Questions for the Record from Chairman John Thune
To
Mr. Scott Bergmann

Question 1. Based on studies submitted by the FCC, the GAO Report concluded that many low-income households would choose to subscribe to telephone service even without the subsidy. To reduce waste, fraud, and abuse in the program and ensure it is working efficiently, would you be in favor of a rule that limits Lifeline benefits only to consumers who do not already subscribe to phone service, broadband service, or a pay TV service?

Response 1. CTIA supports an efficient and effective Lifeline program that recognizes all Americans' preference for wireless, including low-income consumers. For this reason, the FCC's reforms and modifications to the Lifeline program should ensure wireless remains a choice for low income consumers.

The wireless industry has a strong incentive to ensure an efficient Lifeline program because wireless consumers and providers bear 44% of the total federal universal service contribution burden to support high-cost, E-Rate, rural health and Lifeline programs. Thus, CTIA continues to encourage the FCC to adopt tools to evaluate the effectiveness of Lifeline and other federal USF programs.

CTIA agrees with GAO that better tools to monitor the effectiveness of the program, including the efficacy of the current eligibility requirements, would assist in improving program administration. Data available today show that, in the time since wireless carriers began providing Lifeline, the gap in telephone penetration between low-income households and other households has been cut nearly in half, from about 6% to about 3%. Thus, we believe that the program has helped consumers without service to obtain much-needed connections.

Consideration of eligibility proposals should also take into account the challenging economic situation faced by typical Lifeline consumers. For example, data from a representative wireless ETC found that the average Lifeline consumer has an annual income of $14,000 and is about 50 years old, while about a third have some form of disability. CTIA looks forward to working with Congress and the FCC to adopt meaningful tools to evaluate the effectiveness of Lifeline, modify the program as appropriate to maximize its ability to achieve its goals, and recognize low-income consumer preference for wireless.

Question 2. The FCC recently changed its definition of "broadband" to increase it from 10 Mbps to 25 Mbps. I am concerned about the unintended consequences that the new definition may have for low-income citizens who benefit from Lifeline. If the FCC moves to expand Lifeline to broadband, what challenges could the new definition of broadband pose to Lifeline providers and consumers who participate in the program?

Response 2. CTIA shares your concerns about the unintended consequences of defining broadband services in ways that may not reflect the preferences of all Americans, including low-income consumers. For this reason, the FCC's reforms and modifications to the Lifeline program should ensure low income consumers can choose wireless to meet their evolving communications needs.

In its recent Section 706 report, the FCC concluded that it would treat "advanced communications capability" as service providing at least 25 Mbps down and 3 Mbps up. CTIA believes that this definition fails to fully capture the significant consumer adoption of mobile broadband services. Indeed, considering low income consumers alone, recent data from the Pew Research Center show that low-income households are twice-as likely to rely on wireless for occupational or medical communications as higher-income households.

In the universal service context, the FCC defines and support broadband services at other thresholds. In its recent Lifeline Further Notice of Proposed Rulemaking, the FCC has asked a number of questions about how Lifeline broadband services should be defined, including by looking at the services that are typically offered and subscribed to in urban areas. CTIA will continue to support universal service broadband standards that correspond to the offerings that consumers are purchasing in the marketplace, and are set based on competitively and technologically neutral standards consistent with the direction established by Congress in Sec. 254(b).

Question 3. Several carriers that entered the Lifeline market in recent years have chosen to offer free monthly service and handsets to low-income consumers. This practice raises questions about whether the program should fully subsidize Lifeline services, particularly when the size of the Universal Service Fund continues to grow. Should Lifeline subscribers be required to pay some amount of money in order to be eligible for the program?

Response 3. CTIA supports an efficient and effective Lifeline program that recognizes low-income consumer preferences for wireless. Wireless participation in the Lifeline program has brought competition and innovative service offerings to low income consumers. Wireless has continuously added services, including increasing voice and text, while operating under a consistent subsidy level. For this reason, the FCC's reforms and modifications to the Lifeline program should ensure wireless remains a choice for low income consumers.

CTIA also supports an efficient and effective Lifeline program that deters waste, fraud and abuse. The wireless industry has a strong incentive to ensure an efficient Lifeline program because wireless consumers and providers bear 44% of the total federal universal service contribution burden to support high-cost, E-Rate, rural health and Lifeline programs. CTIA believes that the best way to ensure that only eligible consumers participate in the program is for the Commission to act on its 2012 commitment to provide an automated mechanism for determining customer eligibility. CTIA is pleased that the Commission has sought comment on this issue in its June 2015 Lifeline Notice of Proposed Rulemaking.

With respect to a minimum charge or co-payment, we remain concerned about the consequences of limiting eligibility in Lifeline to low-income consumers who can pay a minimum charge. Minimum payments present unique logistical issues for low-income consumers who are less likely to have credit cards or even bank accounts to facilitate a payment. CTIA will continue to work with the Commission and other stakeholders to adopt meaningful tools to evaluate the effectiveness of Lifeline, modify the program as appropriate to maximize its ability to achieve its goals, and recognize low-income consumer preference for wireless.

Questions for the Record from Senator Wicker
To
Mr. Scott Bergmann

Question 1. Mr. Bergmann, would expanding the Lifeline program to include broadband be likely to increase the size of the funding requirements associated with Lifeline? Commissioner O'Rielly has suggested that it is time to consider a cap on the size of the Lifeline program. Why shouldn't the Lifeline program be subject to a cap in the way that other portions of the USF program are?

Response 1. To evaluate the impact of the FCC's proposed changes to the program, it will be important to consider the services supported, the scope of eligible consumers, and the subsidy amount proposed. We appreciate your question because the wireless industry has a strong incentive to ensure an efficient and effective Lifeline program that minimizes the contribution burden on consumers. Wireless consumers and providers bear 44% of the total federal universal service contribution burden to support high-cost, E-Rate, rural health and Lifeline program. CTIA looks forward to working with Congress and the FCC to carefully evaluate the impact of the proposed expansion of the program, and to continue recognize low-income consumer preference for mobile wireless services.

While CTIA supports an efficient and effective Lifeline program, we remain concerned about establishing a cap on Lifeline that may inadvertently limit low-income consumer participation. Lifeline is different from other universal service programs that the FCC administers, such as high-cost, because it is means-tested and directed to the individual consumer. In the recent Further Notice of Proposed Rulemaking on Lifeline reform, the FCC seeks comment on issues that could arise if the program were to be capped. For example, the FCC asks how it would determine which consumers would be kept out of the program if a cap was reached or whether the FCC should reduce the support amount if more eligible consumers entered the program, and if so, how low-income consumers could budget from month to month. Particularly given the profile of the typical Lifeline consumer – data from a representative wireless ETC found that the average Lifeline consumer has an annual income of $14,000 and is about 50 years old, while about a third have some form of disability – implementation of a cap presents a difficult challenge.

CTIA looks forward to working with Congress and the FCC to adopt meaningful tools to evaluate the effectiveness of Lifeline, modify the program as appropriate to maximize its ability to achieve its goals, and recognize low-income consumer preference for wireless.

Question 2. Mr. Bergmann, What impact does the FCC's recent move to classify mobile broadband as Title II have on wireless ability to meet consumer demand?

Response 2. CTIA is concerned that the FCC's Open Internet Order will add regulatory burdens and uncertainty that will harm low income consumers and create barriers to low income adoption. The FCC's Open Internet decision was unnecessary because mobile consumers already have access to an open mobile Internet and a world-leading mobile broadband ecosystem. The Commission's decision to apply burdensome rules and monopoly-era Title II common carrier regulation to mobile broadband will only chill investment and innovation and increase costs for consumers.

As an example, consumers today can choose from over 700 different service offerings with varying levels of usage and price which is why no one is surprised that more than 44% of households are “cutting the cord” for wireless, including an even greater percentage of low-income households. However, the FCC’s unwillingness to recognize the benefits of pro-consumer offerings based on a set allowance of data or new innovative offerings like zero rating may inhibit the development of services that would enable more consumers, including low-income Americans, to adopt mobile broadband services. Mobile wireless data allowances appropriately distribute the cost of service among consumers by limiting subsidies to heavy mobile data users. Zero rating enables service providers and application developers to incubate competitive services by offering innovative content (e.g. music, games, or video) at little or no charge to consumers. Experimentation and differentiation with service offerings to reach low-income consumers is what we need to address the Lifeline challenge. Unfortunately, the FCC's approach to net neutrality runs directly counter to this principle and may lead to a one-size-fits-all Internet that will fail to meet the needs of low-income consumers.

Instead of promoting greater industry investment and innovation, the FCC opted to resuscitate a command-and-control regulatory regime, including a process where innovators may be forced to first seek permission from the FCC before rolling out new services. The FCC’s decision ignores substantial evidence demonstrating that the competitive, constantly innovating mobile broadband industry provides Americans with faster networks, a wide variety of devices, and an array of service plans designed to meet the needs of high and low income consumers. CTIA is hopeful that the courts will recognize the error in the Commission’s order. In the meantime, CTIA looks forward to working with Congress to preserve an open Internet, end the substantial uncertainty around the FCC’s order, and ensure America’s wireless industry has the flexibility to develop and offer innovative service offerings that will incent low income consumers to adopt broadband.

Question 3. Mr. Bergmann, are wireless companies concerned about the overall Universal Service Fund burden on your consumers? Do you favor shifting funds from other USF programs to fund Lifeline?

Response 3. As noted in our response to Question 1, wireless consumers and providers bear 44% of the total federal universal service contribution burden to support high-cost, E-Rate, rural health and Lifeline program. To reduce the overall universal service burden, CTIA has advocated for tools to evaluate the effectiveness and efficiency of <u>all</u> of the universal service programs.

CTIA recognizes that Congress established multiple universal service programs to meet specific objectives. As each of these programs evolves to meet new communications needs, we encourage Congress to take an active role in making sure that these programs work efficiently, individually and collectively, to achieve the broad goals of increasing connectivity. For example, the FCC currently provides the largest single share of universal service support, which is nearly four times the amount of support for Lifeline, to wireline companies serving rural areas.

As the FCC and Congress evaluate the overlap and relationship between these programs, CTIA urges policymakers to continue to recognize consumer preference for mobile wireless services.