August 6, 2020

BY ECFS

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


Dear Ms. Dortch:

On Tuesday, August 4, 2020, John Heitmann and Joshua Guyan of Kelley Drye & Warren LLP on behalf of the National Lifeline Association (NaLA) and Mark Rubin on behalf of TracFone Wireless, Inc. spoke by phone with Alisa Valentin, Special Advisor to Commissioner Geoffrey Starks. We discussed the Public Notice setting the December 1, 2020 mobile broadband minimum service standards at 11.75 GB per month\(^1\) and the Chairman’s press release about a draft order circulated regarding the Lifeline mobile broadband minimum service standards (MSS).\(^2\) We also provided some preliminary results from the Summer 2020 NaLA Lifeline Subscriber Survey that was ongoing, has now been completed and is attached hereto and discussed further below.

We explained that the MSS Press Release correctly recognizes that the formula adopted in 2016 is “flawed” and “results in drastic year-over-year increases that could impact the ability of Lifeline carriers to continue providing affordable service.”\(^3\) We agree. However, we asserted

---

\(^{1}\) See Wireline Competition Bureau Announces Updated Lifeline Minimum Service Standards and Indexed Budget Amount, WC Docket No. 11-42, Public Notice, DA 20-820 (July 31, 2020).


\(^{3}\) Id. at 1.
that the press release is based on the wrong premise and ends with the wrong conclusion – an increase in the mobile broadband MSS from 3 GB to 4.5 GB per month with no increase in the monthly subsidy, which would also “impact the ability of Lifeline carriers to continue providing affordable service.” We explained that all of the stakeholders, including Lifeline service providers and public interest groups, are all in agreement that the Commission should pause the mobile broadband MSS at 3 GB and study the Lifeline marketplace next year ahead of the State of the Lifeline Marketplace Report. No stakeholders are urging the Commission to increase the mobile MSS on December 1, 2020.

We further explained that the press release states that the draft order would ensure “predictable increases” in the MSS, but that does not mean that the increase in required service will be affordable for the approximately 6 million Lifeline subscribers who have free/no co-pay service – or for the 40 million more who qualify for and need Lifeline today. Further, there is simply no evidence in the docket to suggest that a 50 percent increase in the required mobile broadband data – with no corresponding increase in subsidy support – can be provided without forcing a co-pay on consumers.4 Already, NaLA and TracFone have explained in their filings that plans including this much data retail for $25-40 and would require a co-pay for the portion not covered by the anemic $9.25 federal subsidy.5 While the press release declares that it results in preserving affordable plans for Lifeline subscribers, Lifeline subscribers who will be notified on November 1, 2020 of a need to pay $15 or more because the FCC wanted them to have more data than is included in their free plan will likely disagree. While Lifeline has never been more

4 Nothing in the record suggests that such an increase could be absorbed by Lifeline service providers to maintain free service offers – indeed the NaLA Retail Price Survey serves as evidence to the contrary. See NaLA Notice of Oral Ex Parte, WC Docket Nos. 17-287, 11-42, 09-197, 10-90, 03-109, CC Docket No. 96-45 at Exhibit A (July 7, 2020) (NaLA July 7, 2020 Ex Parte). Further, the willingness of wholesale partners to provide additional data to Lifeline subscribers through their reseller partners as an interim response to the initial COVID-19 stay-at-home orders has no bearing on what those network operators are willing to do today. Today, those offers of additional included data have ended as our wholesale partners experience the prolonged and increasingly negative economic impacts of the COVID crisis. See Sarah Krouse, “T-Mobile to Feel Coronavirus Pain Through 2020,” Wall Street Journal (May 6, 2020), available at https://www.wsj.com/articles/t-mobile-to-feel-coronavirus-pain-through-2020-11588799462 (“T-Mobile US Inc. TMUS -0.47% said it expects the coronavirus pandemic to weigh on its financial performance through at least the end of the year, joining rival carriers in telling investors the crisis had clouded its outlook.”).

important,\(^6\) it will become even further out of reach for those who need it most. We urged Ms. Valentin to seek to modify the draft order so that, at a minimum, the mobile broadband MSS is held at its current level, pending study of subsidy levels, affordability and competition – all done in conjunction with the 2021 State of the Lifeline Marketplace Report.\(^7\) Mr. Rubin noted that this is precisely what the House Appropriations Committee has recently called for in its report accompanying the Fiscal Year 2021 funding bill covering the Commission.\(^8\)

More broadly, we asked for support in favor of (1) extending through December 31, 2020 the COVID-19 Lifeline waivers that reduce barriers to program participation,\(^9\) (2) relief on the mobile broadband MSS described above by extending the waiver\(^10\) setting the standards at 3 GB,\(^11\) and (3) restoring full support for voice service reimbursement so that consumers can

---

\(^6\) See FCC and NARUC Joint Letter to NARUC Members (June 1, 2020) (“During this crisis, it is critical that Americans have the connectivity they need to stay in touch with loved ones, telework, search for jobs, participate in remote learning and telehealth, and maintain the social distancing necessary to slow the spread of the coronavirus.”); Letter from Chairman Ajit Pai to Senators and Members of Congress (June 15, 2020) (“Now more than ever, it is critical that all Americans maintain connectivity so that they can stay in touch with loved ones, telework, participate in telehealth and remote learning, and maintain the social distancing necessary to slow the spread of the coronavirus.”).

\(^7\) See NaLA July 29 Ex Parte; NaLA July 7, 2020 Ex Parte.

\(^8\) U.S. House of Representatives, Appropriations Committee, Financial Services and General Government Appropriations Bill, 2021, at 59-60 (https://appropriations.house.gov/sites/democrats.appropriations.house.gov/files/FSGG%20Report%20Full%20Print.PDF) (“The Committee is concerned that changes to the Lifeline minimum service standards and support levels will adversely impact low-income Americans, including many suffering from economic hardships due to the coronavirus. The Committee directs the FCC to pause implementation of any changes to the currently applicable minimum service standards for Lifeline-supported mobile broadband service and any changes in the current levels of Lifeline support for voice services until the FCC has completed the State of the Lifeline Marketplace Report required by the 2016 Lifeline Order”).

\(^9\) See Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42, Order, DA 20-577 (June 1, 2020).


\(^11\) While NaLA appreciates that the outcome of a 3 GB mobile broadband MSS was preferable to the 8.75 GB produced by the formula, it still had a devastating impact on the Lifeline program by forcing nearly all carriers to suspend in-person distribution and free hand-set offers in “$9.25
choose between plans with unlimited voice or plans with less voice and more broadband data.\textsuperscript{12}

\textbf{The Summer 2020 NaLA Lifeline Subscriber Survey}\textsuperscript{13}

The Summer 2020 NaLA Lifeline Subscriber Survey, conducted between July 31, 2020 and August 5, 2020, focused on ascertaining Lifeline subscribers’ ability to make monthly co-pays for their service and on the impact the COVID-19 public health and economic crisis is having on Lifeline subscribers.\textsuperscript{14} Here are some of the key findings:

- The vast majority of Lifeline subscribers are not able to make a monthly co-pay – over 80% could not afford a monthly co-pay of any amount.
- Nearly two-thirds of Lifeline subscribers are unbanked – over 63% do not have a checking or savings account.
- Nearly 60% of Lifeline subscribers do not have a debit or credit card; only 13% use a debit or credit card to automatically make recurring payments.
- The vast majority of Lifeline subscribers do not use other forms of non-

states” and others without significant additional subsidies. To conclude that the industry absorbed the increase from 2 to 3 GB of data would ignore steeply declining Lifeline program participation rates in states other than California and Oklahoma caused by increases in mobile broadband MSS that are accompanied by no serious consideration of whether such services can be actively marketed or continued without imposing a price increase and co-pay on a population that is largely unbanked/underbanked, and increasingly unemployed/underemployed (i.e., whether the services are affordable for the Lifeline eligible population). It is this reality that caused T-Mobile, which is the primary wholesale provider for Lifeline, to understandably conclude in its 2019 Annual Report that “[w]e believe current and future regulatory changes have made the Lifeline program offered by our wholesale partners uneconomical.” T-Mobile 2019 Annual Report at 29 (available at \url{https:// investor.t-mobile.com/financial-performance/annual-reports-and-proxy-statements/default.aspx}).

\textsuperscript{12} See NaLA July 29 \textit{Ex Parte}.

\textsuperscript{13} Included as an Exhibit.

\textsuperscript{14} The survey was conducted by eight participating ETCs by sending a link to active subscribers by SMS text. Survey respondents included 7,706 active Lifeline subscribers in 48 states and territories.
cash payments -- over 81% do not use reloadable payment cards.

- Most Lifeline subscribers do not purchase things online -- over 57% are not able to make online purchases.

- Over 67% of Lifeline subscribers value voice, text and data services equally; but voice is the single service they value the most (nearly 23%) followed by data (slightly more than 4%).

- COVID-19 is having a devastating impact on Lifeline subscribers, with over 64% reporting household income or employment status being impacted negatively by the crisis, with over 35% being unemployed.

In sum, the survey shows that Lifeline subscribers – already the nation’s most vulnerable – are currently in an acutely perilous state. Over 80% are unemployed, disabled or retired, and nearly two-thirds report negative impacts to their household income or employment status from the COVID-19 crisis. Over 80% claim to be unable to make monthly co-pays of any kind, which is unsurprising given that so few are presently able to earn income and that a majority are unbanked. Finally, the survey shows that Lifeline subscribers vastly prefer the bundles of voice, text and data they receive, but underscore the importance of voice service. With the COVID-19 health and economic crisis certain to ravage low-income Americans throughout the remainder of the year, we respectfully urge caution, as the ability to access and afford Lifeline service has to be the most important policy objective of the day, and the record contains ample evidence to indicate that raising the mobile broadband by any amount – let alone by 50% – will affirmatively disserve that goal.
Pursuant to Section 1.1206(b) of the Commission’s rules, this letter is being filed electronically.

Respectfully submitted,

John J. Heitmann
Joshua Guyan
Kelley Drye & Warren LLP
3050 K Street, NW, Suite 400
Washington, DC 20007
(202) 342-8400

Counsel to the National Lifeline Association

Exhibit

c: Alisa Valentin
   Joseph Calascione
   Travis Litman
   Nirali Patel
   Arielle Roth
EXHIBIT
Summer 2020 NaLA Lifeline Subscriber Survey
Summer 2020
NaLA
Lifeline Subscriber Survey Results
Lifeline Subscribers Cannot Afford a Monthly Co-Pay

If the Lifeline program required you to make a monthly payment in order to keep your service active, which amounts below would you be able to afford, if any?

- I am able to afford $5 per month: 81.97% (True), 18.03% (False)
- I am able to afford $10 per month: 91.88% (True), 8.12% (False)
- I am NOT ABLE TO AFFORD any additional payments toward lifeline service: 84.70% (True), 15.30% (False)
Lifeline Subscribers Prefer Bundles of Talk, Text and Data

What is the single most important part of the Lifeline service you receive?

- Making & Receiving Calls (Talk): 22.87%
- Sending Text Messages (Text): 3.15%
- Using the internet (Data): 4.22%
- They are all equally important: 67.79%
- Not sure: 1.97%
Most Lifeline Subscribers Are Un/Under Banked

Do you currently have a checking or savings account?

- Yes: 36.79%
- No: 63.21%
Most Lifeline Subscriber Do Not Have Debit and/or Credit Cards

Do you currently have a debit and/or credit card?

- Yes: 40.56%
- No: 59.44%
Most Lifeline Subscribers Do Not Use Reloadable Payment Cards

Do you use a reloadable prepaid card (like Walmart Money Card, Green Dot, My Vanilla, NetSpend, etc)?

- Yes: 13.15%
- No: 81.49%
- Not Sure: 5.36%
Most Lifeline Subscribers Do Not Make Online Purchases

Are you able to make online purchases?

- Yes: 25.05%
- No: 57.10%
- Prefer not to say: 17.85%
Most Lifeline Subscribers Do Not Make Automatic/Recurring Bill Payments

Do you use your debit or credit card to make recurring automatic payments, like automatic bill payments or subscriptions?

- Yes: 13.31%
- No: 50.40%
- Not Sure: 2.43%
- I don't have a debit/credit card: 24.17%
- Prefer not to say: 9.68%
Most Lifeline Subscribers Are Unemployed at this Time

Are you currently employed?

- Yes - Full Time: 3.61%
- Yes - Part Time: 6.61%
- No - Unemployed: 35.72%
- No - Retired: 10.25%
- No - Disabled: 34.50%
- Other: 4.62%
- Prefer not to say: 4.69%
The COVID-19 Pandemic Has Negatively Impacted Lifeline Subscribers

Has the COVID-19 pandemic negatively impacted your household income or employment status?

- Yes: 64.10%
- No: 20.74%
- Prefer not to say: 15.16%
• Only subscribers relying mostly or exclusively on the federal $9.25 Lifeline subsidy were included in the survey
  • California and Tribal Lifeline subscribers were excluded

• 7,706 active Lifeline subscribers responded to the survey

• Respondents reside in 48 states/territories
  • Alaska, Montana, New Hampshire, New Mexico and Wyoming had 0 survey respondents

• 8 wireless ETCs participated:
  • Access Wireless, Assist Wireless, Easy Wireless, enTouch, Life Wireless, SafetyNet, Standup Wireless and TruConnect

• Survey conducted July 31 through August 5, 2020
• Survey was conducted via Survey Monkey using a link sent to active Lifeline consumers by SMS/Text