

April 15, 2014

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

Re: WC Docket No. 10-90, Connect America Fund; WC Docket No. 05-337, High-Cost Universal Service Support; GN Docket No. 12-353, Comment Sought on the Technological Transition of the Nation's Communications Infrastructure; GN Docket No. 13-5, Technology Transitions Policy Task Force

Dear Ms. Dortch:

AARP would like to express its concern regarding the looming compliance deadline for the local service rate floor associated with WC Docket No. 10-90.<sup>1</sup> AARP believes that the proposed increases for July 2014, which exceed 60%, are entirely *inconsistent* with the *Connect America Fund Order's* statement that "This rule will be phased in *gradually* before full implementation in 2014."<sup>2</sup> Principles of rate shock avoidance continue to apply. Basic service rate increases of the magnitude envisioned -- with the rate floor rising from its current \$14 level to \$20.46 per month -- represent a burdensome rate increase. An additional \$77.52 per year for telephone service will contribute to the ongoing hardship facing older Americans and their families.

AARP would like to remind the Commission that older Americans continue to rely on wireline telephones in large numbers. According to the most recent data available from the National Health Interview Survey, only 6%

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<sup>1</sup> See, Wireline Competition Bureau Announces Results of Urban Rate Survey for Voice Services; Seeks Comment on Petition for Extension of Time to Comply with New Rate Floor, WC Docket No. 10-90, March 20, 2014.

<sup>2</sup> *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform – Mobility Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice Of Proposed Rulemaking, November 18, 2011, ¶197, emphasis added. Hereinafter, *Connect America Fund Order*.

of adults aged 65 and above have cut the cord and gone wireless only.<sup>3</sup> Furthermore, due to the spotty wireless service in rural areas, cord cutting rates are lower in rural areas, indicating that rural households continue to view wireline telephone service as a basic necessity.<sup>4</sup> Thus, it is likely that the rate increases envisioned will impose a disproportionate burden on older Americans, who are much more likely to be living on fixed incomes, and who have a demonstrated preference for wireline telephone service.

As has been recognized by the Commission, rural customers have fewer choices of wireless and broadband alternatives.<sup>5</sup> As a result, consumers in rural areas will be more likely to bear the burden of higher telephone service rates. On the other hand, consumers who cannot afford the rate increase may be driven to unreliable wireless-only service. In rural areas, that is no small matter. Wireless coverage may be inconsistent and unavailable indoors, placing consumers at risk. As noted by the California Public Utilities Commission in its consideration of a technology-neutral definition of basic service, the ability of a consumer to receive service within their premises is critical:

We disagree with parties' claims that customers do not require a voice grade connection within their homes as long as they have access to the mobility advantage offered by wireless. This argument ignores the essential nature of basic service as a residentially-based service. While we recognize that wireless phones offer mobility advantages, those advantages do not negate the essential basic service need to be able to communicate within the customer's own residence.<sup>6</sup>

AARP is deeply concerned regarding the impact on older consumers (and consumers in general) of wireless-only telephone service.

There is no question that the *Connect American Fund Order's* general objective of eliminating the extremely low rates that existed in some areas was appropriate, but value of service pricing principles continue to apply, and basing rural rates strictly on urban counterparts fails to address the

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<sup>3</sup> Stephen J. Blumberg, Ph.D., and Julian V. Luke. "Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, January–June 2013," Division of Health Interview Statistics, National Center for Health Statistics. December 2013, Table 3.

<sup>4</sup> According to the most recent results of the National Health Interview Survey, 39.5% of adults in metropolitan areas reside in wireless-only households, while the number in non-metropolitan areas is 7.1% lower, at 32.4%. *Id.* Table 2.

<sup>5</sup> See, *National Broadband Plan*, p. 22 and p. 37.

<sup>6</sup> California Public Utilities Commission, D.12-12-038, December 24, 2012, pp. 21-22.

smaller calling scopes to which rural customers are subject. Furthermore, the logic of the rate floor is flawed. The *Connection America Fund Order* states “To the extent end-user rates do not meet the rate floor, USAC will make appropriate reductions in High Cost support.”<sup>7</sup> Thus, rather than decreasing the High Cost fund dollar-for-dollar with the rate increases, which would have reduced the burden of the fund on contributing consumers, the rate increases do not result in offsets to draws in the fund. The outcome is a punitive burden on those households that continue to purchase wireline telephone service, with the higher rates benefitting only the local telephone company. If the basic issue with rural rates was the general discrepancy with the urban counterparts, establishing parity should not result in the unnecessary enrichment of rural ILECs, which will be the effective outcome of the increase in the cap beyond its current \$14 per month level. Freezing rates at their current level would provide a reasonable resolution.

If the Commission decides that it must continue to increase rural rates toward their urban counterparts, the Commission should phase-in the increases over no less than a three-year period, capping increases at \$2 per year. Furthermore, to ensure that those who contribute to the fund are fairly treated, revenue increases experienced by rural ILECs should be offset by decreases in the draw from the fund.

In closing, the path forward to reforming Universal Service support must address issues of fairness. The Commission has, by moving rural rates to the current \$14 level, remedied the perceived unfairness of excessively low rural rates. Moving above the \$14 level does not generate any clear-cut public interest benefits. While rural customers will pay more, the size of the fund will remain unaffected. Freezing rates at their current level, or, in the alternative, phasing in the increase at \$2 per year over a period of at least three years, are far superior outcomes than the present Commission-mandated rate shock.

Sincerely,



David Certner  
Legislative Counsel and Legislative Policy Director  
Government Affairs

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<sup>7</sup> *Connect America Fund Order*, ¶240.