

# **Sprint took FCC cash for “serving” 885,000 people it wasn’t actually serving**

Enlarge / A Sprint sign in Branford, Connecticut, in 2014.

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Sprint has been caught taking millions of dollars in government subsidies for “serving” 885,000 low-income Americans who weren’t using Sprint service, the Federal Communications Commission said today. Sprint violated the Lifeline program’s “non-usage rule” that requires providers of free, subsidized plans to de-enroll subscribers who haven’t used their phones recently, the FCC said.

“It’s outrageous that a company would claim millions of taxpayer dollars for doing nothing. This shows a careless disregard for program rules and American taxpayers,” FCC Chairman Ajit Pai said. “I have asked our Enforcement Bureau to investigate this matter to determine the full extent of the problem and to propose an appropriate remedy.”

Sprint has admitted the mistake and said it will pay the money back. Like the FCC’s other universal service programs, Lifeline is paid for by Americans through fees imposed on phone bills.

The FCC said Sprint’s violation “initially came to light as a result of an investigation by the Oregon Public Utility

Commission.” Because of that investigation, the FCC said it “has learned that Sprint Corp. claimed monthly subsidies for serving approximately 885,000 Lifeline subscribers, even though those subscribers were not using the service.” The 885,000 subscribers that Sprint wasn’t actually serving “represent nearly 30% of Sprint’s Lifeline subscriber base and nearly 10% of the entire Lifeline program’s subscriber base,” the FCC said.

## **Sprint failed to de-enroll inactive users**

Providers in the low-income program receive a \$9.25 monthly subsidy for most Lifeline subscribers and must pass the savings along to consumers. “For most consumers served by the mobile Lifeline product marketed by Sprint and many other providers, the subsidy makes the service free to the consumer,” the FCC said.

The FCC said that, under its non-usage rule, “providers of free service may only be reimbursed for a Lifeline subscriber if that subscriber has used the service at least once in the past 30 days.” The commission added that providers “must de-enroll inactive subscribers after giving them 15 days’ notice.”

The FCC didn’t say exactly how much money Sprint received through its violation of the non-usage rule. One month’s worth of \$9.25 payments for 885,000 subscribers would amount to \$8.2 million. FCC Commissioner Geoffrey Starks issued a statement saying that “Sprint appears to have unlawfully obtained at least tens of millions of dollars that should have gone to our lowest-income communities.”

The non-usage rule is “meant to protect Lifeline from wasting payments on service not provided,” the FCC said. Previous investigations “showed that companies hawked free Lifeline

service aggressively and indiscriminately, knowing that they would get paid each month even if consumers didn't use their phones. And because the consumer paid nothing, he or she had no incentive to relinquish the subscription," the FCC said.

The 30-day limit and 15-day notice requirement were imposed by the FCC in 2016 under then-Chairman Tom Wheeler. Previously, the non-usage period was 60 days, and the notice requirement was 30 days.

When contacted by Ars, Sprint said that "an error occurred" in July 2017 when it implemented the FCC-mandated changes to the method for calculating usage and eligibility of Lifeline subscribers. Sprint said it reported the mistake on its own and that it will send the money back to the government:

*When the error was discovered, we immediately investigated and proactively raised this issue with the FCC and appropriate state regulators. We also engaged an independent third party to review the results of our review and the effectiveness of our operational changes.*

*While immaterial to Sprint's financial results, we are committed to reimbursing federal and state governments for any subsidy payments that were collected as a result of the error.*

The investigation into Sprint will begin while FCC commissioners are still considering whether to approve the acquisition of Sprint by T-Mobile. Pai announced his support for the merger in May, and last month he asked fellow commissioners to approve the merger. Attorneys general from 17 states and the District of Columbia are challenging the merger in court, however.

Commissioner Starks, who is part of the FCC's Democratic minority, said the FCC should halt the merger proceeding. He said:

*The draft order (to approve the merger) relies heavily on information submitted by Sprint, a company alleged to have over-collected Lifeline support, and inaccurately accounted for nearly 1 million inactive Lifeline accounts... How the merging parties were going to handle Lifeline was a prominent part of their merger pitch, so I am alarmed and concerned about such a massive inaccuracy in a core part of the transaction.*

“There is no credible way that the merger before us can proceed until this Lifeline investigation is resolved and responsible parties are held accountable,” Starks also said.

We asked Pai’s office if the Sprint news will have any impact on the merger proceeding, and we will update this story if we get a response.

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