

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

In the Matter of Virgin Mobile USA, L.P. Petition for Limited Designation as an Eligible Telecommunications Carrier	Docket No. UM 1522
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**DIRECT TESTIMONY**  
**OF**  
**ELAINE DIVELBLISS**  
**VIRGIN MOBILE USA, L.P.**

April 8, 2011

**DIRECT TESTIMONY OF ELAINE DIVELBLISS**

1  
2 Q1: WHAT IS YOUR NAME AND OCCUPATION?

3 A: My name is Elaine Divelbliss. I am a Senior Counsel for Sprint Nextel Corporation  
4 (“Sprint”).

5 Q2: WHAT IS YOUR BACKGROUND?

6 A: I joined Virgin Mobile USA, L.P. (“Virgin Mobile” or the “Company”) in September  
7 2008 as Associate Counsel with responsibility for litigation and selected regulatory  
8 matters. Subsequent to the acquisition of Virgin Mobile by Sprint, my title is Senior  
9 Counsel. Prior to joining Virgin Mobile, I practiced in the litigation department of  
10 Simpson Thacher & Barlett LLP in New York City for ten years.

11 Q3: HAVE YOU REVIEWED THE APPLICATION AND OTHER DOCUMENTS FILED  
12 BY VIRGIN MOBILE IN THIS PROCEEDING?

13 A: Yes.

14 Q4: WHAT IS VIRGIN MOBILE?

15 A: Virgin Mobile is a wholly owned subsidiary of Sprint that provides nationwide prepaid  
16 wireless services. The Company was originally established as a joint venture between  
17 Sprint and Sir Richard Branson’s Virgin Group to offer prepaid wireless services in the  
18 United States through the resale of the nationwide Sprint network. Virgin Mobile  
19 became a wholly owned subsidiary of Sprint on November 24, 2009 upon completion of

1 the companies' previously announced transaction. As a result of the transaction, Virgin  
2 Mobile operates as a facilities-based carrier in the State of Oregon, with the same access  
3 to the Sprint Nationwide Network as other Sprint subsidiaries operating in the state.

4 Q5: WHAT TYPES OF SERVICES DOES THE COMPANY PROVIDE?

5 A: The Company provides prepaid wireless services. Virgin Mobile's value proposition  
6 enables customers to select among an array of flexible service plans that allow them to  
7 pay for minutes as they use them or purchase monthly buckets of minutes in advance.  
8 The Company also offers text and multimedia messaging and an array of mobile  
9 entertainment and information services, including music, games and graphics.

10 Q6: HOW ARE VIRGIN MOBILE'S WIRELESS SERVICES DIFFERENT FROM OTHER  
11 CARRIERS' OFFERINGS?

12 A: Unlike many carriers, Virgin Mobile does not impose credit checks or long-term service  
13 contracts as a prerequisite to obtaining service. Many Virgin Mobile customers are from  
14 lower-income backgrounds and did not previously enjoy access to an attractive,  
15 comprehensive and high-quality wireless service because of financial constraints or poor  
16 credit history. Virgin Mobile estimates that approximately one-third of its present  
17 customers are new to wireless services and 35 percent have an annual household income  
18 below \$35,000. Many of these customers also use Virgin Mobile's services sparingly,  
19 with a substantial percentage spending less than \$10 per month.

20 Q7: DOES VIRGIN MOBILE CURRENTLY PROVIDE SERVICE IN OREGON?

1 A: Yes. Virgin Mobile offers facilities-based wireless services in Oregon.

2 Q8: HOW LONG HAS VIRGIN MOBILE PROVIDED WIRELESS SERVICES IN  
3 OREGON?

4 A: Virgin Mobile commenced wireless service in Oregon in June 2002.

5 Q9: DOES VIRGIN MOBILE CONTRIBUTE TO THE OREGON ENHANCED 911 FUND

6 A: Yes.

7 Q10: DOES VIRGIN MOBILE PROVIDE HIGH-QUALITY WIRELESS SERVICES?

8 A: Yes. Virgin Mobile has emphasized customer service as an essential pillar for its  
9 marketplace success since service launch. The Company's success is testament to the  
10 principle that wireless carriers can provide lower-income customers with the same  
11 features, functionalities and services demanded by higher-income consumers. Nearly 75  
12 percent of Virgin Mobile's customers indicate that they would recommend the service to  
13 a friend. In prior years, the Company has also received numerous awards for its high-  
14 quality customer service, including the prestigious J.D. Power award for providing "An  
15 Outstanding Customer Service Experience" under its Certified Call Center Program.

16 Q11: WHAT IS THE NATURE OF VIRGIN MOBILE'S ETC DESIGNATION REQUEST?

17 A: Virgin Mobile requests ETC designation in Oregon for the limited purpose of  
18 participating in the federal Universal Service Fund's ("USF") Lifeline program.

1 Q12: WHAT IS THE AREA IN WHICH VIRGIN MOBILE REQUESTS DESIGNATION AS  
2 AN ETC?

3 A: Virgin Mobile seeks ETC designation in all the wire centers in Oregon where it currently  
4 has network coverage. These wire centers were included as Exhibit 3 with the  
5 Company's application.

6 Q13: IS VIRGIN MOBILE SEEKING ETC AUTHORITY TO ACCESS HIGH-COST  
7 FUNDING?

8 A: No. Virgin Mobile's request does not seek authority to provide services supported by the  
9 USF's high-cost program.

10 Q14: IS VIRGIN MOBILE SEEKING TO ACCESS OREGON USF FUNDS?

11 A: No.

12 HOW WILL VIRGIN MOBILE'S LIFELINE SERVICES BENEFIT OREGON  
13 CUSTOMERS?

14 A: Virgin Mobile's Lifeline service will provide affordable and convenient wireless services  
15 to qualifying Oregon customers, many of whom are otherwise unable to afford wireless  
16 services. Many lower-income customers in Oregon have yet to reap the full benefits of  
17 the intensely competitive wireless market. Whether because of financial constraints, poor  
18 credit history or intermittent employment, these consumers often lack the choices  
19 available to most consumers. Virgin Mobile's Lifeline services will expand the

1 availability of affordable telecommunications services to qualifying customers, leading to  
2 lower prices and increased choice in Oregon.

3 Q15: WHAT ARE THE RATES AND TERMS OF VIRGIN MOBILE'S LIFELINE  
4 SERVICE OFFERING?

5 A: Virgin Mobile has branded its prepaid Lifeline service "Assurance Wireless Brought To  
6 You By Virgin Mobile." Under the current plan, eligible customers will receive 250  
7 anytime voice minutes per month at no charge with additional service priced at  
8 \$0.10/minute and \$0.10/text message. In addition to free voice services, prepaid Lifeline  
9 customers will also have access to a variety of other standard features at no additional  
10 charge, including voice mail, caller I.D. and call waiting services.

11 DOES VIRGIN MOBILE HAVE ANY OTHER LIFELINE SERVICE OFFERS?

12 Yes. Lifeline customers can add \$5 to their account to purchase an additional 250 monthly  
13 minutes, providing them with a total of 500 voice minutes in a month (250 free minutes  
14 plus 250 additional minutes). Lifeline customers can also add \$20 to their account to  
15 purchase an additional 750 voice minutes, providing them with a total of 1,000 voice  
16 minutes (250 free minutes plus 750 additional minutes). Customers choosing this second  
17 option will also receive 1,000 monthly text messages. There is no obligation that  
18 customers purchase these additional offerings or add money to their accounts, and all  
19 eligible customers will continue to receive 250 free monthly minutes. All Lifeline

1 customers will also continue to have access to a variety of other standard features at no  
2 additional charge, including a voice mail account, caller I.D. and call waiting services.

3 Q16: DO LIFELINE CUSTOMERS HAVE TO PAY FOR THEIR HANDSETS?

4 A: No. New customers may elect to receive an Assurance Wireless-branded handset free of  
5 charge. Current Virgin Mobile customers will be able to use their existing handsets to  
6 receive prepaid Lifeline services, or may elect to receive a free Assurance Wireless  
7 handset. The handset provided free of charge to Lifeline customers is sold separately by  
8 the Company to its non-Lifeline customers for \$9.99 and marketed as the Kyocera Jax.

9 Q17: WILL LIFELINE CUSTOMERS PAY TAXES AND FEES?

10 A: Virgin Mobile's Lifeline service plan includes all applicable taxes and fees. The  
11 Company also does not assess charges for activation or connection of the service. As a  
12 result, Lifeline customers will receive free service so long as they do not exceed 250  
13 minutes of voice service per month with no additional charges for taxes or activation. By  
14 providing a wireless handset free of charge, moreover, Virgin Mobile can ensure that  
15 Lifeline-eligible customers in Oregon will not incur any upfront costs for access to the  
16 Company's Lifeline services.

17 Q18: HOW AND WHEN WILL THE 250 FREE MONTHLY MINUTES BE DELIVERED  
18 TO CUSTOMER HANDSETS?

19 A: Customers can activate Lifeline service at any time during a given month, at which time  
20 the 250 free minutes will be automatically credited to the customer's Lifeline account.

1 Customers will receive subsequent 250-minute allotments at the beginning of each 30-  
2 day cycle.

3 Q19: HOW WILL CUSTOMERS SIGN UP FOR SERVICE?

4 A: Currently, applicants for Lifeline service request or complete an enrollment form by  
5 contacting a toll-free telephone number established by the Company. Applicants must  
6 provide all of the information on the enrollment form, including their name, residential  
7 address and relevant eligibility criteria. A copy of the sample enrollment form is attached  
8 to my testimony as Exhibit 1. The Company mails the form to each applicant for  
9 signature. Once a signed application and supporting documentation, if required, are  
10 received and approved, the handset is shipped to the customer within days after the  
11 review is complete. The customer must program the handset by following the  
12 instructions on the screen and entering their account PIN. After the handset is  
13 programmed by the customer, 250 minutes are immediately applied to the customer's  
14 account. At the end of each of the customer's 30-day service cycles, additional 250  
15 minute allotments are deposited into the customer's account. In the near future, Virgin  
16 Mobile expects to supplement the enrollment process described above with two  
17 additional methods. Under the first method, consumers will access the enrollment form  
18 through a secure website and complete the form online, which will include an electronic  
19 signature to verify that all statements and information are accurate under penalty of  
20 perjury. Under the second method for enrollment, applicants for Lifeline service will  
21 complete an enrollment form by contacting a toll-free telephone number established by



1 the Company. Applicants will be required to provide all of the information currently  
2 required by the existing enrollment procedure, including their name, residential address  
3 and relevant eligibility criteria, and will be required to make a declaration under penalty  
4 of perjury that will be recorded regarding the accuracy of statements and information.  
5 Prospective customers will be informed that they can speak to a live operator if they have  
6 questions regarding the enrollment process, their certification or any aspect of Lifeline  
7 services.

8 Q20: CAN CUSTOMERS PRINT OUT AND MAIL IN A LIFELINE APPLICATION  
9 WITHOUT CONTACTING THE TOLL-FREE NUMBER?

10 A: Yes, customers may print out an application from the Assurance Wireless website,  
11 complete it and mail it in.

12 Q21: HAS VIRGIN MOBILE CONTRACTED WITH ANY COMPANY TO ASSIST IT  
13 WITH ITS LIFELINE SERVICES?

14 A: Yes. Virgin Mobile has contracted Solix Inc. to perform certain administrative functions  
15 primarily related to application collection and review.

16 Q22: HOW DOES VIRGIN MOBILE PAY SOLIX FOR ITS SERVICES?

17 A: The terms of Virgin Mobile's contract with Solix are confidential, but I can confirm that  
18 Solix's fees are not based on the number of Lifeline applications approved for  
19 service.

1 Q23: HAS VIRGIN MOBILE BEEN DESIGNATED AS AN ETC IN OTHER STATES?

2 A: Yes. Virgin Mobile has received ETC designation for the limited purpose of offering  
3 Lifeline services in the following states states: Michigan, Louisiana, West Virginia,  
4 Texas, Michigan, Maryland, Florida, New Jersey, Indiana, Mississippi, Washington,  
5 Pennsylvania, South Carolina, Iowa, Arkansas and Georgia. . The FCC designated the  
6 Company in Alabama, Connecticut, Delaware, District of Columbia, New Hampshire,  
7 New York, North Carolina, Tennessee, Virginia. Virgin Mobile has not had an  
8 application for ETC designation denied in any jurisdiction.

9 Q24: DID THE FCC IMPOSE ANY CONDITIONS ON ITS GRANT OF ETC  
10 DESIGNATION TO VIRGIN MOBILE?

11 A: Based on Virgin Mobile's pre-merger status as a reseller of Sprint network service, the  
12 FCC's March 5, 2009 grant of ETC designation to the Company for the states of New York,  
13 North Carolina, Tennessee and Virginia was approved in connection with the Company's request  
14 for forbearance from the facilities-based requirement contained in section 214(e)(1)(A) of the  
15 Communications Act of 1934, as amended ("Act"). Because Virgin Mobile was a reseller at the  
16 time of the FCC's grant, the FCC imposed a variety of conditions on its grant of forbearance and  
17 ETC designation, generally as follows:

18

1 (a) providing Lifeline customers with 911 and enhanced 911 (“E911”) access immediately  
2 upon commencement of service and regardless of activation status or the availability of  
3 prepaid minutes;

4

5 (b) offering E911-compliant handsets to new Lifeline customers upon activation of service  
6 and replacing any non-compliant handsets, at no additional charge, for existing customers  
7 who obtain Lifeline service;

8

9 (c) obtaining a certification from each Public Safety Answering Point (“PSAP”) whose  
10 territory overlaps with Virgin Mobile’s Lifeline service area, confirming that the Company  
11 provides its customers with 911 and E911 service or if, within 90 days of a request for  
12 certification, a PSAP has neither provided the certification nor affirmatively determined that  
13 Virgin Mobile does not provide its customers with access to 911 and E911, self-certifying  
14 that Virgin Mobile meets the 911 and E911 requirements;

15

16 (d) requiring customers to self-certify under penalty of perjury upon service activation and  
17 annually thereafter that they are the head of their household and receive Lifeline-supported  
18 service only from Virgin Mobile; and

1

2 (e) establishing applicable safeguards to prevent its customers from activating multiple  
3 Lifeline accounts, including tracking each Lifeline customer's primary residential address.

4

5 In its Order dated December 29, 2010, the FCC recognized Virgin Mobile as a facilities-  
6 based carrier in light of its November 2009 acquisition by Sprint Nextel Corporation, and  
7 reiterated two conditions consistent with its March 5, 2009 Order:

8

9 (1) providing its Lifeline customers with 911 and E911 access regardless of activation status  
10 and availability of prepaid minutes; and

11

12 (2) providing E911-compliant handsets to all of its Lifeline customers, and replacing, at no  
13 charge to the customer, any noncompliant handset of an existing customer that obtains  
14 Lifeline-supported services with an E911-compliant handset, consistent with prior  
15 determinations by the Commission (Dec. 29 Order at 6)

16

17 The PSAP certification requirement was explicitly omitted in light of Virgin Mobile's  
18 facilities-based status. In the December 29, 2010 Order ("Dec. 29 Order"), the FCC also

1 designated Virgin Mobile as an ETC for Alabama, Connecticut, Delaware, the District of  
2 Columbia and New Hampshire subject to the following conditions:

3  
4 (a) requiring each customer to self-certify at time of service activation and annually  
5 thereafter that he or she is the head of household and receives Lifeline-supported service only  
6 from that carrier;

7  
8 (b) establishing safeguards to prevent its customers from receiving multiple Lifeline  
9 subsidies from that carrier at the same address;

10  
11 (c) dealing directly with the customer to certify and verify the customer's Lifeline eligibility;  
12 and

13  
14 (d) certifying that it is in full compliance with any applicable 911/E911 obligations including  
15 obligations relating to the provision, and support, of 911 and E911 service for each state in  
16 which the FCC designates it as a limited ETC. (Dec. 29 Order at 8-9)

17

1 In connection with the December 29, 2010 designations for Alabama, Connecticut,  
2 Delaware, the District of Columbia and New Hampshire, Virgin Mobile voluntarily  
3 committed to the following conditions:

4  
5 (a) making available state-specific customer data, including name and address, to each state  
6 PUC where it operates for the purpose of permitting the PUC to determine whether an  
7 existing Assurance Wireless Lifeline customer receives Lifeline service from another carrier,

8  
9 (b) promptly investigating any notification that it receives from a state PUC that one of its  
10 customers already receives Lifeline service from another carrier,

11  
12 (c) immediately deactivating the customer's Lifeline service and no longer reporting that  
13 customer on USAC Form 497 if Virgin Mobile's investigation concludes that the customer  
14 receives Lifeline services from another carrier in violation of the Commission's regulations,  
15 and

16  
17 (d) implementing a non-usage policy in all states where it provides Lifeline service requiring  
18 Virgin Mobile to identify customers that have not used its Lifeline service for 60 days and

1 not seeking support for such customers if they do not actively use the Lifeline service during  
2 a 30-day grace period.

3 Q25: DOES VIRGIN MOBILE SATISFY THE REQUIREMENTS FOR ETC  
4 DESIGNATION IN OREGON?

5 A: Yes. Virgin Mobile satisfies all of the requirements for ETC designation in Oregon.  
6 Virgin Mobile's request for ETC designation complies with section 214(e)(1) of the Act  
7 because it is a common carrier that provides all of the services and functionalities  
8 supported by the universal service program as set forth in section 54.101 of the FCC's  
9 regulations using its own facilities throughout its service territory in the State of Oregon.  
10 In addition, the Company will make these services and functionalities available to any  
11 qualifying Oregon customer in the Company's designated service territory.

12 Q26: WHAT ARE THE SPECIFIC FUNCTIONALITIES THAT VIRGIN MOBILE WILL  
13 PROVIDE ONCE DESIGNATED AS AN ETC IN OREGON?

14 A: Upon designation as an ETC in Oregon, Virgin Mobile will provide all of the services  
15 and functionalities required by the FCC's rules and the regulations of the Commission,  
16 including voice grade access to the public switched telephone network, local usage  
17 capabilities, dual-tone multi-frequency signaling or its functional equivalent, single-party  
18 service or its functional equivalent, access to emergency services, access to operator  
19 services, access to interexchange services, access to directory assistance services and  
20 access to toll limitation services.

1 Q27: HOW WILL VIRGIN MOBILE PROVIDE THESE SERVICES?

2 A: The supported services will be provided in the following manner:

3 1. Voice Grade Access to the Public Switched Telephone Network

4 Virgin Mobile provides voice grade access to the public switched telephone network and  
5 offers its customers services at bandwidth rates between 300 and 3,000 MHz as required  
6 by the FCC's regulations.

7 2. Local Usage

8 Virgin Mobile's proposed Lifeline offering fully complies with the local usage  
9 requirements established by the FCC and the Commission. Not only will Virgin  
10 Mobile's offering be comparable to the underlying plans offered by the incumbent local  
11 exchange carriers ("ILECs") in Oregon, as required by the FCC's regulations, but it will  
12 also exceed them in several respects. Contrary to the ILECs' plans, Virgin Mobile will  
13 offer customers a certain amount of service free of charge. As discussed above, Virgin  
14 Mobile will provide its Lifeline customers with approximately 250 anytime minutes per  
15 month at no charge. Contrary to the ILEC plans, which contain relatively small local  
16 calling areas, Virgin Mobile customers can use these free minutes to place calls statewide  
17 (or even nationwide) because Virgin Mobile does not constrict customers' use by  
18 imposing a local calling area requirement. In addition to free voice services, Virgin  
19 Mobile will provide Lifeline customers with access to a variety of other features at no  
20 cost, including voice mail, caller I.D., call waiting services and enhanced 911 ("E911")



1 capabilities. Most important, Virgin Mobile’s Lifeline service will provide low-income  
2 Oregon residents with the convenience and security offered by wireless services without  
3 interruption—even if their financial position deteriorates.

4 3. DTMF Signaling or its Functional Equivalent

5 Virgin Mobile provides dual tone multi-frequency (“DTMF”) signaling to expedite the  
6 transmission of call set up and call detail information throughout its network. All  
7 wireless handsets offered for sale by the Company are DTMF-capable.

8 4. Single-Party Service or its Functional Equivalent

9 Virgin Mobile provides the functional equivalent of single-party service to its wireless  
10 customers for the duration of each telephone call, and does not provide multi-party (or  
11 “party-line”) services.

12 5. Access to Emergency Services  
13

14 Virgin Mobile provides nationwide access to 911 emergency services for all of its  
15 customers. Virgin Mobile also complies with the FCC’s regulations governing the  
16 deployment and availability of E911 compatible handsets.

17 6. Access to Operator Services

18 Virgin Mobile provides all of its customers with access to operator services.

19 7. Access to Interexchange Services

20 Virgin Mobile’s service provides its customers with the ability to make interexchange, or  
21 long distance, telephone calls. Domestic long distance capabilities are included in Virgin

1 Mobile's service with no additional charges because minutes for local and domestic long  
2 distance services are not billed separately at different rates.

3 8. Access to Directory Assistance

4 All Virgin Mobile customers are able to dial "411" to reach directory assistance services  
5 from their wireless handsets. Directory assistance services cost \$1.75 per call.

6 9. Toll Limitation

7  
8 Toll limitation allows customers to either block the completion of outgoing long distance  
9 calls or specify a certain amount of toll usage to prevent them from incurring significant  
10 long distance charges and risking disconnection. As described above, Virgin Mobile  
11 provides its wireless service on a prepaid, or pay-as-you-go, basis. Virgin Mobile's  
12 service, moreover, is not offered on a distance-sensitive basis and minutes are not  
13 charged separately for local or domestic long distance services. Customers also must  
14 specifically authorize access for international services, for which additional charges may  
15 apply. The FCC determined in its previous grant of ETC designation that the nature of  
16 Virgin Mobile's service mitigates concerns that low-income customers will incur  
17 significant charges for long distance calls, risking disconnection of their service.

18 Q28: WILL VIRGIN MOBILE PROVIDE THE SUPPORTED SERVICES THROUGH ITS  
19 OWN FACILITIES?

20 A: Virgin Mobile will provide the supported services through its own facilities, and will not  
21 resell the services of other carriers. As described above, Virgin Mobile was acquired by

1 Sprint in November 2009 and is now a wholly owned subsidiary of Sprint. As such,  
2 Virgin Mobile has beneficial use of Sprint's wireless facilities and is appropriately  
3 classified as a facilities-based carrier for purposes of section 214(e)(1) of the Act.

4 Q29: IS VIRGIN MOBILE COMMITTED TO PROVIDING SERVICE TO ALL  
5 CUSTOMERS MAKING A REASONABLE REQUEST FOR SERVICE IN THE  
6 PROPOSED DESIGNATION AREA?

7 A: Yes. Virgin Mobile is committed to providing service to all customers in the proposed  
8 designation area upon receipt of a reasonable request for service.

9 Q30: IS VIRGIN MOBILE COMMITTED TO COMPLYING WITH THE CELLULAR  
10 TELECOMMUNICATIONS AND INTERNET INDUSTRY ASSOCIATION  
11 CONSUMER CODE FOR WIRELESS SERVICE?

12 A: Yes.

13 Q31: HOW QUICKLY CAN VIRGIN MOBILE COMMENCE LIFELINE SERVICE?

14 A: Because Virgin Mobile already provides facilities-based wireless services in Oregon, the  
15 Company intends to launch Lifeline services as soon as possible after the Commission  
16 approves its pending petition. In Virgin Mobile's experience, the Company usually  
17 commences Lifeline services in a state within 1-2 weeks of designation as an ETC in the  
18 state.

1 Q32: CAN YOU EXPLAIN HOW VIRGIN MOBILE REMAINS FUNCTIONAL IN  
2 EMERGENCY SITUATIONS?

3 A: As a wholly owned subsidiary of Sprint, Virgin Mobile is able to remain functional in  
4 emergency situations in accordance with the requirements of the FCC and the  
5 Commission. Sprint has established a variety of internal programs, policies and teams  
6 dedicated to analyzing, assessing and responding to emergency situations. Sprint's  
7 network is monitored 24 hours a day, 7 days a week, 365 days a year by its network  
8 monitoring centers. Local switching offices staffed by trained technicians and  
9 management coordinate with these larger operation centers, to ensure that Sprint's  
10 networks are properly maintained and network performance is at expected levels. In  
11 addition, the company has reasonable amounts of back-up power to ensure functionality  
12 without an external power source, and has implemented reasonable practices to reroute  
13 traffic around damaged facilities and manage traffic spikes resulting from emergency  
14 situations. These practices significantly reduce the chance that emergencies, fiber cuts or  
15 equipment failure will result in a loss of service.

16 Q33: HOW WILL VIRGIN MOBILE ADVERTISE THE AVAILABILITY OF ITS  
17 LIFELINE SERVICES?

18 A: Virgin Mobile will advertise its Lifeline services using a variety of media in conformance  
19 with the regulations of the Commission and the FCC. In the states where it currently  
20 provides Lifeline services, Virgin Mobile advertises the services through television,

1 brochures, in-person events, posters, direct mail, newspapers and the Internet. Virgin  
2 Mobile also markets Lifeline services through social service agencies and partnerships  
3 with not-for-profit organizations. These marketing efforts have been highly successful  
4 in reaching eligible low-income customers and promoting the availability of Lifeline  
5 services. Examples of Virgin Mobile's Lifeline advertising materials are attached as  
6 Exhibit 2 to my testimony.

7 Q34: DOES VIRGIN MOBILE HAVE AN INACTIVITY POLICY THAT IT INTENDS TO  
8 IMPLEMENT IN OREGON?

9 A: Virgin Mobile will implement a 60-day non-usage policy for Oregon customers as  
10 follows: Virgin Mobile will monitor the service activity of its Oregon Lifeline  
11 customers. If no usage appears on an account during any continuous 60-day period,  
12 Virgin Mobile will promptly notify the customer that the customer is no longer eligible  
13 for Virgin Mobile Lifeline service subject to a 30-day grace period. During the 30-day  
14 grace period, the customer's account will remain active, and the customer will continue  
15 to receive his or her allocation of free minutes. During this period, Virgin Mobile will  
16 engage in outreach efforts to determine if the customer desires to remain on Virgin  
17 Mobile's Lifeline service. In order for the account to remain active after the 30-day grace  
18 period, the account must show at least one instance of customer-specific activity,  
19 including making or receiving a voice call, receiving or sending a text message,  
20 downloading data, or adding money to the account. If usage appears on the account  
21 during the grace period, the customer's service will continue as usual. At the end of the

1 30-day grace period, if the account does not show customer-specific activity, the  
2 customer will be deactivated from Lifeline services and no longer receive a monthly  
3 allocation of free minutes.

4 Q35: AT WHAT POINT DOES VIRGIN MOBILE DISCONTINUE SEEKING THE USF  
5 SUBSIDY FOR DEACTIVATED CUSTOMERS?

6 A: Virgin Mobile will discontinue Lifeline benefits for customers who are deactivated  
7 pursuant to the procedures described above, and the Company will not seek to recover the  
8 USF subsidy for the free minute allotment provided at the beginning of the grace period.  
9 Customers who use the service during the 30-day grace period, or otherwise notify Virgin  
10 Mobile during this period that they continue to use the service, will receive interrupted  
11 Lifeline benefits, and Virgin Mobile will continue to report such customers on its USAC  
12 Form 497.

13 Q36: ARE DEACTIVATED CUSTOMERS ABLE TO USE THEIR ASSURANCE WIRELESS  
14 HANDSET AFTER DEACTIVATION?

15 A: For an additional 120 days after the end of the grace period, deactivated customers may  
16 continue to use their handset and service at standard a la carte rates available to Virgin  
17 Mobile Lifeline customers (\$0.10/minute for voice calling and \$0.10/text message), after  
18 which time the account will be terminated. If in the future, the customer desires to re-  
19 enroll in the Virgin Mobile Lifeline program, the customer must reapply as a new  
20 customer.

1 Q37: WHAT IMPACT WILL VIRGIN MOBILE HAVE ON THE UNIVERSAL SERVICE  
2 FUND IF GRANTED ETC STATUS FOR LIFELINE PURPOSES?

3 A: Virgin Mobile's designation as an ETC solely for Lifeline purposes would not unduly  
4 burden the federal USF or otherwise reduce the amount of funding available to other  
5 carriers. The secondary role of Lifeline support with respect to overall USF expenditures  
6 is well documented. The FCC, itself, concluded that designation of Virgin Mobile as an  
7 ETC would result only in a "minimal" increase in USF funding. The nature by which  
8 Lifeline support is provided also obviates any concerns regarding the impact on the  
9 federal USF. Lifeline support is provided on a customer-specific basis, and only after a  
10 carrier has acquired and begun to serve an eligible customer does the carrier receive  
11 Lifeline support for that customer. By tying support to actual service of a customer,  
12 moreover, the Lifeline program ensures that USF support only funds the carrier that  
13 actually "wins" the customer's service.

14 Q38: WILL VIRGIN MOBILE COMPLY WITH THE LIFELINE CERTIFICATION AND  
15 VERIFICATION REQUIREMENTS?

16 A: Yes. Virgin Mobile will abide by the applicable regulations of the FCC and the  
17 Commission regarding certification and verification of customer eligibility.

18 Q39: ARE LOWER-INCOME CUSTOMERS IN NEED OF DISCOUNTED WIRELESS  
19 SERVICES?

1 A: Yes. Internal Virgin Mobile analysis confirms that many low-income customers still  
2 discontinue service because of economic constraints, especially during this period of  
3 severe economic dislocation. ETC designation in Oregon would enable Virgin Mobile to  
4 offer appealing and affordable service offerings to these customers to ensure that they are  
5 able to afford wireless services on a consistent and uninterrupted basis.

6 Q40: WHAT PUBLIC INTEREST BENEFITS DO LOWER-INCOME CUSTOMERS  
7 RECEIVE FROM WIRELESS SERVICES?

8 A: Access to wireless services provides lower-income customers with a variety of benefits,  
9 including enhanced upward economic mobility and increased personal safety. A study  
10 detailing these benefits is attached to my testimony as Exhibit 3.

11 Q41: VIRGIN MOBILE HAS SOUGHT DESIGNATION BELOW THE STUDY AREA OF  
12 CERTAIN RURAL LECS. DOES THE COMMISSION NEED TO CONDUCT A  
13 CREAM-SKIMMING ANALYSIS?

14 A: No. Virgin Mobile's application seeks only low-income Lifeline support from the federal  
15 USF. Low-income support and high-cost support are very different, and the purpose of a  
16 cream-skimming analysis is to prevent a competitive ETC receiving high-cost support  
17 from targeting high density wire centers in a rural LEC service area to the detriment of  
18 the rural LEC. The FCC considered this very question in Virgin Mobile's application  
19 before it, and declined to conduct a cream-skimming analysis because Virgin Mobile  
20 sought ETC designation for Lifeline support only.



1 Q42: ARE THERE ANY COMPETITIVE BENEFITS ASSOCIATED WITH  
2 DESIGNATING VIRGIN MOBILE AS AN ETC IN OREGON?

3 A: Designation of Virgin Mobile as an ETC would promote competition and increase the  
4 pressure on other carriers to target low-income consumers with service offerings tailored  
5 to their needs, greatly benefiting this consumer segment. Because Virgin Mobile will  
6 bring the same entrepreneurial spirit that has reinvigorated the wireless industry to  
7 serving lower-income Oregon customers, other carriers will have the incentive to  
8 improve their existing service offerings and tailor service plans to contain service terms  
9 and features appealing to lower-income customers.

10 Q43: DOES THIS CONCLUDE YOUR TESTIMONY?

11 A: Yes.



Washington  
Application

IF YOU HAVE QUESTIONS ABOUT  
THIS FORM, PLEASE CALL  
1-888-898-4888  
24 HOURS PER DAY  
PLEASE RETURN THIS FORM  
TO THE ADDRESS SHOWN IN #4 BELOW

WA10100098414001

Please certify your eligibility:

1. You may use either Section B or Section C to qualify
2. Sign and date the form in Section D
3. Attach documents to support your eligibility in Section C
4. Mail the application to:  
Assurance Wireless, PO Box 7600, Mattoon, IL 61938-9953  
Or Fax materials to: 1-877-732-3018

A. PERSONAL INFORMATION

The person below **MUST BE** the same person applying for the discount. Please do not forget to sign the application below in Section D.

John Q Sample  
123 Any Street  
Any City, WA ZIP+4

B. PROGRAM-BASED ELIGIBILITY

Fill in all bubbles for all program(s) the person in Section A is currently enrolled.

- |  |   |
|--|---|
| <input type="checkbox"/> Community Options Program Entry System (COPEs)                | <input type="checkbox"/> State Family Assistance (SFA)                                |
| <input type="checkbox"/> Disability Lifeline (formerly General Assistance)             | <input type="checkbox"/> Supplemental Nutrition Assistance Program SNAP (Food Stamps) |
| <input type="checkbox"/> DSHS Chore Service  | <input type="checkbox"/> Supplemental Security Income (SSI)                           |
| <input type="checkbox"/> Medical Assistance (Including Medicare cost-sharing programs) | <input type="checkbox"/> Temporary Assistance to Needy Families (TANF)                |
| <input type="checkbox"/> Refugee Assistance  |   |

(No Need to Provide Program Documentation)

— OR —

C. INCOME-BASED ELIGIBILITY

Calculate **TOTAL** household income by reporting the income of all adult persons residing in your home in the appropriate category:

Household Size	Maximum Yearly Income	You must attach proof of income reported. Examples include: <ul style="list-style-type: none"> <li>▪ Prior year's State or Federal Income tax return <b>OR</b></li> <li>▪ Most recent type of current statement from the income source(s) noted below: <ul style="list-style-type: none"> <li>▪ Three consecutive months' worth of your most current pay stubs</li> <li>▪ Social Security benefits statement</li> <li>▪ Veterans Administration benefits statement</li> <li>▪ Retirement/Pension benefits statement</li> <li>▪ Divorce decree or child support document</li> <li>▪ Unemployment/Workers Compensation benefits statement</li> </ul> </li> </ul>
<input type="checkbox"/> 1	\$14,621	
<input type="checkbox"/> 2	\$19,670	
<input type="checkbox"/> 3	\$24,719	
<input type="checkbox"/> 4	\$29,768	
<input type="checkbox"/> 5	\$34,817	
<input type="checkbox"/> _____	\$ _____	

If you have more than 5 people in your household, write the number and add \$5,049 for each additional person on top of the \$34,817.

D. SIGNATURE

BY SIGNING BELOW, I CERTIFY UNDER PENALTY OF PERJURY THAT THE INFORMATION CONTAINED WITHIN THIS APPLICATION IS TRUE AND CORRECT AND THAT I AM HEAD OF MY HOUSEHOLD. I ALSO ACKNOWLEDGE THAT PROVIDING FALSE OR FRAUDULENT DOCUMENTATION IN ORDER TO RECEIVE ASSISTANCE IS PUNISHABLE BY LAW AND THE PENALTIES OF PERJURY INCLUDE MONETARY FINES AND POTENTIAL IMPRISONMENT.

I UNDERSTAND THAT COMPLETION OF THIS APPLICATION DOES NOT CONSTITUTE IMMEDIATE APPROVAL FOR ASSURANCE WIRELESS SERVICE. I AUTHORIZE ASSURANCE WIRELESS OR ITS DULY APPOINTED REPRESENTATIVE TO ACCESS ANY RECORDS (INCLUDING FINANCIAL RECORDS) REQUIRED TO VERIFY MY STATEMENTS HEREIN AND TO CONFIRM MY ELIGIBILITY FOR ASSURANCE WIRELESS SERVICE. I AUTHORIZE SOCIAL SERVICE AGENCY REPRESENTATIVES TO DISCUSS WITH AND/OR PROVIDE INFORMATION TO ASSURANCE WIRELESS VERIFYING MY PARTICIPATION IN PUBLIC ASSISTANCE PROGRAMS THAT QUALIFY ME FOR ASSURANCE WIRELESS SERVICE. I ALSO AUTHORIZE ASSURANCE WIRELESS TO RELEASE ANY RECORDS (INCLUDING FINANCIAL RECORDS) REQUIRED FOR THE ADMINISTRATION OF ASSURANCE WIRELESS SERVICE.

I UNDERSTAND THAT I MAY BE REQUIRED TO VERIFY MY CONTINUED ELIGIBILITY FOR ASSURANCE WIRELESS SERVICE AT ANY TIME. FAILURE TO VERIFY ELIGIBILITY WILL RESULT IN TERMINATION OF ASSURANCE WIRELESS SERVICE. IN THE FUTURE, IF MY TOTAL HOUSEHOLD INCOME EXCEEDS 135% OF THE FEDERAL POVERTY GUIDELINES, OR I AM NO LONGER ELIGIBLE TO RECEIVE BENEFITS FROM AT LEAST ONE OF THE QUALIFYING PUBLIC ASSISTANCE PROGRAMS LISTED ABOVE, I WILL NOTIFY ASSURANCE WIRELESS WITHIN FIVE (5) DAYS.

I UNDERSTAND THAT LIFELINE ASSISTANCE IS ONLY AVAILABLE FOR ONE LANDLINE OR WIRELESS PHONE LINE PER HOUSEHOLD. IF I CURRENTLY HAVE A LIFELINE PLAN WITH A DIFFERENT PHONE SERVICE PROVIDER, I WILL NOTIFY MY CURRENT PROVIDER WHEN I AM APPROVED FOR ASSURANCE WIRELESS SERVICE.

FOR WASHINGTON STATE CUSTOMERS, COMPLAINTS REGARDING LIFELINE SERVICE MAY BE DIRECTED TO THE WASHINGTON STATE OFFICE OF ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION AT 1-800-551-4636.



\_\_\_\_\_  
SIGNATURE (Please use blue or black ink)

\_\_\_\_\_  
Date

\_\_\_\_\_  
PRINTED NAME



WA10100098414001

# assurance wireless

A Worry-Free Way to Stay Connected

**FREE Phone &  
250 FREE Minutes  
Each Month**

**NEW**

500 & 1000 Minute Offers Also Available



Call **1-800-392-3850** to apply  
or visit [assurancewireless.com](http://assurancewireless.com) for more details



## What can I get with Assurance Wireless?

- A Free Phone and 250 Free Voice Minutes
- No Annual Contract
- Nationwide Sprint® Network Coverage
- Voicemail Account, Call Waiting, and Caller ID Included
- Keep Your Current Home or Cell Phone Number When You Switch to Us
- 911 Access

[assurancewireless.com](http://assurancewireless.com)

### How it works:

- 1 If you qualify and are approved for the program, you'll get **250 FREE Voice Minutes** added automatically each month. **You do nothing.**
- 2 Add money if you desire to choose the \$5 or \$20 option and to pay for any services not included. Free additional minutes, text, or international calls.
- 3 Buy Virgin Mobile Top-Up cards from thousands of stores across the country. Or use credit, debit, or PayPal!

All eligible customers get:

**FREE Phone + 250 FREE  
Voice Minutes**

Available to You (Not Your Existing Mobile)

### Need more talk?

Add \$5/Month to get  
**500 Total Voice Minutes**  
Available to You (Not Your Existing Mobile)

### Need even more talk + text?

Add \$20/Month to get  
**1000 Total Voice Minutes +  
1000 Texts**  
Available to You (Not Your Existing Mobile)

Additional services available for purchase through your My Plan

### How do I qualify?

Eligibility varies by state. You may qualify based on past or current receipt of the following programs:

- Medicaid
- Food Stamp/SNAP
- Supplemental Security Income (SSI)
- Temporary Assistance for Needy Families (TANF)
- Federal Public Housing Assistance (FPHA) or Section 8
- Low Income Home Energy Assistance (LIHEAP)
- National School Lunch Programs
- Food Bank Program

OR

You may also qualify based on household income. Call **1-800-392-3850** or the income requirements in your state.

### How do I apply?

Call **1-800-392-3850** or visit [assurancewireless.com](http://assurancewireless.com) for more details.

### Brought to you by



Your Virgin Mobile phone can be used with Assurance Wireless service if you qualify.



**Nationwide Sprint Network  
reaching more than  
275 million people**



Virgin Mobile USA Network

Virgin Mobile USA Network is proud to be the provider for the Nationwide Sprint Network. This partnership allows our customers to use their existing Virgin Mobile phones with the Sprint network, giving them access to over 275 million people across the United States. This is a significant milestone for our customers, as it means they can now use their phones in more than 480 million minutes of coverage. This is a significant milestone for our customers, as it means they can now use their phones in more than 480 million minutes of coverage. This is a significant milestone for our customers, as it means they can now use their phones in more than 480 million minutes of coverage.



# Announcing Free Cell Phone Service For Connecticut Residents

Eligible residents may now apply for Assurance Wireless, the FREE cell phone service brought to you by Virgin Mobile.

Whether you need a phone for emergencies, for work, or just to stay connected, Assurance Wireless provides eligible residents with a free cell phone and 250 free voice minutes each month.

## Assurance Wireless is Free.

With no contracts, additional fees or gimmicks, Assurance Wireless is truly the worry-free way to stay connected. You pay nothing, unless you use more than 250 voice minutes a month.

But if you need more voice minutes, you can get them.

## Want To Talk More?

Add 250 more voice minutes each month (500 total minutes) for only \$5.

## Want To Talk and Text?

Add 750 additional voice minutes (1,000 total minutes) plus 1,000 texts each month for just \$20.

## Do You Qualify for FREE Cell Phone Service?

You may qualify for Assurance Wireless based on your household income, if you're on Medicaid or participate in other government programs. To verify your eligibility, visit [www.assurancewireless.com](http://www.assurancewireless.com) or call for more information.



## If Eligible, You Get All This – FREE!

- Free Cell Phone
  - Free 250 voice minutes each month
  - No Annual Contract
  - Voicemail Account
  - Call Waiting
  - Caller I.D.
  - Access to 911 Service
- Plus:**
- Coverage on the Nationwide Sprint® Network reaching more than 275 million people
  - Keep Your Current Number

## Apply Today.

It costs nothing to apply for Assurance Wireless, and there's no obligation. Call today to see if you qualify for a free cell phone and 250 free nationwide voice minutes each month. Or, to print an application now, go to [www.assurancewireless.com](http://www.assurancewireless.com)

Call Monday to Sunday, 9AM to 9PM

**1-877-566-1281**

Or visit [www.assurancewireless.com](http://www.assurancewireless.com)

**assurance**  
**Wireless**



**The Worry-Free Way To Stay Connected**

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Available to residents of Connecticut and other states. Offer limited to eligible customers (not by state) residing in selected geographic areas and is non-transferable. Assurance Wireless includes a free cell phone and 250 free voice minutes each month to eligible customers. Free phones are dependent on eligibility and availability and models shipped could vary. To see if Assurance Wireless is offered in your city or town, please visit [www.assurancewireless.com](http://www.assurancewireless.com). Assurance Wireless is a service brought to you by Virgin Mobile USA and is a Lifeline Assistance program supported by the Federal Universal Service Fund program. One Lifeline Assistance phone line per household. Additional voice minutes and text messages are 10¢ each. Int'l Services are extra. Minimum Top-Up of \$10 may be required. State and local sales taxes and fees may apply. See Terms of Service for details. Coverage not available everywhere. Visit [virginmobileusa.com](http://virginmobileusa.com) to check coverage in your area. Assurance Wireless is subject to the Terms of Service found on [www.assurancewireless.com](http://www.assurancewireless.com).

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**assurance**  
wireless



# A worry-free way to stay connected.

Don't miss this chance to apply for a **FREE** cell phone and **FREE** wireless service.

<OEL> <WALKSEQ>  
<NAME1> <SAP1>  
<ADDR1> <ADDR2>  
<CITY> <ST> <ZIP9>  
[Barcode]

Dear <FIRST>,

There's a new way to stay in touch with family and friends for free – Assurance Wireless. And, you may be eligible! Assurance Wireless is brought to you by Virgin Mobile and gives you a **FREE** wireless phone and **250 FREE** Voice Minutes each month. All without long-term contracts, bills, activation fees, recurring fees, or surcharges.

**How do you qualify?**

Although eligibility varies by state,\* you may qualify for Assurance Wireless based on your household income or if you participate in any of the following programs:

- Community Options Program Entry System (COPEs)
- Disability Lifeline (formerly General Assistance)
- DSHS Chore Service
- State Family Assistance (SFA)
- Supplemental Nutrition Assistance Program – SNAP (Food Stamps)
- Supplemental Security Income (SSI)
- Temporary Assistance for Needy Families (TANF)

**It's easy to apply!**

Just fill out the enclosed application and return it in the envelope provided. If you have any questions, call 1-888-898-4888 with Source Code <PCODE> or visit [assurancewireless.com](http://assurancewireless.com). After you've applied, you can check your application status by calling 1-888-898-4888 with your Application ID/Account PIN <APPID>.

Thank you,  
Assurance Wireless

P.S. Tell your friends about this great opportunity. They can call **1-888-898-4888** to request their application.

**Here's what you can get:**

- A **FREE** Assurance Wireless phone
- **250 FREE** minutes each month for nationwide Local and Long-distance
- Ability to keep your current phone number
- **FREE** voicemail account, call waiting, and caller ID
- 911 access
- No long-term contracts, bills, activation fees, recurring fees, or surcharges

**Apply today!**  
**Your application is enclosed.**

Apply Today For Your **FREE** Phone And **FREE** Voice Minutes.

\*Available to residents of Washington and other states. Assurance Wireless is available to individuals residing in selected geographic areas only. To see if Assurance Wireless is available in your city, town, or state, please visit [assurancewireless.com](http://assurancewireless.com) or call 1-888-898-4888. Free Assurance Wireless phones are dependent on availability, and models shipped could vary. Airtime charges apply when accessing voicemail. Assurance Wireless is brought to you by Virgin Mobile USA and is a Lifeline Assistance program supported by the Universal Service Fund. Lifeline Assistance is only available on one phone line per household. Assurance Wireless is subject to the Assurance Wireless Terms of Service found on [assurancewireless.com](http://assurancewireless.com). Coverage within nationwide coverage area reaching more than 275 million people. Coverage not available in all areas. Visit [virginmobileusa.com](http://virginmobileusa.com) for a detailed map and to check coverage in your area. Virgin Mobile USA network services are provided on the Nationwide Sprint® Network.



**assurance**  
wireless



# Una manera de mantenerse conectado sin preocupaciones.

No se pierda esta oportunidad de solicitar un teléfono **GRATIS** y servicio **GRATIS**.

Estimado(a) <FIRST>,

Hay una nueva manera de mantenerse al tanto con familia y amigos gratis – Assurance Wireless. ¡Y, usted puede calificar! Assurance Wireless es presentado por Virgin Mobile y le da un teléfono móvil **GRATIS** y **250** Minutos de Voz **GRATIS** cada mes. Todo sin contrato a largo plazo, cuentas, cuotas de activación, cargos recurrentes, o sobrecargos.

## ¿Cómo se califica?

Aunque elegibilidad varía por estado,\* podría calificar por Assurance Wireless si usted participa en cualquiera de los siguientes programas:

- Sistema de entradas para el Programa de Opciones Comunitarias (COPES)
- Línea de Discapacidad Lifeline (previamente Asistencia General)
- Servicio de Quehaceres (DSHS)
- Asistencia para familias Estatales (SFA)
- Programa de Asistencia Suplementar Nutricional (Cupones para alimentos/SNAP)
- Seguridad de Ingreso Suplementario (SSI)
- Asistencia Temporal para Familias Necesitadas (TANF)

## ¡Aplicar es fácil!

Sólo llene la aplicación Incluida y devuélvalo en el sobre proporcionado. Si usted tiene alguna pregunta, llame 1-888-898-4888 con el Código <PCODE> o visita [assurancewireless.com](http://assurancewireless.com). Después de que usted ha aplicado, puede comprobar su estado de aplicación llamando 1-888-898-4888 con su identificación de aplicación de PIN/Cuenta <APPID>.

Gracias,  
Assurance Wireless

P.D.: **Digale a sus amigos acerca esta gran oportunidad.** Pueden llamar a **1-888-898-4888** para solicitar su aplicación.

## Aquí está lo que usted puede conseguir:

- Un teléfono móvil Assurance Wireless **GRATIS**
- **250** minutos de servicio móvil cada mes **GRATIS** de escala nacional local y de larga distancia
- Habilidad de mantener su número de teléfono actual
- Cuenta de correo de voz gratis, llamada en espera, e identificación del que llama **GRATIS**
- Acceso 911
- Sin contrato a largo plazo, facturas, cuotas de activación, cargos recurrentes, o sobrecargos

**¡Aplique hoy!**  
**Su aplicación**  
**está encerrada.**

Aplique Hoy Por Su Teléfono **GRATIS** Y Minutos De Voz **GRATIS** Cada Mes.

\*Disponible para todos los residentes de Washington y otros estados. Assurance Wireless está disponible únicamente para las personas que residen en las áreas geográficas seleccionadas. Para ver la disponibilidad de Assurance Wireless en su ciudad, población, o estado, visítenos en [assurancewireless.com](http://assurancewireless.com) o llame al 1-888-898-4888. Teléfonos móviles gratis de Assurance Wireless depende en disponibilidad y modelos transportados podría variar. Aplican cargos por tiempo de aire cuando accede a su correo de voz. Assurance Wireless es traído a usted por Virgin Mobile USA y es un programa de Lifeline Assistance apoyado por el Fondo de Servicio Universal. Lifeline Assistance sólo está disponible para una línea telefónica por casa. Assurance Wireless está sujeto a los Términos de Servicio encontrado en [assurancewireless.com](http://assurancewireless.com). Cobertura dentro de área de cobertura de escala nacional que alcanza a las más de 275 millones de personas. Cobertura no disponible en todas las áreas. Visita [virginmobileusa.com](http://virginmobileusa.com) para obtener un mapa detallado y para revisar la cobertura en su área. Los servicios de red de Virgin Mobile USA son proporcionados por la Red Nacional de Sprint®.



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# assurance wireless

Una Manera de Mantenerse  
Conectado Sin Preocupaciones



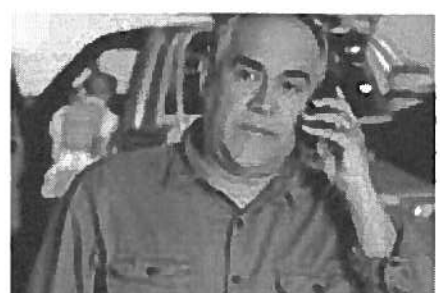
Un Teléfono **GRATIS**  
y **250 Minutos de Voz**  
**GRATIS** Cada Mes

**NUEVO**

Ofertas de 500 y 1000 Minutos  
También Disponibles

Consulte el folleto para más detalles.

- Sin Contrato Anual
- Red Nacional de Sprint®
- Correo de Voz, Llamada en Espera e Identificación del que Llama
- Acceso a 911
- Mantenga su Número Telefónico Actual



Para aplicar llame al **1-800-392-3850**  
o visite **assurancewireless.com** para más detalles

Elegibilidad varía por estado. Puede que califique basado en los ingresos de su hogar o por participación en Medicaid, Estampillas de Comida (SNAP), Ingreso de Seguridad Suplementaria (SSI) u otros programas gubernamentales.

Presentado por 

Los servicios de la red de Virgin Mobile USA son provistos en la Red Nacional de Sprint. Cobertura dentro del área de cobertura nacional alcanzando a más de 275 millones de personas. Cobertura no está disponible en todas las áreas. Visite virginmobileusa.com para un mapa detallado y para verificar la cobertura en su área. Aplican cargos por tiempo de uso cuando accede al correo de voz una vez que los minutos gratis se agotan.

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A Worry-Free Way to  
Stay Connected



**FREE Phone &  
250 FREE Voice  
Minutes Each Month**

**NEW**

**500 & 1000 Minute Offers Also Available**  
See brochure for details.

- No Annual Contract
- Nationwide Sprint Network
- Voicemail Account, Call Waiting, and Caller ID Included
- 911 Access
- Keep Your Current Phone Number

Call **1-800-392-3850** to apply  
or visit **assurancewireless.com** for more details

Eligibility varies by state. You may qualify based on household income or participation in Medicaid, Food Stamps (SNAP), SSI or other government programs.

Brought to you by 

Free Assurance Wireless phones are dependent on availability and models shipped could vary. Pricing for domestic calls and messaging only. All domestic text prices are to send and receive. Assurance Wireless is brought to you by Virgin Mobile USA and is a Lifeline Assistance program supported by the Universal Service Fund. Lifeline Assistance is only available on one phone line per household. Assurance Wireless is available in limited geographic areas and is subject to the Assurance Wireless Terms of Service found on assurancewireless.com. Assurance Wireless is not available in all areas. To see if Assurance Wireless is offered in your city or town, please visit assurancewireless.com or call 1-800-392-3850. Virgin Mobile USA network services are provided on the Nationwide Sprint Network. Coverage within nationwide coverage area (reaching more than 225 million people). Coverage not available in all areas. Visit virginmobileusa.com for a detailed map and to check coverage in your area.



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Una Manera de Mantenerse  
Conectado Sin Preocupaciones



Un Teléfono **GRATIS**  
y **250 Minutos de Voz**  
**GRATIS** Cada Mes

**NUEVO**

Ofertas de 500 y 1000 Minutos  
También Disponibles

Consulte el folleto para más detalles.

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- Acceso a 911
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Para aplicar llame al **1-800-392-3850**  
o visite **assurancewireless.com** para más detalles

Elegibilidad varía por estado. Puede que califique basado en los ingresos de su hogar  
o por participación en Medicaid, Estampillas de Comida (SNAP), Ingreso de Seguridad  
Suplementaria (SSI) u otros programas gubernamentales.

Presentado por 

Los teléfonos gratuitos de Assurance Wireless están sujetos a disponibilidad; los modelos ofrecidos pueden variar. Los precios son solo para llamadas y mensajes de texto nacionales. Todos los precios se aplican a los mensajes de texto nacionales enviados y recibidos. Assurance Wireless es presentado por Virgin Mobile USA y es un programa de Línea Asistida sustentado por el Fondo de Servicio Universal. Lifetime Assistance solo está disponible para una línea telefónica por hogar. Assurance Wireless está disponible en áreas geográficas limitadas y está regido por los Términos del Servicio de Assurance Wireless que se encuentran en assurancewireless.com. Assurance Wireless no está disponible en todas las áreas. Para saber si hay cobertura de Assurance Wireless en su ciudad o población, ingrese a assurancewireless.com o llame al 1-888-838-4888. Los servicios de red de Virgin Mobile USA se proveen a través de la Red Nacional de Sprint. La cobertura dentro del área de cobertura nacional alcanza a más de 275 millones de personas. Cobertura no disponible en todas las áreas. Visite virginmobileusa.com para ver un mapa detallado y verificar si hay cobertura en su área.

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A Worry-Free Way to  
Stay Connected

**FREE Phone &  
250 FREE Voice  
Minutes** Each Month

**NEW**

500 & 1000 Minute Offers Also Available  
See brochure for details.



- No Annual Contract
- Nationwide Sprint® Network
- Voicemail Account, Call Waiting, and Caller ID Included
- 911 Access
- Keep Your Current Phone Number

Call **1-800-392-3850** to apply  
or visit [assurancewireless.com](http://assurancewireless.com) for more details

[assurancewireless.com](http://assurancewireless.com)

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Una Manera de Mantenerse  
Conectado Sin Preocupaciones

Un Teléfono **GRATIS**  
y **250 Minutos de Voz**  
**GRATIS** Cada Mes

**NUEVO**

Ofertas de 500 y 1000 Minutos  
También Disponibles

Consulte el folleto para más detalles.



- Sin Contrato Anual
- Red Nacional de Sprint\*
- Correo de Voz, Llamada en Espera e Identificación del que Llama
- Acceso a 911
- Mantenga su Número Telefónico Actual

Para aplicar llame al **1-800-392-3850**  
o visite [assurancewireless.com](http://assurancewireless.com) para más detalles

[assurancewireless.com](http://assurancewireless.com)

© 2009 Assurance Wireless. All rights reserved. \*Sprint Network coverage not available in all areas. See coverage map. Service available only to U.S. residents. Offer subject to change without notice. See terms and conditions at assurancewireless.com.

Presentado por



bleed area

# **Cell Phones Provide Significant Economic Gains for Low-Income American Households**

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A Review of Literature and Data from Two  
New Surveys

April, 2008

**by Nicholas P. Sullivan**

Author

*You Can Hear Me Now: How Microloans and Cell Phones  
Are Connecting the World's Poor to the Global Economy  
2007*

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**Executive Summary**

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Americans, and particularly those in lower-income groups, are deriving clear economic benefits from cell phones—even though low-income groups are far less likely to own a cell phone.

The average amount of money earned by those who said they use their cell phone to get work or make money was \$748.50 last year, according to analysis by polling firm Opinion Research Corp. (ORC). For households in the bottom two quintiles making \$35,000 or less, the mean reported earning was \$530. This translates to income gains of \$4.5 billion, and suggests that – if the 38% of these 45.2 million low-income, bottom quintile households that do not now have cell phones were to start using them, and earn money at the same rate as those households that do own cell phones—it would add \$2.9 billion to household incomes.

This new study on cell phone usage in America is based on two new surveys—a scientific national sampling of 1005 households by ORC and a statistically large online sampling of 110,000 TracFone prepaid phone users. While the study examines all cell phone owners, the focus is primarily on benefits to those in the bottom two quintiles of household income (less than \$35,000), who are much less likely to own cell phones. Those who do not now own a cell phone tend to be older (37% are retired), less educated (29% have a high school education or less; 25% have some college but not completed), low income (38% make less than \$35,000 a year) or unemployed (30%). This suggests that a significant minority of Americans who are most in need are not benefiting from the economic gains that other Americans attribute to their cell phones.

Another dominant finding is that super majorities from every demographic segment say the cell phone is “extremely important” for “emergency use,” and overwhelmingly prefer a cell phone to a landline phone as a security blanket. Nearly half of respondents (48%) in the ORC survey have used their phone to call or text during an emergency situation, a fifth (20%) have received an emergency call or text on their cell phone, and nearly a third (32%) have bought a cell phone for a relative to use in emergency situations. By more than a 3-1 ratio, Americans say they prefer a cell phone to a landline phone for emergency use.

To a certain extent, these security results confirm the expected. But whereas much has been made of the social and cultural impact of “anytime anywhere” communications, these new insights into the productivity value at the household level (rather than the firm level) are notable. More than three-quarters of those polled by ORC use their cell phones to discuss work or money, and nearly a third of those working say their cell phone has helped them make money, get new work or customers. Far more respondents in blue collar jobs say their cell phone has gotten them work or money (40%) than those in white collar professions (27%)—as do far more prepaid (43%) than postpaid (28%) cell phone owners. The gains for low-income Americans are notable given that the average number of minutes (280 per month) was below the overall average (303), and income tends to rise with minutes used.

But the income gains and potential noted above may be conservative figures, as the ORC research was conducted by landline phone and may not have reached those who are more active cell phone users, or those who rely exclusively on cell phones, which is an estimated 5-10% of U.S. households. Nor were respondents asked to quantify sums above \$1,000, and 50% of respondents cited gains of more than \$1,000.

In the much larger (albeit non-scientific) Tracfone survey, where 30% of *working* households (not retired, student, unemployed) attributed gains to their cell phones, the average annual gain cited was a much higher \$2,361 per household. (Respondents were asked to quantify sums up to \$10,000 and above.) Using this calculus, if non-cell phone households in the two lower income quintiles were to acquire phones and earn money at the same rate, it would translate to \$11.1 billion in new income gains. Thus, pending further research, it is fair to use the ORC data as a lower bound and the TracFone data as an upper bound, putting put the potential economic gain for low-income households in the \$2.9 to \$11 billion range.

The ORC polling showed that another economic benefit for all income segments was time savings, with more affluent households saving more time, a function of using more minutes. Further, prepaid users, who are typically less educated and from lower income households, and who use far fewer minutes (209) than average, overwhelmingly cite monthly cost savings compared to contract cell phones. In many cases, prepaid users have been

Docket UM 1522  
Virgin Mobile/4  
Divebliss/5

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unable to keep up with large and unanticipated monthly phones bill for postpaid phones and switched to prepaid phones. While ORC pollsters did not ask respondents to quantify savings, TracFone respondents estimated monthly savings of \$35 compared to postpaid phones, for an annualized total savings of \$419. Combining these savings with the income gains significantly increases the already notable economic benefit to low-income households.

The overall conclusion is that the cell phone is extremely important to Americans for personal safety, and a huge boon to an individual's economic productivity and earning power. The cell phone is particularly important to blue collar, less educated and low-income segments, even though those groups are far less likely to own cell phones.



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## Overview

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In the United States, telephone penetration rates (the number of households with any telephone access) are dropping even as sales of mobile phones skyrocket. [Mobile subscribers numbered 243 million in the middle of 2007 (CTIA annual survey).] The U.S. now has the second lowest telephone penetration rate in the developed world.

Why are households in the richest country in the world losing telephone access—in a country where universal access has been codified by regulators since 1934, and where the number of cell phones far exceeds the number of households? What benefits of telephony are being lost along with access? Are any of the well-documented benefits of cell phones seen in the developing world being replicated amongst low-income groups in the U.S.? These are the questions this paper addresses.

Most of the recent studies on the impact of cell phones on poor populations have focused on the developing world, where the sales growth and penetration increase have been exponential and dramatic, and where the vast majority of the world's poor reside. Studies on the impact of cell phones in the developed world, and the U.S. in particular, are scant in number. Studies that do exist focus on social interaction and cultural and generational shifts, on ICT and Internet broadband access, on productivity at the firm (not household) level, or on high-level issues of infrastructure investment and competition.

Timeline studies on the impact of universal telephony (landline) are more common. These studies show national income gains in developed countries, particularly during the 1970-1990 period but more incremental in recent years, since service levels are so high that very little incremental productivity or economic gains are derived from adding small percentage of phones. But the studies notably make little demographic breakout, and thus don't focus on the so-called "forgotten poor" in the developed world.

This is the first study that specifically targets the impact of cell phones on poor and low-income households in the U.S. (the bottom two quintiles with annual incomes less than \$35,000) and comes at a time when the household penetration rate is dropping, and more people are transitioning to wireless phones only. Meanwhile, efforts to achieve universal service, which have shown some signs of success in some states, focus exclusively on fixed line

phones. In addition, this study attempts to draw some comparison between users of prepaid cell phone users, who tend to be from lower income groups, and contract (postpaid) cell phones.

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## Methodology

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In addition to a review of existing literature, the findings presented in this paper are based on two new surveys, both of which focused on the security and economic benefits of mobile phones. The primary survey was a scientific, randomized (computer generated nth-caller) and representative national probability sample of 1005 U.S. households, conducted by Opinion Research Corp. Interviews were conducted with 504 men and 501 women 18 years of age and older, living in private households in the continental United States, during the weekend of Oct 25-28, 2007, by fixed-line phone interviews (i.e., cell phones were not used). Random digit dialing to both listed and unlisted numbers was used.

Respondents split roughly evenly amongst those who used landline only (233), used both cell and landline equally (292), used both but primarily landline (241), and used both but primarily cell (221). Among cell phone users, 167 (22%) said they were prepaid cell phone customers. Because all calls were made to landlines, the survey did not capture those who either had no phones, or had a cell phone only.

There were 753 cell phone users in the survey (75%), and most of the follow-up questions were addressed to these respondents. Those with incomes less than \$35,000 and less than \$50,000 were less likely to own cell phones, while those with household incomes higher than \$50,000 and those from dual-income households were more likely to own a cell phone. Households with three or more people, and those with more children, were more likely to use cell phones, as were those with more education.

The second survey of more than 110,000 TracFone prepaid customers ("National Survey on Social and Economic Impact of Cell Phones"), was conducted during September 2007. This was not a scientific, randomized survey of the U.S. population. TracFone customers were notified by email, and self-selected respondents filled out a survey form on the Internet. However, the number of responses do make it a statistically significant drill-

down survey on the attitudes of prepaid phone owners; further, 12% of respondents used a cell phone only, which gives a snapshot of a growing minority of Americans.

Neither survey, of course, probed households without any phone access, thus theories presented here on why household penetration rate is slipping derive from a review of the literature and best guesses based on a combination of the surveys and focus groups.

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## General Findings

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The most dominant finding from both surveys was that super majorities from every demographic segment say the cell phone is “extremely important” for “emergency use,” and overwhelmingly prefer a cell phone to a landline phone as a security blanket. Nearly half of respondents have used their phone to call or text during an emergency situation, and nearly a third have bought a cell phone for a relative to use in emergency situations.

On the economic side, more than three-quarters of those working either full- or part-time, use their cell phones to discuss work or money, with 45% attributing more than a quarter of their calls to work. Nearly a third of those working say their cell phone has helped them make money, get new work or customers. Far more respondents in blue collar jobs say their cell phone has gotten them work or jobs (40%) than those in white collar professions (27%); not surprisingly, heavier cell phone users derived more economic gains. The average amount of money earned for all cell phone users was \$748 last year, and higher (\$874) for those who rely primarily on the cell phone. Households making less than \$35,000 a year, despite far fewer minutes used, earned an average of \$530, which translates into an aggregate economic benefit of \$4.5 billion for that cohort.

In addition, three-quarters mention another economic benefit, which is saving time. The average amount of time saved was 2.6 hours per week.

More than half (58%) said if they had to choose only one phone, it would be a cell phone rather than a landline phone. Those who do not now have a cell phone tend to be older (37% are retired), less educated (29% have a high

school education or less), from households with less than \$35,000 annual income (38%) or unemployed (30%).

This suggests that a significant minority of Americans are not benefiting from the safety and economic gains that other Americans attribute to their cell phones. Based on income gains for those who do have phones, the data suggest that if non-owners were to acquire cell phones and use them as productively as others in their cohort, it would add anywhere from \$2.9 billion to \$11.1 billion to income for households earning less than \$35,000.

Overall, the findings suggest that the cell phone is a viable alternative to a landline phone and for practical purposes is more valuable than a landline phone. For those who cannot afford two phones, the cell phone is a better option. Further, for those who cannot afford a contract cell phone, the prepaid phone is a viable alternative. In the TracFone survey, for example, 34% of Hispanics (1935 respondents) said they had a prepaid cell phone as their only phone.

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## Organization of Paper

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This paper first addresses the declining household penetration levels in the U.S., and suggests several reasons why it may be occurring in a period of exploding cell phone sales. I review the literature and theories on the impact of cell phones on safety and crime prevention, before reviewing my own survey results. Finally, I review the literature on the economic impact of telecom in the developed world, before describing my own surveys that focus on the United States. A conclusion follows.

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## The Decline in Household Penetration

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Household phone penetration in the U.S. rose from 91.8% in 1984, just before the breakup of AT&T, to 94% in 1997, and to 95.5% in March 2003. Given the rapid rise in cell phone sales and subscriptions, one would expect the phone-penetration rate to remain steady or keep rising, even given that more and more households convert to wireless phone only. But by March 2006, the penetration rate had dropped to 92.9% (FCC 2007), a statistically significant decline, with younger households showing the greatest decline, and larger households the least decline. Virtually every state and every income group shows a decline in penetration. Approximately 3.7 million fewer U.S.

households now have the ability to dial 911 in an emergency (Zimmerman, 2007). With the exception of Portugal, all of the EU 15 member countries and Canada have higher household telephone penetration rates than the U.S (Gabel & Gideon, 2006).

Since lower penetration rates are typically observed at lower income levels, particularly among recent immigrants, illegal immigrants, Hispanic and African-American households, not to mention large numbers of white households, and because communications has been proven to be so important to personal and economic security (and reproved by these new surveys), it's important to understand the reasons behind the lower penetration and how it has impacted income potential.

Universal service has been a goal of U.S. policy makers since the Communications Act of 1934 codified its terms: "To make available, so far as possible, to all the people of the United States, a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges." The initial use of the term "universal service," by AT&T president Vail in 1907, was corporate speak for a monopoly as opposed to the "dual service" allowed under competition. Nonetheless, the goal of universal service, reaching all households at a reasonable cost, was part of the rationale for allowing AT&T's Bell-system monopoly.

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**Possible Explanations  
for Declining  
Penetration Rates**

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Typically, high long-distance rates have subsidized lower local calling rates; high business rates have subsidized lower residential rates; and higher urban rates have subsidized rural rates. Since the Telecommunications Act of 1996, there has been significant "rate rebalancing" to move toward market-value pricing.

Many have written about the market distortions caused by the inherent subsidies, although most studies find that the elasticity of connection with respect to price is low, and there are relatively small gains in penetration when prices are lowered (Crandall and Waverman 2000; Garbacz and Thompson 2005; Rosston and Wimmer 2000). Studies suggest that the initial connection fee is more of an impediment to access than the monthly usage fees.

### **Controlling costs.**

A recent paper (Milne, 2006) suggests that traditional regulatory provisions for ‘social tariffs’ have been focused on fixed lines—when people in developed countries on low or irregular incomes are increasingly abandoning fixed lines for the flexibility of prepaid mobile phones. Pre-payment eliminates bills and provides full user control of cash outgoings, both features that people on slim budgets tend to appreciate. For people who make little use of the phone, the relevant tariffs often reduce cash outlays overall compared with a fixed line (relatively high call charges being offset by low or zero regular payments).

Milne suggests that much of the innovation with prepaid phones is occurring in the developing world, but could have useful applications in developed countries. For example, over-the-air person-to-person credit transfers could be very popular for ‘rescuing’ friends and family members when their call credit unexpectedly runs out. And mobile commerce (allowing small payments, such as parking fees, through mobile phones), now spreading rapidly among the ‘unbanked’ in the developing world (particularly in South Asia and sub-Saharan Africa), could be especially valuable to some groups in developed countries—for example, elderly people who have traditionally preferred to use cash but now have difficulty getting out and about.

### **Dual phone ownership.**

Another perspective on penetration declines (Gideon and Gabel, 2006) suggests that local rate rebalancing brought on by competition (Knittel 2004) and the consequent rise in landline pricing might be a possible cause for an increase in disconnects, although the authors note the many papers showing low elasticities of price related to service.

A more likely cause of disconnects, the authors hypothesize, is the cost impact of dual-phone ownership, a function of an increase in wireless phones per capita. As households add wireless phones to their “monthly nut,” the bills can get out of control. Contract wireless phones lead to volatile, unpredictable and large phone bills that result in disconnecting both landline and cell phone. In other cases, low-income households may even substitute a wireless for a

landline phone to save money, but then experience unpredictably high bills — from paying for received calls as well as outgoing, confusing details of calling plans, and usage of minutes beyond the fixed price package. In both cases, the household's telephone service may be cut off.

Households with cell phone service only are most vulnerable. They are most likely to be students, renters, single-person households, and low-income households (Tucker et al, 2005). These wireless subscribers are disconnected, and then unable to reconnect landline service due to outstanding balances or poor credit history.

Given these scenarios, it's surprising that in Gideon and Gabel's econometric regressions, poverty itself is not a particular driver of the penetration decrease, although they find the recent decline in penetration levels partially driven by an increase in black and recent immigrant populations, which tend to be lower-income households.

Our own surveys tend to support this hypothesis. In our TracFone survey, 65% of those who relied on just a prepaid cell phone had household incomes less than \$35,000. (Since Opinion Research Corp. conducted surveys by landline phone, no respondents relied exclusively on cell phones.)

#### **Inadequate consumer protection laws.**

States with inadequate consumer protection laws also see higher levels of disconnects, as consumers who purchase wireline and wireless from the same provider can be disconnected from both for nonpayment of their wireless bill. As a test of the thesis that consumer laws are at fault, the authors included a dummy variable in their econometric regressions for states where Qwest provides service.

Qwest is the only ILEC that does not own a wireless network (although it is a reseller of wireless service). As a consequence, Qwest is likely to be less aggressive in marketing wireless service to its landline customers. In states where Qwest operates there was an increase in telephone penetration, supporting the authors' hypothesis that aggressive marketing of additional

services may be making bills less predictable and pushing people off the network.

Although the authors do not differentiate between prepaid and postpaid wireless accounts, it should be noted that prepaid customers cannot be cut off (although they can, of course, voluntarily stop using the phone for extended periods with minimal repercussions). This would suggest that those with prepaid phones, and therefore less volatile and more controllable bills without hidden costs, would be less likely to lose all telephone service if, in fact, dual-phone ownership is a determining factor in dual disconnects.

#### **Lifeline and Link-Up Programs.**

Government-led efforts to extend telephone service through programs such as Lifeline and Link Up have been effective to a point, particularly where there have been “full or high assistance” levels of support. Between 1984 and 1997, low-income households (less than \$10,000 in 1984 dollars, which is essentially the poverty line for a family of four in 2006 dollars) with assistance increased their penetration level from 79.3% to 85.5% (FCC, 2007), nearly double the increase rate of households without assistance. But between 1997 and 2006, the gains have been minimal (1.2%) for those states offering “full or high assistance” levels. In states with “intermediate” (-.2%) or “low” (-2.7%) assistance levels, penetration rates amongst the poorest households have dropped.

While the level of assistance obviously shows impact, FCC data also shows that between 2003 and 2006, the percentage of households with telephone service dropped roughly 3 percentage points in every single income group, clearly supporting the theory that poverty alone cannot explain the declines.

However effective Lifeline and Link-Up programs may or may not be, it's clear that neither program is currently effective in stemming the disconnection tide that is contributing to one of the lowest phone penetration rates in the developed world. Current efforts to improve the effectiveness of these programs, including a surge of over \$600 million in support for the Lifeline Across America, are being implemented without evidence that they are likely to work, according to Gideon and Gabel.



Garbacz and Thompson (2003) also find that in the U.S. both “untargeted and targeted universal service policies for households during the period 1970-2000 were ineffective, inefficient and generally counter-productive.”

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**The Mobile Phone’s  
Role in Safety and  
Security**

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One of the drivers behind universal service is importance of communications for health and safety concerns, especially for people living in rural or remote areas. As it turns out, the cell phone is exponentially more valuable and important as a hedge against danger and emergency than the landline phone.

When it comes to citizen safety and cell phones, the presumption is that cell phones provide people with a way to communicate if stranded or hurt, or to report a crime in progress. People anywhere under emergency duress of any kind—even stuffed in the trunk of a car—can call 911 for help. The particular value of the cell phone in this context was fully realized during the 9/11 attacks, when cell phones not only allowed people to say their last goodbyes, but more likely than not prevented a second plane from hitting a key target in Washington, D.C., as passengers aboard Flight 93 learned from the ground about the other planes hitting the World Trade Center.

The Department of the Interior, in its “Safe and Secure” memo, noting that a violent crime is committed every 15 seconds in the U.S., urges people to carry a cell phone and preprogram it to dial the police emergency number (911 or otherwise). “If you hit the preprogrammed 911 button and can’t talk, the police might still be able to find you... Many police departments have electronic locators.” The report suggests that if you don’t have a cell phone, “fake it—if the criminal thinks that you are calling for help, he/she may leave you alone.”

Since the Virginia Tech campus murders in spring 2007, many college campuses have set up emergency texting systems to alert students to danger. Increasingly, public safety officials auto broadcast evacuation information during emergencies to landline and/or cell phones, alerting home owners during the 2007 wildfires in San Diego (landline), or students at St. John’s University campus during a 2007 shooting incident (cell phones).

According to a recent Forrester Research study, approximately 35% of the United State's mobile subscriber population has used text messaging, although texting is largely confined to younger age groups. Given the growing dominance of this communication platform, text messaging provides an additional and viable way for organizations and communities to communicate important information—including safety alerts, preparation procedures and security notifications with students, parents, faculty and staff.

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**New Surveys:  
The Mobile Phone  
as a Safety and  
Security Device**

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Our own surveys show that the primary importance of a cell phone for the vast majority of owners is for use in an emergency. It's interesting to reflect that the idea of "emergency use" was the rationale that many early adopters gave when spending money on what many perceived to be a luxury item—the question is whether people have that idea ingrained in their perception of a cell phone or whether it is more grounded in reality. Survey results suggest the latter, with a high degree of cohesiveness between the two surveys.

In the ORC survey, 82% said emergency use was extremely important, and 13% said somewhat important. In the TracFone survey, the results were 89% and 9%, respectively. While the ORC responses were uniformly positive across all segments, there were a few groups that were significantly more likely to say yes than others: females more so than males; 45-54 years more so than 55+ (probably due to the higher incidence of teenage children); people from the Northeast and South more so than people from North Central states; and urban more so than rural. Income, education, and household size had no such skews.

Nearly half (48%) said they had used a cell phone to make a call or send a text message in an emergency. College grads were more likely to have done so than high school grads, and those making more than \$75,000 a year were more likely than those making less than \$25,000 a year. Only 20% of the ORC respondents reported receiving a call or text in an emergency.

When asked if they had ever bought a cell phone for a relative to use in emergency situations, 32% ORC respondents said yes; when asked which phone was more important to them in an emergency, 62% of ORC respondents

said a cell phone (and 18% said a cell phone and landline were equally important).

It's interesting to note that if people had to choose one phone to use for all purposes, 58% said they would choose a cell phone (with an overall preference for contract phones)—with college grads and high-income groups preferring contract cell, and low-income preferring prepaid.

The results on the value of a cell phone for safety and emergencies are overwhelmingly uniform, segment by segment, in naming "emergency use" as the primary use of the mobile phone—and in naming the mobile phone as superior in that regard to the landline phone. This carries implications for policy makers. If one of the drivers behind universal service is to insure that people have telephone access in a health or safety emergency, the phone of choice for the vast majority of Americans—young and old, male and female, poor and rich—is a cell phone.

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## **Economic Impact of Cell Phones**

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It is by now a widespread assumption that increases in telephone penetration (and ICT overall) lead to an increase in labor productivity and national income gains. This is in part because one aspect of telecommunications infrastructure, which distinguishes it from other public infrastructure projects, is the so-called "network effect": the more users, the more value is derived by those users (as seen clearly by the success of Microsoft's operating system). The impact of such a network externality—which decreases transaction costs—is that any economic gains deriving from it will not be linear, but will accelerate as critical mass is achieved.

Garbacz and Thompson (Sun Moon Lake Publishers, 2003), comparing the Economic Freedom Index to telephone penetration and universal access threshold (set as 300 mainlines per 1,000 people) as a driver of production efficiency, find that real GDP per worker is a function of telephone access, which "significantly reduces production inefficiency and therefore is conducive to greater productivity."

The definitive study on the causal relationship between telecommunications and income gains is a study of 21 OECD countries over a 20-year period

(1970-1990) (Roller and Waverman 2001). The paper employs a “two-model technique,” which allows the authors to factor out “reverse causality,” i.e., the fact that an increase in demand for telecommunication services could be a function of economic growth due to other causes.

When controlling for fixed effects (including labor and capital) Roller and Waverman conclude that for the OECD country average over that 20-year span, the impact of telecommunications is .59 percentage points of annual GNP growth. Given that the OECD countries’ GDP grew at a compounded annual rate of 1.96 percent from 1970-1990, they attribute a little less than one-third of growth to telecommunications investment and penetration. While the U.S. and Canada had near-universal service in 1970, Portugal, France, and Italy, for example, had only 6, 8, and 12 phones per 100 people, respectively.

When dividing countries according to low, medium or high levels of penetration, the authors find that with high penetration rates the “impact of aggregate economic growth is substantially larger...in fact, twice as large for the high end as for the low and medium ends.” They conclude that in a country with a penetration rate of 40% (phones per 1,000), which approaches a household penetration rate in excess of 90% (assuming 2-2.5 people per household), the growth rate will be double that of a country with 20% penetration levels, all other factors held fixed. These increasing returns on investment are consistent with the presence of network externalities—and show that the goal of universal service is not only a question of equity, but a recognition of the income-enhancing properties of telecommunications.

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### **Mobile Phones and Economic Gains**

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In a similar study of developing countries that focuses on mobile phones (Waverman, Meschi & Fuss, 2005), the authors find that “mobile telephony has a positive and significant impact on economic growth, and this impact may be twice as large in developing countries compared to developed countries,” which already have fully-articulated fixed line networks.

Waverman et al conclude that all else held equal, a low-income country with 10 more mobile phones per 100 people than another country would enjoy a per capita growth rate higher by .59 percentage points. The results suggest that long-run growth in the Philippines could be as much as 1% higher than in

Indonesia, were the mobile gap evident in 2003 maintained (the Philippines had 27 mobiles per 100, compared to 9 for Indonesia). This study was followed by a 2007 McKinsey study of telephone penetration in China, which came to virtually the same conclusion.

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**Consumer Surplus  
from Mobile Phones**

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While the two Waverman studies are valid—and their credibility is particularly enhanced since they essentially replicate findings in developed and developing countries—it’s possible they underestimate the added labor productivity that the addition of wireless phones can make to a developed economy such as that of the U.S. In a study for the CTIA on the U.S. wireless telecom industry, Ovum cites the Waverman study as being a “top down econometric” study and asserts the need to consider a “bottom up case study” approach (Entner, R. & Lewin, D., 2005).

To quantify the productivity gains in the U.S. at the firm level, Ovum looked at 8,172 job types involving 132.7 million employees as outlined in the Current Employment Statistics for 2004. Ovum then identified 4,983 job types with 75.8 million employees that would benefit from wireless telecom, although the benefits are hard to quantify.

Another metric is the “consumer surplus,” which measures the amount consumers are willing to pay for an item minus the cost they actually pay. To the extent that it can be accurately measured, the consumer surplus is a clear indication of a product’s value to consumers (which in this case also includes businesses). Here, Ovum estimates a mobile-phone consumer surplus of \$157 billion for the year 2004; previous estimates from other analysts were \$80 to \$150 billion for 2003 (Jerry Hausman), and \$80 billion for 2003 (Thomas Hazlett’s testimony to the U.S. Senate).

Ovum compares the consumer surplus of \$157 billion to the producer surplus of \$10.3 billion, which means that 94% of the total surplus goes to consumers. By contrast, the producer surplus in the U.K., where carriers charge more and achieve twice as much EBITDA as U.S. carriers, the producer surplus is 12% of the total surplus. If U.S. carriers were to charge the same price as U.K. carriers, Ovum contends, the consumer surplus would be cut in half.

At the consumer level, the relative importance of telecommunications compared to other possible household expenditures can be gleaned by long-term spending patterns by households in OECD countries. Starting from an Index of 100 in 1990, spending on communications has increased more than that for health, education, housing, transport, clothing and other key categories (OECD, 2005).

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**New Surveys:  
Economic Impact  
of Mobile Phones  
in the U.S.**

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Moving beyond the macro-economic impact of ICT on aggregate GNP, this paper strives to answer two micro-economic income-related questions: how do Americans perceive the economic benefits of their cell phones; and, in particular, what benefits do poor and low-income demographic segments in the U.S., which include many recent and illegal immigrants and others with no or low credit ratings, that have relatively low phone penetration rates, attribute to their cell phones? In an age of declining phone penetration rates, the issues are important for policy makers.

**Importance of mobile phones for work or business.**

When ORC asked respondents to rank the uses of their cell phone in order of importance, 66% said the cell phone was “extremely” or “somewhat” important for work or business. Those who were employed, used contract phones, and had higher incomes were more likely to say yes.

Interestingly, the breakdown segments for the 37% who cited the cell phone as “extremely” important were pretty evenly split across the board—with prepaid and postpaid virtually identical at 36% and 37%, respectively—with slight skews toward the 25-44 age group, males, and African Americans.

**Calls devoted to work or money.**

Monthly cell phone use is much higher among those who are employed (343.3 minutes) than among those who are retired (178) or not employed (275). When those working full- or part-time were asked if they made phone calls related to work or money, 75% said yes, with a decided skew toward those with more education and higher incomes. As might be expected, respondents in households with less than \$35,000 income said fewer of their calls (20%)

were about work or money than households with incomes of \$75,000 or more (29%)—nonetheless, low income respondents clearly perceive the cell phone at least in part as a work tool. More than half of those from households making less than \$25,000 make calls about money or work, although only 16% attribute actual income to the phone.

Of all those making calls about work, 41% said more than a quarter of their calls were about money. For the 21% of those who said more than half their calls were about work or money, nearly a third (31%) use prepaid phones, compared to 19% for postpaid owners. Again, these callers were more likely to be white collar and well educated. Note, however, that postpaid subscribers typically use far more minutes (331) than prepaid owners (209), who are much more price sensitive. The survey did not distinguish between a personal cell phone and a company owned phone.

The mean percentage of *all* mobile calls about work or money was 27.2%; excluding those who said they don't use their phone for work, the mean was 35.9%.

#### **The mobile phone as money maker.**

In the ORC survey, 31% of those working either full- or part-time said their "cell phone has helped make money, get work, or get new customers," with 43% of men answering yes, and only 16% of women. Surprisingly, (given the likelihood of less education and household income), 43% of prepaid users said yes, compared to just 28% postpaid owners. Far more blue collar (40%) than white collar professionals (27%) say their cell phone has helped them make money. Combining these two findings, intuition suggests that that self-employed blue-collar trades people are more likely to rely on their cell phone as their primary communications device—and choose a prepaid phone because it is less expensive than a contract cell phone.

More than half (62%) of those who had earned money thanks to their cell phone said they had earned more than \$500 in the previous year—and 50% had earned more than \$1,000. More than half the men in the \$500-plus category attributed earnings of more than \$1,000 to their cell phone. The overall average income gain was \$748, and would likely be much higher had

ORC asked respondents to quantify gains of more than \$1,000. (In the Tracfone survey, where respondents were asked to quantify gains up to \$10,000 and above, the average earning was \$2,361.) Although the survey did not distinguish between those who were self-employed and those who worked for employers, intuition suggests that a plurality if not a majority of those attributing concrete income gains were self-employed, or perhaps sales agents on commission.

The Tracfone survey, however, did break out the self-employed (6,018 total respondents) from the total TracFone universe (110,000 respondents). A significant 44.2% of the self-employed call the phone “extremely important” as a work tool, with 30.4% allocating more than half their calls to work, and 41% saying the phone had helped them get work or earn money. And nearly half of those (49.2%) attributed more than \$1,000 in earning to the phone (11.4% earned between \$5,000 and \$10,000; and 10% earned more than \$10,000).

#### **Saving time and money.**

Beyond income, both surveys showed clear economic benefits in terms of time and money saved. The same number of people (75%) who said they used the phone for work said the cell phone saves them time. (In the TracFone survey, 75% also said their cell phone saves them time.) Younger people, those with higher incomes, those with bigger families, and those with larger households, are more likely to mention larger time savings. The average amount of time saved per week was 2.6 hours. Those who rely primarily on their cell phone (as opposed to landline) are much more likely to save more than three hours a week.

On saving money, the question was asked only of prepaid phone owners, as the primary reason to use a prepaid phone is to lower costs. In the ORC random sampling survey, 65% of prepaid owners said the phone saves them money, compared to a landline or contract cell phone. In the TracFone survey, 80% said their prepaid phone saves them money, compared to landline or contract cell phones, with a majority (59%) saying they save more than \$25 a month, including 12% who save \$50-\$100. The average monthly savings for TracFone users was \$35 a month, or \$419 a year.



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Intuition would suggest that there is little overlap between those who say they are saving money and those who say they are making money, as evidence suggests that using more minutes (and thus spending more) leads to more income gains, but the survey did not tease out that information. Either way, it's important to include time and cost savings in the calculus of overall economic benefit.

The majority (75%) of cell phone owners use the phone for work-related purposes, although it is not the most important function of the phone. The phone is most important as a security blanket in case of emergency, and secondarily as a way to stay in touch with family and relatives. The amount of calls devoted to work or money is a function of whether the cell phone is a primary phone, and a function of the type of work people do. For instance, blue collar workers appear to rely more heavily on the cell phone as a work tool than white collar professionals, which may indicate that they are self-employed. The amount of money people make (and time they save) is largely a function of the number of minutes they use per month (although education levels also play a major role), and because low-income households are more price sensitive, they use fewer minutes and earn less on average. However, because low-income households are the least likely to own cell phones, it is by adding phones in this cohort (less than \$35,000) that the largest income gains would be realized, potentially upwards of \$10 billion or more.

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## Conclusions

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As policy makers struggle to identify ways to increase penetration levels in low-income households, this paper examines the benefits of mobiles phones for low-income households, through a review of the literature and two new surveys.

In an era of exponential growth in the wireless market, the telephone penetration rate in the U.S. is dropping, and now ranks second to last in the developed world. The reasons for this are not clear, but the most plausible explanation is that as more households take out multiple wireless phones, the volatility of monthly bills results in losing both landline and mobile phones. Declining rates of penetration are particularly acute in states with weak consumer protection laws. Although penetration declines are evident across

the income spectrum, those with lower incomes have always had much lower penetration levels, in the 75-85% range, well shy of universal service.

At the same time, more households are relying on mobile phones exclusively. In low-income segments of the population, particularly Hispanics and households with less than \$35,000 income, large numbers are turning to the prepaid phone as their only phone. Whether this is out of choice or necessity is unclear. But it seems likely that many of these households may have lost both landline and wireless phones, don't have the credit to re-subscribe, and adopt prepaid as a way to rejoin the communications grid.

The primary benefit of cell phones is as a security blanket in case of emergency. This is true across the board for all demographic segments, with almost no variation. Similarly, all demographic segments choose the mobile phone as more valuable than the landline phone for emergency use.

A major secondary benefit is economic: income gains because of reduced transaction costs, time savings, and, for prepaid users, money savings over landline and contract cell phones. Clearly, the mobile phone in a developed country will not have the radical and positive accelerator affect it does on the GDP in a developing country, where phone penetration levels are below 20%. However, as more low-income households convert to mobile phones only, and particularly prepaid mobile phones, there is evidence of economic gain at the micro (household) level. And if larger numbers of low-income households were to adopt cell phones and use them productively, aggregate income gains might easily top \$10 billion.

While income gains in our surveys were generally higher at higher income levels, in large part because the affluent can afford to use more minutes, more than half of working households making less than \$25,000 make calls about money or work, and far more blue collar workers than white collar professionals say their cell phone has helped them make money. Similarly, majorities from all income segments cited time savings, with more affluent households saving more time, again a function of minutes used. Prepaid users, who are typically less educated and from lower income households, overwhelmingly cite monthly cost savings compared to landline or contract cell phones.

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The overall conclusion is that the cell phone is extremely important to Americans for personal safety, and a huge boon to an individual's economic security. By and large, it is perceived to be more practical than the landline phone by significant minorities and, in some cases, super majorities, depending on the segment interviewed. And for significant percentages of some populations, the prepaid cell phone is their only phone.

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**CERTIFICATE OF SERVICE  
UM 1522**

I hereby certify that the Direct Testimony of Elaine Divelbliss on behalf of Virgin Mobile USA, L.P., was served on the following persons on April 8, 2011, by email to all parties and by U.S. Mail to the parties who have not waived paper service:

**W=Waive Paper  
service**

**C=Confidential  
HC=Highly Confidential**

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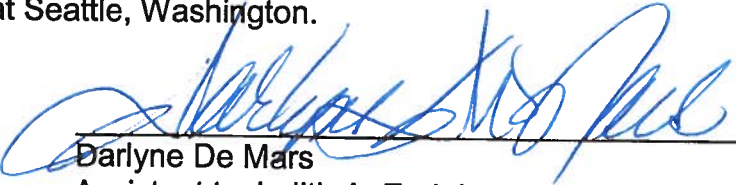
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DATED this 8<sup>th</sup> day of April, 2011, at Seattle, Washington.



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