC rules
    - ETC's reputation and liability on line, not agents'
  - Bond requirement – difficult to manage and unnecessary given ETC financial capability requirements

# Thank You

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Questions?

## Lifeline Reform 2.0

The Federal Communications Commission's 2012 reforms to the Lifeline program have effectively reduced waste, fraud and abuse while producing significant cost savings. Earlier this month, the Commission adopted additional reforms necessary to preserve the program. And yet, there is still more that can be done. To that end, the Lifeline Coalition proposes a comprehensive package of reforms, dubbed "Lifeline Reform 2.0".

The Coalition proposes three core measures that serve as the centerpiece of its reform package, including:

1. **Reviewing government-issued photo ID at the time of enrollment;**
2. **Retaining copies of ID and proof of eligibility documentation; and**
3. **Requiring employee review and approval of enrollments prior to activation**

The Coalition's core reforms are part of a broader package of important rule modifications that the FCC should adopt and implement to reduce (real or perceived) waste, fraud and abuse in the Lifeline program. The comprehensive package of reforms includes the following proposed requirements:

1. **Changes to the enrollment process**
  - (a) review of applicant photo identification
  - (b) retention of copies of ID and proof
  - (c) employee review and approval of all enrollments
  - (d) identifying other ETCs by name when enrolling an applicant in Lifeline
  - (e) greater ETC control over mobile and retail in-person enrollment locations (location tracking and sign-in, photo audits, post-enrollment audits)
  - (f) explicit prohibition of the resale or transfer of handsets used to provide Lifeline services (plus marketing disclosures and a modified certification statement)
2. **Mandatory access to live customer service representatives**
  - (a) access to live customer service representatives that can resolve subscriber concerns regarding enrollment, eligibility and service
  - (b) de-enrollment upon request without requiring documentation
3. **Enhanced auditing and reporting requirements**
  - (a) comprehensive biennial compliance audits for all ETCs (not just new ones and big ones)
  - (b) annual Form 555 reporting of results of the employee review and approval/rejection process

The Coalition's Lifeline Reform 2.0 reform package will complement the FCC's important and effective 2012 and 2013 reform efforts by eliminating the ability of individuals to exploit gaps that presently exist among ETCs subject to varying regulatory obligations or whose business practices may not reflect current best practices to reduce waste, fraud and abuse.