

Prepared Remarks of FCC Commissioner Mignon Clyburn

**Our Core Mission Has Not Changed—Universal Voice and Advanced Services for All is
Our Number One Priority**

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Thank you, Mark, for that kind introduction. It is such a pleasure to be with you today. For more than 45 years, the promotion and protection of the American consumer have been job one for the Consumer Federation of America, and I am proud to be able to affirm that we have shared priorities.

We receive our instructions from Congress through legislation, and it has tasked the FCC with making available nationwide communications services for the benefit of all. Indeed, when the 1996 Telecommunications Act was passed, it required that the Commission ensure that all Americans have access to affordable communications services.

Even though 100 Meg service was not around then, the broad language of the Act stated that our goals would be “the preservation and advancement of universal service,” for both traditional phone service, and advanced services, such as broadband communications. And Congress made clear that access to these services is a priority, including for low-income consumers. From this Act, the Universal Service Fund was born. During my FCC tenure, we have not only embraced its core goal of enhancing and preserving the availability of voice service, we also have been steadfast in reforming and modernizing the Fund for the broadband reality of today.

The way in which we communicate is continually changing, and our recent reforms to promote broadband access through the Fund guarantees that these vital connections will transition to next generation services. A phone call for help or for leisure can now be made over broadband platforms, and two-thirds of Americans have adopted broadband at home. Looking for or applying for a new job? Nearly impossible without high-speed Internet access. Want to find the best shopping deal around town without burning in excess of \$4.00 plus per gallon in your nearly 13 year old vehicle? Oh, am I talking about myself again? Anyway, these days that is so much more efficiently and effectively done online.

Most of us take our phone services for granted, and by most accounts, there are more mobile connections than people. We are on our mobile devices constantly, ignoring those social graces once so sacred in our culture. A dial tone is usually within arm’s reach—though some of you may prefer texting or emailing to phone conversations. But there are a number of areas in this nation still without traditional landline service, and mobile networks haven’t reached them either. Some of our neighbors on Native Lands are still waiting to benefit from our national universal service policies. And this may surprise some, but according to 2012 figures from the CDC, 2.1 percent of American households or 4.5 million persons, have no phone service

whatsoever. The next time you take the train bound for New York, think about those people in Baltimore and Newark, whose percentages trend among the highest in the nation of those without access to dial tone. So as we've fashioned our reforms to move the whole nation to a digital, online world, we cannot lose sight of our obligation to continue to advance the deployment of plain old voice service.

We also recognize that most consumers want access to both mobile and fixed services, so for the first time we have expressly allocated funds to support both where there is not 3G or better service, in addition to expanding fixed networks to residences and businesses in rural areas. We are also working to expand network access to low-income consumers, rural healthcare facilities, and schools and libraries.

If there is one point I would leave with you, it is how the Universal Service Fund's Lifeline program has been instrumental in increasing the number of low-income consumers with telephone access. The overall penetration rate for phone service in this nation has increased significantly due to a modest monthly subsidy of less than \$10 per month for service. But the Lifeline program has been under attack as of late, and what the critics fail to mention, is what one major provider shared with us. That its average Lifeline customer is a middle-age grandmother, raising her grandchildren on only \$12,000 per year.

Those attacking the service refer to what they call an Obama Phone program. They assert that the USF is supporting multiple, free cell phones to the poor, and that carriers are not checking the qualification of recipients, or worse, sending phones to those who are deceased. Allow me to set the record straight this morning. This program is a significant benefit to approximately 15 million families who otherwise could not afford phone service. It connects them to 911, social services, and job opportunities. Without this program, 15 million low-income families would literally be choosing between feeding their children or going without a dial tone that potentially could save their lives and put them on a better economic path.

One elderly woman from Massachusetts wrote the Commission to say that her Lifeline service was the only saving grace during a car accident, where she faced a severe consequence without immediate medical attention. But with her wireless device she was able to call 911 and obtain the assistance she needed for a medical ailment. We have many other individuals on our record—from across this nation—who have praised this program and credited it for saving their lives, helping them find a job, and aiding them in staying connected to their loved ones.

The Commission's major reforms adopted in January of last year, and the action we took to deter duplicative subsidies in the summer of 2011, prior to our reforms, are working. We are addressing the issues with those who were abusing the program and did so because of the importance of this program for the consumers it serves, as well as our commitment to ensuring that USF money—which all interstate telecom users pay into—is being spent wisely.

An accurate, historical review of the program at this point, I believe, would be helpful in dispelling myths for supporters and critics alike. Fact one: The Lifeline program predates the Obama Administration. Basic phone service for low-income consumers has actually been a priority in this country since the Reagan Administration made it so in the 1980's. Fact two: In

the 1996 Act, during the Clinton Administration, Congress included a low-income provision in the statute, recognizing the success and significance of the FCC's Lifeline program. Fact three: In 1984, 80 percent of low-income households had telephone service, compared with 95 percent of non-low-income households. With Lifeline, that 15 percent gap had narrowed to 4 percent by 2011. As a result, the overall telephone penetration rate in the U.S. also has risen. But today, even with the recent increase in participation in the Lifeline program, only approximately 50% of those who qualify actually participate.

Even with that participation gap, one of the reasons the program is receiving so much negative attention is increased participation. The impact of the economic crisis on low-income families is certainly a factor and numerous studies show that they have fared the worst during the downturn. Another major reason for the increase is that wireless providers have been permitted to participate, offering low-income consumers the opportunity—many for the first time—to cut the cord and go mobile. This opportunity began, I want the record to reflect, under the Bush administration, which recognized the importance of consumer choice and the benefits of mobility for consumers. Indeed, given that over 35% of Americans have chosen to cut the cord and go only mobile, I believe that it was the right course of action to permit low-income consumers to have a wireless Lifeline option. Unfortunately, the program was not prepared for the impact that new competition from wireless which has resulted in consumers receiving multiple benefits, but that is one of the major issues we have addressed and are correcting through our reforms.

The Commission only allows one phone benefit per family, and they must choose between a wireline or mobile service—hardly an extravagance. Compared to other social service programs, the \$2 billion to connect low-income families is small, and the program makes up less than 20% of the annual \$9 billion Universal Service Fund. We spend \$4.5 billion a year—more than twice the amount of Lifeline—to subsidize corporations serving in rural, high-cost areas. The budget for Medicaid stands at almost \$300 billion a year, and the food stamp program and school lunch program combined cost over \$85 billion annually. Spending \$2 billion a year to connect 50% of qualifying families is worth it. Without access to 911, these families would be especially at risk, as the number of communications alternatives has decreased significantly, reinforced by the fact that fewer than 500,000 payphones remain in the United States.

It seems to me that some want to relegate these families to only a wired service, but I am concerned that those families who benefit the most from mobile service, such as migrant workers and homeless families, would be left without service. Two-thirds of Lifeline consumers have chosen mobile over fixed phone service, and it would be counterproductive, I think, for the FCC to abandon its technology neutral position by permitting a landline-only option. The rest of Americans benefit from mobile engagement, staying in contact no matter their location, so why should low-income consumers be any different?

Fact four: Contrary to what you may have heard or read, even from those who identify themselves as journalists, Lifeline does not pay for the physical telephone—neither mobile nor landline. Lifeline subsidizes the cost of monthly service for low-income consumers. Some mobile carriers have chosen to provide certain handsets for free, which indicates to me that many basic mobile phones obviously do not cost that much money. And this type of engagement should not surprise any of us, for this practice is nothing new in the wireless industry. Providers

have traditionally not charged for selected handsets for customers, so why is it such an issue that they are doing the very same thing in the Lifeline program?

The public should know that the FCC has also instituted a requirement that consumers demonstrate their eligibility for service at the time they sign up by showing their food stamp card, for instance. Today, there is no more self-certification. Moreover, if a wireless phone is not activated, or if it is not used for 60 days, then the Lifeline program no longer subsidizes that monthly service. To be clear, even if a phone is shipped to a deceased person or if a consumer has failed to show their eligibility, this is *not* a Lifeline-supported engagement and providers must not extract monies from the Fund.

During the reform proceeding, the Commission found that consumers were not being educated about the program and its requirements, and yes, that some consumers had multiple subsidized services, in large part because they simply did not know that the other service was a Lifeline product. The Commission took immediate steps to resolve these duplicates in numerous states—translation: we did not wait for the larger reform to act here—and we better educated consumers along the way. We take seriously our responsibility to ensure that our rules are being followed, and we are actively investigating claims of waste, fraud, and abuse by both providers and consumers. You may have seen recent reports that the Commission entered into a consent decree with several affiliated providers, and we have issued warning letters to consumers, letting them know that they must make a choice by selection only one option.

As part of these reforms, we also now require that carriers confirm the eligibility of each consumer, not just when they first sign up, but each year. This has been a significant undertaking and has resulted in many being removed from the program. Recent press and other commentary immediately concluded that the non-response rate and subsequent customer removals demonstrate that there were tens of thousands of consumers not qualified for the program. While there are some who no longer qualify, non-responses also occur because consumers do not understand the requirement that they now must opt-in for continued service by responding. And though we tried to make the language plain and simple, some may not comprehend the meaning of the notification, especially if it is not in their native language or they are functionally illiterate. It is also possible that they may not have received the notification because they have moved, or yes, that they just fail to act. Not reading notifications in a bill insert or a stand-alone notice is not all uncommon at all. Studies have shown that this method is one of the most inefficient means of communications. Utility companies will tell you that upwards of 66% of their customers fail to read inserts, so drawing conclusions or interpreting non-responses as meaning that all of those consumers are not now, nor never were qualified, is ridiculous. In fact, during the reform proceeding, several providers warned of a high non-response rate from Lifeline consumers, and those predictions have been realized.

During our review of the reforms, I pressed for database capabilities to be developed in order to ensure that all the requirements of the program were being met and to make the administration of this program and its availability to eligible consumers more efficient and effective. A database should be able to provide information about whether a consumer already has service, is qualified to receive service, and disconnect those consumers who are no longer

qualified for the subsidy. And yes, the Commission is taking steps to implement a database for these purposes.

The good news that has not received much coverage is that our reforms are working. Lifeline disbursements began to drop in the second half of 2012 as the majority of the reforms went into effect. The efforts are saving real dollars, with over \$200 million realized last year, and an expectation of another \$400 million being saved this year. We are open to making additional adjustments where necessary, but in no uncertain terms should qualifying low-income consumers who have followed the rules be refused service.

We also are modernizing Lifeline in other ways. We have 14 pilots underway to study broadband adoption and use by low-income populations. I wish to applaud Congresswoman Matsui for a bill she plans to reintroduce in a few short weeks, entitled the Broadband Affordability Act. It would expand the Lifeline program to better address the broadband adoption needs of low-income consumers, and this should aid us as we continue to strengthen the Lifeline program to ensure its sustainability for both voice and broadband service.

Connectivity, competition, and consumer choice are key as we consider how best to adapt our policies to transitioning telecommunications technologies. Transitions from wireline to wireless by many residential consumers are obvious. But what we are also seeing is some carriers transition from legacy voice to VoIP service. Given these developments, I was very pleased when the Chairman announced the formation of the Commission's Technology Transitions Task Force last December. The Task Force is an agency-wide effort to address the ways in which the Commission will ensure protection of its core mission values during this time of movement from 20th to 21st century communications technologies.

Among other things, the Taskforce, in coordination with the entire Commission, will carefully review of the issue of interconnection across IP and non-IP networks. Fundamentally, the Commission expects that all carriers negotiate requests for interconnection and exchange of voice traffic over the new Internet Protocol systems. This will ensure that no consumer, regardless of what voice service system they use, is unable to communicate with those on other systems. Furthermore, even as carriers invest in this new technology, competitive and affordable alternatives must remain in place so that consumers have the option to choose what voice service best suits their individual communication needs. Finally, no one should mistake IP interconnection for voice services with regulation of the Internet. Providers that are using IP to deliver voice service over their proprietary networks are not using the Internet to do so.

Thank you for inviting me to share with you my thoughts on my priorities for advancing both voice and broadband service to all Americans, no matter their location or life situation. Enjoy the rest of your conference.