

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
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
)	

COMMENTS OF ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.

Alaska Communications Systems Group, Inc., on behalf of its operating subsidiaries (“ACS”),¹ hereby submits comments in response to the Commission’s Further Notice of Proposed Rulemaking in the above-referenced dockets.² The Commission has already implemented significant reforms of the Lifeline program in its *Lifeline Reform Order*, but there are many important aspects of reform still to be addressed in the *Lifeline FNPRM*. The Commission’s further reforms should focus on minimizing costs and administrative burdens for Lifeline service providers, ensuring the judicious use of Lifeline funds, stabilizing the support on which subscribers depend, promoting adoption of Lifeline service through criteria that serve the

¹ In this proceeding Alaska Communications Systems Group, Inc. represents four local exchange carriers, ACS of Alaska, Inc., ACS of Anchorage, Inc., ACS of Fairbanks, Inc., and ACS of the Northland, Inc. (the “ACS ILECs”), as well as ACS Long Distance, Inc., ACS Cable, Inc., ACS Internet, Inc., and ACS Wireless, Inc. Together, these companies provide retail and wholesale wireline and wireless telecommunications, information, broadband, and other services to residential and business customers in the State of Alaska and beyond, using ACS’s intrastate and interstate facilities.

² *Lifeline and Link Up Reform and Modernization et al.*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 11-42 et al., CC Docket No. 96-45 (rel. Feb. 6, 2012) (*Lifeline Reform Order* or *Lifeline FPNRM*). See also Public Notice, Comment and Reply Comment Dates Established For Universal Service Lifeline Further Notice of Proposed Rulemaking, WC Docket Nos. 11-42, 03-109, 12-23 and CC Docket No. 96-45, DA 12-344 (rel. March 6, 2012).

goals of the Lifeline program, and allowing flexibility for Lifeline service providers to serve Lifeline subscribers based on their network and service constructs. ACS provides further detail below on its recommendations for the remaining open issues related to Lifeline reform.

Establishing an Eligibility Database

The Commission seeks comment on a variety of matters related to implementing either a state or national eligibility database, or a combination of state and federal databases, in order to improve the accuracy of eligibility determinations and ensure only eligible consumers receive Lifeline benefits, as well as to reduce the burdens on consumers and eligible telecommunications carriers (“ETCs”).³ While many of the qualifying criteria for Lifeline support are found in various state programs, ACS believes the most efficient and least costly method of implementing an eligibility database that includes all state and federal qualifying criteria is through adoption of a single national eligibility database. It makes sense to leverage the work of the Commission and the Universal Service Administrative Company (“USAC”) on the national accountability database (or duplicates database), and to build a national eligibility database on top of that accountability database. ACS supports a holistic approach to minimizing fraud and waste in the Lifeline program by having one source for determining subscriber eligibility and preventing duplication of Lifeline support.

ACS encourages USAC and the Commission to collaborate with federal and state agencies to build an eligibility database that incorporates information from consumers who are enrolled in federal and state programs that qualify them for Lifeline support. ACS believes there will be cost synergies in building one national database versus 50 or more individual databases, where the functional database costs would be duplicated repeatedly. However, if the Commission adopts a national database approach that incorporates state eligibility data, then

³ See *Lifeline FNPRM*, ¶¶403-415.

ACS encourages the Commission to ensure that states will not be responsible for funding the state eligibility portions of the national database that is out of proportion to each state's share of the total amount of consumer eligibility information that is derived from state eligibility criteria.

Digital Literacy Training

ACS applauds the Commission's goal of ensuring the availability of broadband service for low-income Americans.⁴ Importantly, the Commission acknowledges that "for broadband to be 'available' to a consumer, a broadband network must be deployed to the consumer, the service must be of sufficient robustness to meet the needs of consumers, and the broadband service offered over the network must be affordable."⁵ Yet, the Commission seeks comment on the use of universal service funding to address its concern about digital literacy and the perception that the Internet is not relevant or useful.⁶ Digital literacy is an important factor in today's economy and it is becoming increasingly essential in consumers' daily life. However, lack of digital literacy is only one of many reasons that consumers don't subscribe to broadband services. Improving digital literacy may well increase broadband subscription, but again that would be only one of many motivators for consumer adoption of broadband services.

The amount of universal service support that is available to carriers has been drastically limited by the Commission's adoption of its *USF/ICC Transformation Order*.⁷ Carriers that have been receiving universal service support are already undergoing momentous changes to adapt to the reduction in support in a highly competitive communications market, where costs of serving end users in rural, remote, or otherwise high-cost areas continue to present significant business challenges. With this backdrop, ACS contends that use of federal universal service

⁴ See *Lifeline FNPRM*, ¶416. See also *Lifeline Reform Order*, ¶33.

⁵ *Lifeline FNPRM*, ¶416. See also *Lifeline Reform Order*, ¶34.

⁶ See *Lifeline FNPRM*, ¶416.

⁷ *Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking ("*USF/ICC Transformation Order*") in WC Docket Nos. 10-90 *et al.*, FCC 11-161 (rel. Nov. 18, 2011).

funds to fund digital literacy training is not a prudent use of such funds. Instead, the Commission should remain focused on the best use of its limited universal service funds, which ACS submits is to make broadband available to consumers. Any funding that might have been used for digital literacy would be better spent on building and supporting the networks that expand and make broadband available to consumers in the rural, remote, and high-cost areas of the nation, or in developing a separate Lifeline program to discount broadband services for low-income consumers. Accordingly, ACS urges the Commission to redirect any universal service funds that may be intended for promoting digital literacy toward a Lifeline discount program for broadband services to low-income consumers.

Limits on Resale of Lifeline Supported Services

ACS agrees with the Commission's goal of ensuring that there is not duplicative disbursement of Lifeline support to both a wholesale provider of a Lifeline service and a reseller of the same Lifeline service. The Commission seeks comment on proposals to limit Lifeline support to the Lifeline service provider having the retail relationship with the customer, and further questioning whether that reseller of Lifeline service should be required to become an ETC if it has not already obtained such designation.⁸

ACS submits that in determining whether a wholesaler or reseller of Lifeline service receives the Lifeline support the Commission should afford carriers flexibility to enter into commercial arrangements where the two carriers negotiate the terms for receipt of Lifeline support and associated Lifeline obligations, such as managing customer information in the Lifeline accountability database. Duplicative support for the same service and same facility is wasteful, but a directive that only the carrier having the retail relationship with the customer should receive the Lifeline support may not reflect which carrier should receive the Lifeline

⁸ See *Lifeline FNPRM*, ¶¶451, 458.

support based on a variety of market factors. ACS urges the Commission to permit wholesalers and resellers of Lifeline service to enter into commercial agreements where the parties may negotiate which entity will receive Lifeline support for the Lifeline service to be provided to the subscriber and which entity would be responsible for entering the Lifeline subscriber's information into the national accountability database, and any other relevant terms. If a Lifeline service wholesaler and reseller do not enter into such a commercial agreement then the default requirement in a resale situation should be that the reseller of the Lifeline service (*i.e.*, the carrier having the customer relationship) will be the entity that receives Lifeline support and that is responsible for entering the Lifeline customer's information into the accountability database.

The Commission also re-examines the scope of the section 251(c)(4)⁹ resale obligation for retail Lifeline services. Specifically, the Commission seeks comment on whether it should interpret the statute so as not to require incumbent local exchange carriers ("ILECs") to resell their voice telephony services at a wholesale discount based on their ordinary retail rate and further discounted by the amount of the Lifeline subsidy when resold to carriers seeking to serve Lifeline customers.¹⁰ ACS supports this proposal to relieve ILECs from offering a wholesale Lifeline service that is further discounted by the Lifeline subsidy amount in instances where the reseller of Lifeline service receives the Lifeline subsidy for the service. To do otherwise would enable resellers receiving the Lifeline support for the Lifeline service to in effect double dip from the universal service fund, by paying a wholesale rate for the service that is further discounted by the Lifeline subsidy amount, and also allowing the reseller to independently recoup the Lifeline subsidy based on its relationship with the customer. Furthermore, this results in short shrift to the wholesale provider of the Lifeline service that has offered the service at with a Lifeline

⁹ 47 U.S.C. §251(c)(4).

¹⁰ See *Lifeline FNPRM*, ¶452.

discount, but the wholesaler is unable to seek reimbursement for the subsidy from the universal service fund if the reseller has received the subsidy.

Lifeline Support Amount for Voice Services

In the *Lifeline FNPRM* the Commission evaluates the interim uniform reimbursement amount of \$9.25 per month for a Lifeline voice service, seeking comment on the optimal level of a permanent discount amount and whether there should be any variance in how it is applied.¹¹

While ACS does not have any data to support a change in the interim discount amount, it stresses that the interim reimbursement amount will result in a monthly reduction of the Lifeline discount by 75 cents for Alaska Lifeline subscribers. ACS does not propose an alternative optimal discount amount here, but urges the Commission to find that the permanent discount amount should be no lower than the interim discount amount. A reduction of the discount amount by 75 cents already poses a significant concern for those Alaska customers receiving Lifeline benefits. Any further reduction in the discount amount would be harmful to many Alaska Lifeline subscribers being able to continue obtaining Lifeline service.¹²

The Commission also seeks comment on whether Lifeline subscribers should be permitted to divide a discount across two or more lines, across wireless and wireline service, across voice and broadband services, or across different providers of services (either voice or voice and broadband).¹³ ACS opposes the division of any Lifeline discount across lines and services. Dividing a discount amount, in any way, creates administrative difficulties and

¹¹ See *Lifeline FNPRM*, ¶¶462-473.

¹² The interim 75 cent reduction in the Lifeline discount is almost a 10% reduction in the subsidy. This is a significant reduction for an essential tool in bringing voice telephony services to low-income consumers. Furthermore, in Alaska the state has provided a Lifeline subsidy of \$3.50 in order to maximize the previous federal Tier III support of \$1.75. By replacing Tier I, II, and III support with a uniform flat-rate reimbursement amount, the Alaska Lifeline support amount of \$3.50 must be re-examined as it was tied to the federal Tier III support. This presents a situation where the state subsidy could be eliminated or reduced, further harming low-income consumers in Alaska. See Regulatory Commission of Alaska Public Meeting, March 28, 2012, Transcript at 20 (opening a regulations docket on Lifeline Support provided by the Alaska Universal Service Fund).

¹³ See *Lifeline FNPRM*, ¶¶470-473.

customer management issues. If subscribers were permitted to divide discounts, Lifeline providers would need to alter billing systems, involving unknown carrier expenses and employee training time. The variations in bills that would result from a customer dividing a discount over multiple services or over multiple service providers may lead to customer confusion in verifying that the single discount amount was correctly applied as directed by the customer. Lifeline providers would also need to revamp collections processes to account for non-payment of the non-discounted amount of the Lifeline service, along with processes for terminating one or more Lifeline services receiving a portion of the single discount amount. It is likely that they would also need to coordinate collections processes with other Lifeline service providers if the customer has divided a discount across different service providers, which may lead to increased carrier disputes over entitlement to Lifeline support. Lifeline service providers would face similar collections issues if the Lifeline customer has applied a discount to both voice and broadband services.¹⁴ ACS urges the Commission to maintain the Lifeline discount intact, limiting a subscriber's use of the discount to one service and one service provider per household.

Tribal Lands Lifeline and Link Up Support

The Commission also seeks comment on whether residents on Tribal lands should be permitted to apply their allotted Tribal Lands Lifeline discount across more than one supported service per household.¹⁵ For the same administrative and customer management reasons discussed above, ACS opposes the division of a Lifeline discount across services or service providers. ACS urges the Commission to maintain the Tribal Lands Lifeline discount intact, limiting a subscriber's use of the discount to one service and one service provider per household.

¹⁴ Lifeline has been reserved for the most basic services to customers who are without sufficient financial means to afford access to voice services and the Lifeline discount should continue to be applied to voice services only. If the Commission wants to support a basic broadband service in a Lifeline capacity then it should do so through a separate discount and process.

¹⁵ See *Lifeline FNPRM*, ¶476.

The Commission also seeks comment on whether it should alter or eliminate Link Up support for Tribal Lands.¹⁶ ACS urges the Commission to leave the Tribal Land Link Up program in tact, retaining the current subsidy amount. Tribal Lands are often some of the most rural and difficult areas of the nation to serve and residents on these Tribal Lands are often some of the nation’s lowest-income consumers who are unable to incur the costs of the service order and truck roll necessary to obtain residential broadband service. The Tribal Land Link Up subsidy remains a critical component for delivering broadband service to Tribal Land residents.

Additional Eligibility Criteria

The Commission seeks comment on expanding the Lifeline eligibility criteria to include the Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (“WIC”) as well as homeless veterans.¹⁷ ACS urges the Commission to add the WIC program as a criterion eligible for Lifeline support. The State of Alaska has already recognized the WIC program as a qualifying Lifeline support criteria. ACS believes that the rest of the nation would similarly benefit from including this federal program as a qualifying criteria for Lifeline support. Adding the WIC program to the Lifeline qualifying criteria is consistent with and furthers the Commission’s Lifeline program goals.

The Commission also seeks comment on including homeless veterans programs as qualifying criteria and methods for demonstrating eligibility for such veterans who have no income and are otherwise not enrolled in a qualifying program.¹⁸ ACS also supports the need for homeless veterans to have access to wireless service at Lifeline discounted rates so that they have access to essential employment, housing, and medical services, which are often crucial in escaping their homeless plight and becoming gainfully employed. ACS supports prudent use of

¹⁶ See *Lifeline FNPRM*, ¶479.

¹⁷ See *Lifeline FNPRM*, ¶¶485, 487.

¹⁸ See *Lifeline FNPRM*, ¶487.

Lifeline support and encourages Veterans Affairs officials and other outreach workers to assist homeless veterans by enrolling them in assistance programs that are appropriate to their needs and that will qualify them for Lifeline benefits, thereby facilitating the Commission's goal of documenting all consumers' Lifeline eligibility.

Mandatory Application of Lifeline Discount to Bundled Service Offerings

The Commission seeks comment on whether it should require ETCs to permit subscribers to apply their Lifeline discount on any bundle that includes a voice component, thereby revising the permissive rules established in the *Lifeline Reform Order* that provided ETCs with flexibility to allow a subscriber's Lifeline discount to be applied to bundled service packages or packages containing optional calling features.¹⁹ ACS opposes any shift to require ETCs to apply a Lifeline discount to any bundled services. Bundling of services associated with a Lifeline service should always be at the option of the carrier. As discussed above with regard to dividing a Lifeline discount among services or service providers, similarly requiring ETCs to bundle non-Lifeline services with a Lifeline service creates administrative difficulties in the form of billing changes and employee training, but also collections issues and service termination complications. If the Commission wants to encourage bundled services, particularly bundled voice and broadband, then it should ensure that consumers have the option to obtain one Lifeline discount for basic, entry-level voice service and another Lifeline discount for basic, entry-level broadband service. Furthermore, when an ETC agrees to allow a Lifeline subscriber to bundle Lifeline supported services, it should also be permitted to require any Lifeline subscriber who orders any voice or broadband services above the basic, entry-level service to submit to credit checks and deposit requirements for the cost of the services above the entry-level service that is supported by the Lifeline discount.

¹⁹ See *Lifeline FNPRM*, ¶¶488, 490.

Record Retention Requirements

The Commission seeks comment on its proposal to extend the current record retention requirements for documentation of compliance with low-income program rules from three years, and for documentation of consumer eligibility for Lifeline support for as long as the consumer receives Lifeline service from the ETC, so that the retention period mirrors the retention period adopted in the *USF/ICC Transformation Order*, or at least ten years and longer depending on how long the subscriber receives Lifeline service from the ETC.²⁰ The Commission cites the need to facilitate access to records for purposes of litigation under the False Claims Act.²¹ ACS strongly opposes this expansive document retention increase as being wholly inconsistent with typical service timeframes and service contracts, which are generally two years. The Commission has not identified any specific or significant problems with the current document retention timeframes and it has not identified any instances when Lifeline documents were necessary for litigation, but the documents were not available due to the document retention timeframe for Lifeline. Rather, the Commission merely suggests that there could be conduct involved in a False Claims Act that related back more than the current document retention timeframe. Without demonstrating a need for such an expansive document retention requirement, which would result in significant administrative costs to carriers, the Commission should not expand the current record retention requirements for Lifeline compliance and eligibility documentation.

²⁰ See *Lifeline FNPRM*, ¶¶505-506.

²¹ See *Lifeline FNPRM*, ¶506.

Respectfully submitted,

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