

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

In the Matter of)	
)	
Petition for Rulemaking to Prohibit In-Person)	
Distribution of Handsets to Prospective Lifeline)	
Customers)	
)	
Lifeline and Link Up Reform and)	WC Docket No. 11-42
Modernization)	
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link Up)	WC Docket No. 03-109
)	

COMMENTS OF

THE FREE STATE FOUNDATION*

These comments are submitted in response to the Commission's Public Notice soliciting comment on TracFone's petition to amend the Commission's Lifeline rules to prohibit in-person distribution of handsets to prospective Lifeline customers.¹ According to TracFone, the proposed amendment's purpose is to prevent waste, fraud and abuse in the Lifeline program. The petition is meritorious, and it should be granted.

I have been a consistent, long-time supporter of a healthy Lifeline program as a means of maintaining a "safety net" to help ensure that low-income persons have access to

* These comments express the views of Randolph J. May, President of the Free State Foundation. The views expressed do not necessarily represent the views of others associated with the Free State Foundation. The Free State Foundation is a nonpartisan, non-profit free market-oriented think tank.

¹ FCC Public Notice, DA 13-1109, released May 16, 2013.

communications services on an affordable basis.² This goal is certainly no less important today than in the past. As a consistent supporter of the Lifeline program, I have just as consistently urged that the Commission take appropriate actions to prevent waste, fraud, and abuse in the program. For example, in comments filed with the Commission in April 2011 with my colleague Seth Cooper, I applauded certain actions the FCC already had taken to address waste, fraud, and abuse concerns, and I supported further "efforts to adopt reforms to make Lifeline/Link Up operate efficiently and with accountability...."³ And, as I said in a blog less than two months ago, "a balanced look at Lifeline means recognizing that it is important to root out fraud and abuse in the program, while also recognizing the important role that the program plays in today's society when being 'connected' is more important than ever."⁴

TracFone's rulemaking petition is commendable as part of the ongoing effort to continue on the reform track. As TracFone points out in its petition, the Commission has announced that the reforms already adopted have led to more than \$213 million in savings during 2012, and that the anticipated savings for 2013 will reach \$400 million.

Nevertheless, as TracFone points out, despite the reforms already undertaken, there are still reports concerning fraud and abuse from Lifeline program critics. Some news reports have shown carrier representatives distributing handsets to individuals in public places. While not all handsets distributed in person may be intended by the carrier to avoid – and may not avoid – the

² For example, see Comments of the Free State Foundation - In re: Lifeline and Link Up Reform and Modernization (August 26, 2011): http://www.freestatefoundation.org/images/Lifeline-Link_Up_Comments_082611.pdf; "Maintaining a Lifeline Safety Net" by Randolph J. May (May 02, 2012): "A Balanced Look at Lifeline and Its Reform – Part II," April 24, 2013, <http://freestatefoundation.blogspot.com/2012/05/maintaining-lifeline-safety-net.html>; http://freestatefoundation.blogspot.com/2013/04/a-balanced-look-at-lifeline-and-its_24.html

³ Lifeline and Linkup Ref Comments of the Free State Foundation - In re: Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42, April 26, 2011.

⁴ "A Balanced Look at Lifeline and Its Reform – Part II," April 24, 2013, http://freestatefoundation.blogspot.com/2013/04/a-balanced-look-at-lifeline-and-its_24.html

verification and documentation requirements designed to prevent fraudulent receipt of Lifeline subsidies, TracFone appears to be correct that "in-person distribution of handsets remains a practice that invites fraud and is difficult to police."⁵ This is because allowing carriers to distribute handsets in person in real time to prospective Lifeline customers makes it more difficult for the carrier to perform the requisite verification to certify eligibility for Lifeline support in accordance with FCC requirements. Therefore, I support TracFone's request that the Commission should amend its rules to prohibit in-person distribution of handsets to prospective Lifeline customers because, as TracFone puts it, this would be "another important means to prevent waste, fraud, and abuse of USF resources."⁶

Taking ongoing steps to prevent waste and fraud in the Lifeline program is necessary in order to maintain public support for the Lifeline program, which I view as an important "safety net" for those low-income persons truly in need of subsidy support. This is important in and of itself. But, in my opinion, it is also important from the perspective of what should be ongoing efforts to continue reforming the overall USF fund regime. As I have argued repeatedly, the existence of a sound Lifeline program ought to diminish the need for continuing USF support for service providers, especially through the still-bloated high-cost fund. As I stated (along with my colleague Seth Cooper) in comments filed in August 2011, "the end game for the Commission's comprehensive USF reforms should be the eventual elimination, say, in ten years, of all high-cost fund subsidies."⁷ Then, aside from the programs providing support to institutions such as "schools and libraries," the Lifeline program, in which subsidies are targeted and explicit, would

⁵ TracFone Petition, at 4.

⁶ *Id.*, at 5.

⁷ Comments of the Free State Foundation - In re: Lifeline and Link Up Reform and Modernization, WC Docket No. 11 - 42, August 26, 2011, at 2.

be the exclusive, or at least the near-exclusive, mechanism for distributing USF support.⁸

For the foregoing reasons, I support TracFone's petition to amend the Commission's rules.

Respectfully submitted,

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⁸ Id.