

December 9, 2015
Page 1

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CONVO

December 9, 2015

Received & Inspected

VIA ECFS

JAN 04 2016

Ms. Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

FCC Mail Room

Re: Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CG Docket No. 03-123; CG Docket No. 10-51

Dear Ms. Dortch:

Convo Communications, LLC ("Convo") is filing this written *ex parte* presentation with the Federal Communications Commission ("Commission") in support of the Emergency Petition for a Temporary *Nunc Pro Tunc* Waiver filed by Convo, Hancock Jahn Lee & Puckett, LLC dba Communications Access Ability Group/Star VRS, and ASL/Global VRS Services Holdings, LLC on November 25, 2015 ("*Emergency Petition*").

Convo has strived to be fully transparent to the Commission and to provide all information about its operational and financial circumstances that the Commission may find useful in its recent proceedings to reform the video relay service ("VRS") regulatory framework. Convo takes pride in its accomplishments that benefit the VRS program and its consumers, thus it is important to us for the Commission to be fully aware of the effect that the recent and upcoming VRS rate reductions will have on Convo and its customers. Consistent with this approach, Convo files this *ex parte* presentation to summarize some of the voluminous information that Convo recently has submitted to the Commission. This *ex parte* presentation is intended to demonstrate the existential challenges that these rate reductions have imposed on

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Convo, as well as the real and meaningful potential for success that Convo will realize if the Commission timely grants the *Emergency Petition*.

I. CONVO'S PARTICIPATION IN VRS HAS RESULTED IN MEANINGFUL PUBLIC INTEREST BENEFITS

Convo is a deaf-owned and deaf-operated VRS provider with nearly all deaf employees outside of its video interpreter workforce, and accordingly Convo personnel are also knowledgeable interpreting consumers. This provides Convo with an exceptionally strong understanding of the ways in which the sign language community uses interpreting and the importance of clear, accurate and effective interpreting in their daily lives, which enables Convo to tailor its VRS offerings in a way that stands apart from all other VRS providers. [REDACTED]

[REDACTED]

[REDACTED] In addition, despite its small size and emergent status, Convo has been a consistent technology leader within the VRS industry. It was the first to launch a variety of innovations, including:

- fully mobile web-based VRS;
- the ability for a VRS user to hang up a call and in so doing disconnect all parties;
- the ability for deaf callers to maintain eye contact with their video interpreter throughout a call using video overlay technology;
- clickable phone numbers for direct VRS connection to the business number;
- deaf-owned business directory features built into the videophone interface;
- ASL Contact Centers at several Federal agencies;
- an integrated mass communications systems platform; and
- the Convo Lights call alert technology, which received the fourth annual Chairman's Awards for Advancement in Accessibility in the Internet of Things category.

Convo believes that its focus on these areas has enabled it to provide a superior user experience, which in turn has enabled Convo to generate rapid growth in minutes and in new users—primarily from growing awareness by VRS consumers about Convo products and services. This demonstrates the importance of Convo’s role as an emergent VRS provider in driving quality-of-service competition within the industry.

II. CONVO HAS ACHIEVED RECENT RAPID AND EFFICIENT GROWTH

[REDACTED]

[REDACTED] It would be expected that a small business such as Convo to be required to make substantial investments in its operations at its formative stage to maintain growth at such an accelerated pace. Whereas a mature company has the ability to focus on cost cutting and operational efficiencies, a nascent and rapidly growing company generally is expected to burn through capital. Doing so is often necessary as a small business expands its operations with the

[REDACTED]

intention of recouping these high early expenditures through efficiencies realized later as the company's scale and profitability increases.

But this assumes that a company's revenue per unit of output will remain roughly stable as the company grows and benefits from increased scale. Convo recognized that it could not solely rely on the standard business model of greater returns based on greater efficiency due to the automatic compensation rate reductions adopted by the Commission in its *VRS Reform Order*.² Convo turned to concurrently focus both on restraining and managing its costs and rapidly expanding its operations to achieve future scale. By contrast, the largest provider was able to rapidly grow and achieve operational maturity during a period when VRS rates were much higher than today's rate. Among other things, this enabled the dominant provider to distribute free videophone hardware to thousands of customers while locking them in with proxy telephone numbers, non-interoperability and non-portability, thereby creating an entrenched user base. As a late entrant to the VRS marketplace that relied on organic and self-funded growth without investment by private equity funds, Convo did not share these benefits.

Convo made every effort to rise to the challenges imposed by the *VRS Reform Order* to grow to critical mass while its compensation rate steadily fell.

[REDACTED]

[REDACTED]

² Specifically, the per-minute VRS compensation rate that Tier I Providers received for relaying minutes fell every six months pursuant to the rate framework established by the Commission in its 2013 *VRS Reform Order*. In the first half of 2013, Convo and the other two Tier I Providers received \$6.24 per minute of relayed VRS. Absent Commission action on the Waiver Request, this rate is scheduled to fall to \$4.82 per minute on January 1, 2016—a reduction of nearly 25% in three years. The VRS compensation rate for Tier I Providers fell to \$5.98 per minute in the second half of 2013; \$5.75 per minutes in the first half of 2014; \$5.52 per minute in the second half of 2014; \$5.29 per minute in the first half of 2015; and \$5.06 per minute as of July 1, 2015. See *Structure and Practice of the Video Relay Service Program, Further Notice of Proposed Rulemaking*, FCC 15-143, ¶ 5 (rel. Nov.3, 2015) (“*VRS FNPRM*”).

[REDACTED]

[REDACTED]

[REDACTED]

3 [REDACTED]

[REDACTED]

Although Convo believes that its costs and expenses are in line with its peers,⁵ Convo continues to work to identify opportunities to further reduce these costs in a manner that will not undermine the quality of VRS that consumers rely upon. [REDACTED]

[REDACTED]

⁴ [REDACTED]

⁵ Because the costs incurred by VRS providers are not publicly disclosed, Convo has no way of determining the exact costs incurred by other providers of similar size and scale to Convo. The only data point currently available to Convo is the express determination by Rolka Loube Associates LLC (“Rolka Loube”) that the permitted costs of Tier I Providers exceed, on average, the per-minute VRS compensation rates applicable to the Tier I Providers as of July 1, 2015. See *VRS FNPRM*, ¶ 11. According to the Commission, Rolka Loube’s cost analysis indicates that the average allowable per-minute cost and average Tier I rate, respectively, for the three smallest providers from 2013 through 2016 were: 2013: \$6.94/\$6.11; 2014: \$6.01/\$5.64; 2015: \$5.33/\$5.18; 2016: \$4.72/\$4.63. See *id.* at note 29.

[REDACTED]

[REDACTED]

III. A RATE FREEZE WILL SUSTAIN CONVO'S SUCCESSFUL GROWTH IN 2016

[REDACTED]

[REDACTED]

[REDACTED]

By contrast, Convo is confident of its continued growth and its long-term financial success if the Commission timely grants the *Emergency Petition*. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6 [REDACTED]

IV. CONCLUSION

In light of the foregoing, Convo respectfully requests for the Commission to promptly act on the *Emergency Petition*. Commission grant of the *Emergency Petition* will provide Convo, its employees, and its customers with needed certainty to regarding Convo's ability to continue to successfully compete as an emergent VRS provider, drive quality-of-service competition and innovation within the VRS industry, and continue to grow into the next tier of the VRS industry.

Respectfully submitted,

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cc: Gregory Hlibok, Chief
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