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May 24, 2016

VIA ELECTRONIC FILING

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

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

Structure and Practices of the Video Relay Service Program – CG Docket No. 10-51

Dear Secretary Dortch:

On May 5, 2016, Rolka Loube Associates, LLC (“RL”) filed an “Interstate Telecommunications Relay Services Fund Payment Formula and Fund Size Estimate” in the above captioned proceedings.¹ On May 9, 2016, the Commission issued a Public Notice seeking Comments on the 2016 TRS Rate Filing.² With this letter, IDT Telecom, Inc. (“IDT”) submits its Initial Comments.

The Commission should reject the Administrator’s recommendation to include a two-month payment reserve. There is no rule regarding the number of months for which the Fund must hold payments in reserve. Until recently, the Fund only held one month of payments in reserve.³ RL estimates that the TRS Fund will have a surplus of approximately \$140,000,000 at June 30, 2016.⁴ Due to the out-of-control costs within the current proposed budget, a two-month reserve for the proposed budget would equal \$178,600,000. This represents a significant portion – more than 10% - of the overall Fund budget. As such, reserving two months of payments is not simply a procedural box to be checked, it is a significant financial decision that should not be made

¹ See, Rolka Loube Associates, LLC, Interstate Telecommunications Relay Services Fund Payment Formula and Fund Size Estimate, CG Docket Nos. 03-123 and 10-51 (filed May 5, 2016)(2016 TRS Rate Filing).

² Public Notice, “Rolka Loube Associates Submits Payment Formulas and Funding Requirement For The Interstate Telecommunications Relay Services Fund For the 2016-2017 Fund Year,” CG Docket Nos. 03-123 and 10-51; DA 16-518)(May 9, 2016).

³ 2016 TRS Rate Filing at p. 39

⁴ *Id.*

unless demonstrated to be necessary to the degree that the failure to do so would threaten the stability of the Fund.

Any concern that the Fund may be insufficiently financed or otherwise harmed absent a two-month reserve is unwarranted. IDT understands that only once in the history of the Fund has the Commission determined mid-year that the Fund was underfinanced and required a supplemental contribution. We have no reason to believe this will happen again. Regardless, if the Commission were to determine that after, for example, six months, the Fund was insufficiently financed to support the remaining months, the Commission could easily amend the contribution factor for the remainder of the Fund year or otherwise require a supplemental contribution. The Commission did this once and, by all indications, it had no impact on service providers being compensated for their services and it had no impact on users of relay services.

The impact of returning to the traditional one-month reserve would be significant. Halving the \$178,600,000 budgeted for reserve to \$89,300,000 would have a significant impact on the contribution factor. Removing \$89,300,000 from the proposed budget would reduce the proposed contribution factor to .01717. And while this factor remains obscenely, historically high, it is, at least, meaningfully lower than the proposed .01862.

IDT believes that next year's proposed budget will be smaller and the contribution base broader, thereby allowing the Bureau to reduce the current year's budget and contribution factor now and make up, if necessary, any shortfall in the 2017-2018 Funding Year. As noted in the Public Notice seeking comments for the 2016 TRS Rate Filing,⁵ the Commission is considering a reduction of the per minute rate for IP CTS. As indicated in the 2016 TRS Rate Filing, this rate reduction, if implemented and effective for the beginning of this Funding Year, could have reduced the IP CTS budget by as much as \$112,000,000. This is a significant event with a tremendous impact on the TRS Fund Budget. And IDT is hopeful that IP CTS rate reform will become effective during the current Fund Year or, at the very least, by the 2017-2018 TRS Fund Year. Provided that the reform becomes effective during the current Fund Year or for the 2017-2018 Fund Year, the savings achieved can reduce the need for a reserve and/or be used, if necessary, to support payment for the remaining months of the 2016-2017 Fund Year.

IDT anticipates that additional reforms may become effective for the 2017-2018 Fund Year. Specifically, IDT anticipates that its request to expand the TRS Fund contribution base to include intrastate revenue will, upon positive action by the Commission, significantly increase the contribution base and result in a corresponding reduction of the TRS contribution factor for the 2017-2018 TRS Fund Year. Here as well, should there be any need to "shore up" the amount of money in the Fund, this may be accomplished by spreading the cost of a significantly larger base, thereby causing less harm to TRS Fund contributors.

⁵ Public Notice at p. 2.

In sum, what IDT is asking the Bureau to do is to consider the impact of its decision in this proceeding on the contributors to the TRS Fund – both carriers and consumers - and to seek out and implement all reasonable steps to reduce the burden placed on contributors. IDT understands the importance of the TRS Fund and we support it wholeheartedly. Likewise, we understand that the primary focus of the Bureau and the Commission is and will always be on ensuring the security of the Fund. IDT does not seek to undermine this importance. But what IDT does seek to do is to stress that the Bureau and the Commission should have a secondary focus, namely, to understand the sacrifice by consumers and contributors – who contribute well over one billion dollars to the TRS Fund annually - and to seek ways to reduce the great financial harm caused by that sacrifice. IDT understands that it is the Bureau’s position that some ways to reduce the harm – reducing the IP CTS rate to a more appropriate, lawful figure and expanding the contribution base – are beyond the scope of this proceeding. But reducing or eliminating the amount held in reserve *is* within the scope of this proceeding and doing so will have an immediate, meaningful impact on the amount of sacrifice required by consumers and contributors and will not harm the stability of the Fund. For these reasons, we ask that the Bureau reduce the amount held in reserve to no more than \$89,300,000.

Sincerely,

/s/ Carl Billek

Carl Billek
Senior Regulatory Counsel
IDT Telecom, Inc.