

REPORT: \$3.7 BILLION IN INCOME COULD BE GENERATED FOR THE POOR BY MAKING LIFELINE-SUBSIDIZED FREE CELL PHONES AVAILABLE TO ALL ELIGIBLE AMERICANS

Two Thirds of a Billion Dollars in Personal Income Lost in States – Including CA, CO, HI, MT, NE, ND, OK, SD, VT and WY – Without Access to Program for Their Poorest Citizens.

WASHINGTON, D.C.//February 10, 2011///Recently expanded efforts to put free cell phones into the hands of poor and near-poor Americans eligible for the Federal Communications Commission's Lifeline Assistance program have the potential to deliver nearly \$4 billion annually to eligible Americans, according to a first-of-its-kind study published today by the New Millennium Research Council (NMRC).

Titled "*Subsidized Cell Phones Provide Significant Economic Gains for Poor and Near-Poor Americans,*" the new report written by telecommunications access expert Nicholas P. Sullivan concludes: **"...the subsidized cell phone has been an important economic tool, which generates an average of \$259 (per participant) per year. If all 28.5 million adults eligible for Lifeline Assistance were to take advantage of the program and earn at the same rate and level as our sample, it would result in \$3.7 billion in fresh income for the poor and near poor. In large states, such as New York, Florida, and California, the gains would exceed \$250 million. By this measure, the program is already paying for itself."**

The Sullivan report is based on extensive survey data collected by Opinion Research Corporation (ORC) International, which polled 5,541 TracFone SafeLink Wireless customers in 22 states. The new February 2011 analysis is a "bookend" to an earlier NMRC study by Sullivan on the economic benefits of cell phones for the roughly one third of poor Americans without them.

Wireless Lifeline support for prepaid wireless is now available to low-income Americans in 35 states, as well as the District of Columbia and Puerto Rico. The 15 so-far non-participating states – which include California, Colorado, Hawaii, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Vermont and Wyoming – are missing out on a total of about \$650 million in potential income for their poorest residents, according to the new study.

Report author Nicholas P. Sullivan, a Fellow at the Center for Emerging Market Enterprises at The Fletcher School, and co-chair of The Fletcher School Leadership Program for Financial Inclusion, said: **"To date, only 35 states have allowed Lifeline Assistance for prepaid cell phones, which means that the remaining 15 states are both limiting the ability of their poorest to earn money — and also adding to their own state-funded liabilities for social programs. At a time when states are strapped and suffering from a range of deficit liabilities, new income on this level should be a welcome outcome."**

Samuel A. Simon, senior fellow, New Millennium Research Council, and long time consumer advocate, said: **"Lifeline-supported wireless cell phone service for poor Americans appears from this study to be exactly what advocates of universal access to telecommunications services had in mind when the Universal Service Fund (USF) was created. Unlike other USF programs that have been criticized for lining the pockets of telecommunications companies with unnecessary subsidies, wireless Lifeline aid is highly targeted and, at very low cost, goes right into the hands of the American consumers who most need this assistance in finding work or keeping their existing job."**

Other key findings from the Sullivan report include the following:

- About half of SafeLink users (49 percent) said the cell phone had "improved their financial situation by helping them find or keep work." For those working or looking for work, the numbers were higher (63 percent); surprisingly, even the retired (39 percent) and disabled (38 percent) said the phone had helped improve their financial situation. Significantly more African Americans (57 percent) than white Americans (43 percent) said the phone had improved their financial situation.

- The average amount of money earned in the last year by SafeLink users was \$259, according to the survey results. However, since a third of respondents have had their subsidized phones for less than six months, and there is a clear correlation between length of ownership and income gains, it is expected that over time that average is likely to exceed \$300 (as it already does in several states). In addition, the number of free minutes offered was initially 68, but has been increased in many states to 250; given the correlation between usage and income, this will also positively affect average earnings as the nascent Lifeline wireless program matures.
- Given the expected increase in eligible subscribers, based on the recent revamped numbers in poverty, and assuming the increased pay with increased usage and minutes, the actual potential benefits are more likely in the \$5 billion range.
- In 10 of the 15 states currently without access to Lifeline-supported prepaid wireless, low-income individuals are missing out on an estimated \$489.1 million in potential income: California (\$307.6 million); Colorado (\$40.1 million); Hawaii (\$9.3 million); Montana (\$13.1 million); Nebraska (\$21.5 million); North Dakota (\$10.4 million); Oklahoma (\$60.7 million); South Dakota (\$11.6 million); Vermont (\$7.5 million); and Wyoming (\$7.3 million).
- An estimated 30 percent of the annual \$1.2 billion in Lifeline spending subsidies to low-income Americans is now allocated to wireless phones. That means Lifeline's \$360 million "investment" in information and communications technology (ICT) for the poor and a segment of the near poor generates a "return" of \$388 million.
- The question of how subsidized phones impact the poor has recently taken on more urgency given the lingering and deep recession. The U.S. Census Bureau reports that 44 million Americans are now considered to be living in poverty (2009 data), the highest number in poverty in the 51 years this number has been tracked by the U.S. Census Bureau.

Lifeline Assistance is a joint federal program operated by the Federal Communications Commission and state public utility commissions that ensures telephone service is available and affordable for low-income subscribers within 135 percent of the federal poverty guidelines. In 2008, recognizing the major national shift in phone usage away from landline and toward wireless, the FCC for the first time opened up the Lifeline Assistance program to prepaid mobile operators. The FCC's same average \$10 per month discount on service now applies to both wired and wireless phones. As the largest provider free cell phones to Lifeline-eligible Americans, SafeLink Wireless currently operates in 31 states (plus Washington, D.C., and Puerto Rico), and has distributed more than 3 million subsidized cell phones.

Sullivan is a Fellow at the Center for Emerging Market Enterprises at The Fletcher School, co-chair of The Fletcher School Leadership Program for Financial Inclusion, and author of *You Can Hear Me Now: How Microloans and Cell Phones are Connecting the World's Poor to the Global Economy* (2007). He authored the March 2008 NMRC-published report, "*Cell Phones Provide Significant Economic Gains for Low-Income American Households*," which concluded that providing cell phones to the 38 percent of America's 45 million poorest households now without them -- including millions of seniors, Hispanics, African-Americans and rural residents -- could help them get work or make money worth \$2.9 billion or more.

Launched in 1999, the New Millennium Research Council is a Washington, D.C. think tank. The work of NMRC focuses primarily on the fields of telecommunications and technology. The contributors to NMRC reports develop workable, real-world solutions to the issues and challenges confronting policymakers. For more information, please visit <http://www.thenmrc.org> on the Web.

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EDITOR'S NOTE: A streaming audio recording of the news event will be available on the Web as of 5 p.m. EST on February 10, 2011 at <http://thenmrc.org>.