

SLCAP Exhibit No. _____

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Virgin Mobile USA, L.P.)	Docket No. 10-2521-01
Petition for Limited Designation as an)	Testimony of
Eligible Telecommunications Carrier)	Salt Lake Community
)	Action Program

TESTIMONY OF

SONYA L. MARTINEZ

ON BEHALF OF

SALT LAKE COMMUNITY ACTION PROGRAM

November 23, 2010

INTRODUCTION

Q. Please state your name and business address.

A. My name is Sonya L. Martinez. My business address is 764 South 200 West, Salt Lake City, Utah.

Q. By whom are you employed and in what capacity?

A. I am employed by Salt Lake Community Action Program as an Advocate for people with low incomes. Salt Lake Community Action Program (SLCAP) is a community based nonprofit organization that assists low income households in becoming self sufficient through the provision of direct services and advocacy. I hold a Masters Degree in Social Work and am licensed in the State of Utah as a Certified Social Worker and Mental Health Officer. I work primarily as an advocate on low income housing issues and more recently on telecommunications issues. I have testified before the Utah State Legislature and various City Councils regarding housing policies. I have testified before the Public Service Commission in TracFone Docket No. 09-2511-01 and Qwest CenturyLink Docket No.10-049-16. I have worked directly with the low income population as a social worker in various settings, including the Division of Child and Family Services, Salt Lake City School District, University of Utah Counseling Center, and University of Utah Hospital.

PURPOSE AND RECOMMENDATIONS

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to respond to the Application of Virgin Mobile USA, L.P. (Virgin Mobile or Company) to the Utah Public Service Commission (PSC or Commission) for Limited Designation as an Eligible Telecommunications Carrier (ETC). Salt Lake Community Action Program recognizes the Assurance Wireless Brought To You By Virgin Mobile (Assurance) offering proposed, may provide a valuable service for some low income Utahans. Additionally, SLCAP recognizes the importance of competition in the Lifeline pre-paid wireless market to ensure low income customers have access to a range of telecommunications choices. However, SLCAP finds that the proposal raises some concerns and believes the Commission should address the issues prior to granting Virgin Mobile's requested ETC designation.

Q: Can you outline those concerns?

A: Yes. SLCAP believes it is important to maintain the integrity of the telephone Lifeline program, which provides an essential service to low income households in Utah and throughout the country. The Lifeline prepaid wireless market is new territory and we are faced with the task of comparing services that are fundamentally different from traditional landline Lifeline services. Virgin Mobile is requesting the ability to become certified to offer a product that is substantially different from the landline Lifeline services that have been traditionally offered in Utah. SLCAP, understands that Virgin Mobile is interested in pursuing its application in a timely manner. However, as previously testified to in the TracFone Docket No. 09-2511-01, we would prefer the

Commission first make a determination of what it considers to be an appropriate wireless Lifeline product prior to making any ETC Lifeline designations.

Fundamentally, the issues we are most concerned with are as follows: 1) The limited offering; 2) communications from the Company and the application process; 3) the certification and verification process to determine eligibility; and 4) contribution by Virgin Mobile to the verification and eligibility process in Utah.

Q: What is your recommendation to the Commission?

A: If the Commission approves the Virgin Mobile Application, we recommend it do so with the following conditions: 1) Enter in to the official record Assurance's "Updates to the Lifeline Offering" indicated in their Responses to the Second set of Data Requests by the Office of Consumer Services; 2) Require the Company to clearly state in its communications, regardless of the format, the nature of the offering and the cost of additional minutes and features; 3) require the Company create a one page Utah specific fact sheet with input from SLCAP and the Office of Consumer Services; and 4) require the Company to utilize Utah's eligibility and certification process while continuing to pay an appropriate amount for that service.

Q: What is the significance of telephone Lifeline services to low income households?

A: The federal government has recognized the value of telephone Lifeline service and since at least 1985 has provided programs to ensure accessible and affordable telephone services are available to low income households. According to Universal Service

Administrative Company (USAC), "The Telecommunications Act of 1996 reiterated the importance by including the principle that consumers in all regions of the nation, including low income consumers . . . should have access to telecommunications and information services."¹

The purpose of Lifeline was to provide enhanced value to all customers by providing access to as many people as possible, specifically to the low income population and households residing in rural and other high cost areas. Telephone service was recognized as an essential tool for maintaining health and safety as well as contributing to commerce and for this reason was subsidized by all telephone users as a valuable service to the community. The State of Utah also recognized the importance of providing affordable service by adding a state contribution to the federal discount. This \$3.50 per month state component was initially a separate line item surcharge but was incorporated as part of the Utah Universal Service Fund in legislation in 1997.

Q: In your experience, how do low income households utilize Lifeline telephone services?

A: Telephone service truly provides a Lifeline for many people. In addition to providing a way to communicate in an emergency situation, many people who are elderly, disabled, and/or somewhat confined to their homes often utilize their telephone service as a way to stay in contact with family and friends. Sometimes this is their primary contact with the outside world. Families may call on a daily basis to check on an elderly family member. Individuals utilize their telephone to schedule doctor appointments and job interviews.

¹ <http://www.usac.org/li/about/default.aspx>

Working families with children may utilize their phones to stay in contact while parents are working.

In this day and age, telephone service has extended beyond the realm of simple two way communication between people. Much business is done over the phone and many who access public services must do so via the telephone or Internet. For example, an individual applying for food stamps, Medicaid, Medicare, cash assistance, or unemployment must complete a written application and a telephone interview with the Department of Workforce Services.

Due to the current economic situation our country is facing, SLCAP is serving many individuals and families who are finding themselves without employment and little or no means to survive. Public services are an important means of survival and take a great deal of time to navigate and maintain. Much of that time is spent on the telephone. Based on correspondence with the Assistant Director of the Department of Workforce Services, as of February 2010, the average call wait time was approximately nine minutes. The average total wait and talk time was approximately sixteen minutes and a new application telephone interview can last approximately twenty to forty minutes. As of March 2010, an individual accessing unemployment can expect an average call wait time of eleven minutes and average talk time for a new application can last ten to twelve minutes. Additionally, recipients of unemployment must call in to an automated hotline every

week on Sunday night or early Monday morning and complete a telephone questionnaire.²

Q: Are there other ways households utilize their telephone lines?

A: Yes. Telephone service has changed in recent years to allow access to the Internet. The Internet is an important communication tool which has changed the way people communicate, shop, and conduct business. Individuals with traditional landline telephone service can access dial- up or broadband Internet access through their telephone line. Dial- up Internet is the most affordable and accessible form of Internet access for low income households and requires an active landline dial tone.

Q: What is a typical telephone Lifeline offering?

A: A typical telephone Lifeline offering is a discount on regular telephone service. In Utah, this has been primarily provided through regular landline service offered by traditional incumbent carriers such as Qwest and local rural providers. A regular telephone offering consists of basic service and unlimited incoming and outgoing local telephone calls. A basic landline also provides access to the Internet. Additional services such as long distance, caller ID, call waiting, and voice messaging are extra services. While they can be important tools and an added convenience, these extra services were not available at the outset of Lifeline and were not considered to be essential tools to maintaining health and safety.

² Note, these are average times provided by the Department of Workforce Services, but clients served at SLCAP often report call wait times as high as 60 minutes or longer.

Q: What are the costs of typical Lifeline telephone service?

A: The cost of Lifeline service varies throughout the state depending on whether one lives in an area that requires Extended Area Service (EAS) and depending on the local taxes. According to USAC, Qwest is the largest provider of telephone Lifeline service in Utah. In communication with Jim Farr, Staff Advocate for the Qwest legal department in Utah, he described the basic telephone Lifeline discount as \$13.36 per month consisting of a \$6.36 credit against the federal access charge and an additional \$7.00 credit (\$3.50 from the state USF and a \$3.50 federal USF credit) against the \$12.00 monthly basic fee for a residence line. Thus, the bill would be as follows:

In an area without EAS, charges could be less than \$6.50;

In an urban area where EAS is required, charges could be about \$9.00; and In a rural area where EAS is required, charges could be about \$7.50.

The addition of taxes, depending on the area the customer lives in, and fees could bring a basic bill into the \$10.00 per month range for unlimited local service.

Q: Are there concerns with the possibility of diminished quality of Lifeline services provided to low income households through the Assurance offering?

A: Yes. The Federal Communications Commission's (FCC) ETC Requirements Order 96-45 requires a carrier, before ETC designation, "demonstrate that it offers a local usage plan comparable to the one offered by the incumbent LEC." Assurance's offering of 250 minutes of service would average out to approximately eight to nine minutes per day each month. Based on our experience at SLCAP, most people do not utilize their telephones at this minimal rate. In fact, as illustrated in the timeframes above, an individual could exhaust their monthly Assurance minutes in just a few calls to the Department of

Workforce Services. Assurance's offering would provide low income households with a limited number of minutes in comparison to unlimited outgoing and incoming local calls on a traditional landline offering.

Q: Is there an advantage to receiving free telephone service?

A: Yes, but it's only free for the first 250 minutes. Further usage, except emergency service through a 911 call, requires purchase of additional minutes to continue to utilize the phone.

Q: What is the problem with purchasing additional minutes?

A: The goal of Lifeline is to ensure accessibility and affordability of quality telephone service. SLCAP recognizes the cost associated with purchasing additional Assurance minutes is competitive compared to other prepaid wireless providers, but it is not comparable to traditional unlimited Lifeline services.

Q: Do you have additional concerns about the proposed Assurance Lifeline Offering?

A: Yes. According to the Company's responses to Second set of Data Request by the Office of Consumer Service, there are "Updates to the Lifeline Offering." Those updates include increase to 250 free minutes, \$0.10 per text message, and additional bulk minute packages. The bulk packages can be purchased by customers adding money to their accounts at the rate of \$5.00 for 250 additional voice minutes or \$20.00 for 750 additional voice minutes. The later plan will also include 1,000 text messages. SLCAP appreciates the enhanced offering, but is unclear whether such offer has officially been made part of the record. We request that such improvements be officially included on the

record. Additionally, SLCAP is concerned that the bulk packages may only be purchased via paypal, credit, or debit card. Low income customers who do not have access to internet or debit and credit cards would not have access to these more affordable plans.

Q: Do you have concerns about the methods of communication that Virgin Mobile plans to use to provide information to its potential customers?

A: Yes. We are concerned the limited offer may not be appropriate for all populations, yet the advertisements do not appear to provide buyer beware information. The customers should receive detailed fact based information describing what exactly is being offered, the cost associated with additional minutes, texts, and features. At minimum, Virgin Mobile should be required to provide its Utah Assurance customers with a one page fact sheet similar to that agreed to by TracFone in Docket No. 09-2511-01.

Q: Do you have concerns with the application process provided by Virgin Mobile to its Assurance customers?

A: Yes. According to Testimony of Elaine Divelbliss, a mail in application “is not readily accessible to customers.”³ It is important low income customers, with limited access to internet and telephone services have a readily available mail in application feature available to them.

Q: Is this offering suitable for all populations?

A: No. It might be an excellent option for a limited population base. Mobility may be an added benefit to some low income individuals, but it may also be a detriment to others. If

³ Direct Testimony of Elaine Divelbliss (p.10)

Assurance is the sole telephone in the household, only the individual carrying the mobile phone will be able to utilize the service. Other members of the household, such as children or elderly, may not have access to necessary Lifeline services including emergency services.

Q: Is there a system in Utah, to verify eligibility of Lifeline services?

A: Yes. The Public Service Commission contracts with the State of Utah Department of Community Culture (DCC) to administer a certification system for eligibility of Lifeline services in Utah.

Q: Should this system be utilized by Virgin Mobile to qualify customers for its Assurance service?

A: Yes. This issue was also raised in the TracFone Docket and will be considered in a separate Docket No. 10-2528-01. This issue should extend to all ETC providers. Virgin Mobile, if approved, should be required to utilize the verification and eligibility system in place in Utah. Further, Virgin Mobile should be required to contribute to the associated costs of such service.

Summary and Conclusions

Q: Can you summarize your conclusions?

A: Virgin Mobile proposes to offer a prepaid wireless Lifeline service to low income customers. Lifeline is a critical resource to provide low income households with access

to affordable quality telephone service. It would be advantageous to expand access to affordable, quality wireless service as an alternative to landline service. However, the entrance of prepaid wireless providers to Lifeline poses unique questions that have not been adequately addressed at the Federal Communications Commission and have yet to be resolved at the Utah Public Service Commission.

In order to preserve the integrity of the Universal Service Fund and the Lifeline program, wireless services offered using public funds should be of the best value for both the low-income customers and all other customers who pay in to those funds. To maintain that integrity, the Commission should make a determination of what it considers to be an appropriate Lifeline service. The Commission should impose conditions on ETCs that offer Lifeline to ensure service is affordable and in the public interest. We request that if the Commission approves this application, that it impose conditions that would enhance the offering, clarify its limitations, and ensure that those enrolling in the program are properly eligible while ensuring the Company continues to pay its fair share for that process.

Q: Does this conclude your testimony?

A: Yes, it does.