

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

<b>In the Matter of</b>	)	
	)	
<b>Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities</b>	)	
	)	
<b>Recommend TRS Cost Recovery Guidelines</b>	)	<b>CC Docket No. 98-67</b>
	)	
<b>Request by Hamilton telephone Company for Clarification and Temporary Waivers</b>	)	

**COMMENTS OF WORLDCOM, INC.  
FURTHER NOTICE OF PROPOSED RULEMAKING**

**Summary**

In this Further Notice of Proposed Rulemaking (“FNPRM”) the Commission seeks comment on what Video Relay Service (“VRS”) cost recovery mechanism to establish on a permanent basis. WorldCom Inc., (“WorldCom”) urges the Commission to adopt the rate-setting methodology used by the National Exchange Carriers Association (“NECA”) to set reimbursement rates for traditional Telecommunications Relay Service (“TRS”) as well as Speech-to-Speech (“STS”) relay service. This methodology yields the most efficient outcomes for services comprised of fixed and variable cost components. If demand and cost elements are properly estimated under this methodology, there is no reason relay providers cannot be fully reimbursed for recurring and non-recurring costs. More importantly, this methodology rewards providers when demand increases, giving them an incentive to promote VRS, and improve the quality of service. In contrast, a methodology that would reimburse relay providers with fixed

payments, independent of actual levels of use, would perversely reward relay providers for declining levels of demand, and could incent them to refrain from promoting or improving the quality of service.

**Sprint and CSD Fail To Support Their Claim That Existing Reimbursement Methods Fail To Reimburse VRS Providers In a Timely Fashion**

Sprint and Communication Service for the Deaf (“CSD”) maintain that reimbursing VRS on the basis of completed conversation minutes will not permit them to recover the substantial investment costs associated with VRS within a reasonable period of time.<sup>1</sup> Sprint and CSD do not support this claim. They refer to the higher costs of providing VRS, but the methodology proposed by NECA accounts for the substantially higher costs associated with VRS.<sup>2</sup> In fact, the speed at which VRS costs would be recovered is quite rapid, because most VRS costs are recurring and are recovered every month. WorldCom’s experience offering VRS suggests that that approximately 20 percent of VRS costs are fixed, non-recurring investment costs, and 80 percent are variable, recurring costs, mostly associated with operator salaries. The vast majority of a provider’s VRS costs would therefore be recovered every month.<sup>3</sup> Fixed investment costs would be recovered more slowly, according to the rates set for various types of equipment in the Commission’s depreciation prescription proceedings. But these fixed costs are a relatively small

---

<sup>1</sup> Sprint Comments, Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CC Docket No. 98-67 and CC Docket No. 90-571, January 5, 2001 at 3; CSD Comments, January 29, 2001 at 3.

<sup>2</sup> NECA has established \$9.614 per minute for VRS, compared to \$2.469 for STS, and \$1.395 for traditional relay. See NECA, Supplemental Submission Concerning the Payment Formula and Fund Size Estimate for the Interstate Telecommunications Relay Services Fund for July 2001 thru June 2002, CC Docket No. 90-571, January 04, 2002.

<sup>3</sup> So long as its actual demand was similar to the demand figures it supplied to NECA.

percentage of the cost of providing VRS, and in any case are recovered at the same speed as STS, another expensive relay service.

**Sprint and CSD's Proposal Provides A Fixed and Guaranteed Level Of Recovery. It Is Not A Flat Recovery Method**

Sprint and CSD's proposal piggybacks on the valid notion that a flat recovery method is appropriate where the large majority of costs are non-traffic sensitive.<sup>4</sup> WorldCom's experience with VRS suggests that VRS costs are mostly traffic sensitive. Assuming for the sake of argument that VRS costs were predominantly non-traffic sensitive, it would be appropriate for NECA to establish a flat, per-call VRS reimbursement amount, and allow providers to be reimbursed according to their volume of completed calls, rather than according to their volume of conversation minutes.

But that is not what Sprint and CSD are proposing. Sprint and CSD propose applying a national average rate of reimbursement to a guaranteed level of conversation minutes. Under this proposal it would seem that NECA would first solicit cost and conversation usage information from VRS providers, just as they have done to date. NECA would then establish a national average VRS rate by dividing cost levels by usage levels, just as it has done to date. What's new is that NECA would then establish a fixed number of minutes that would be assigned to each VRS provider.

**Guaranteed Recovery Will Limit Competition, Limit VRS Quality Improvement, And Reduce VRS Demand**

The Commission is rightly interested in expanding the use of VRS. This goal will not be realized if it adopts the sort of recovery method proposed by Sprint and CSD. Under this

---

<sup>4</sup> CSD Comments at 3, Sprint comments at 4.

proposal, VRS providers will be reimbursed according to a fixed number of conversation minutes. Providers with demand lower than this fixed amount will be able to hire fewer VRS operators. They will have lower costs, and will receive the same reimbursement as a provider facing higher demand and higher costs. Providers will therefore have incentives to reduce demand, or at a minimum not promote or improve the quality of the service. That is what a rational VRS provider will do under this system.

Competition and consumer choice will also be reduced by this proposal. Because VRS is currently recovered solely through the Interstate TRS Fund, it is possible for a VRS provider to be reimbursed for an intrastate VRS call, even if it is not the relay provider for the state in question. A provider with a superior quality of VRS service might want to promote its service nationally. One would expect a superior service to both win demand from other providers, and increase the number of VRS users in the population. Increasing demand can only be met by hiring more operators. A method that bases reimbursement on completed calls places additional revenue, every month, in the hands of those who experience increasing demand. A method that sets a fixed reimbursement amount, such as proposed by Sprint and CSD, penalizes VRS providers for seeking to improve the quality of and demand for their service. The Commission should therefore reject any fixed reimbursement plan for VRS.

A more fruitful method of increasing the demand for and use of VRS would be to approve Sprint and CSD's requests to relax the mandatory minimum requirements.<sup>5</sup> It is difficult for relay providers to predict hourly levels of demand for new relay services. This often

---

<sup>5</sup> Sprint Comments at 2, CSD Comments at 1.

makes it difficult to comply with the Commission's speed of answer requirements.<sup>6</sup> As a general matter, so long as providers are reimbursed only if a person actually makes a call, it makes sense for the Commission to significantly relax its mandatory minimum standards for new services and new service platforms. This will incent providers to bring new services to market that provide an acceptable level of quality. If speed of answer, typing speed, clarity of conversation, or any other feature associated with a new service is too far below standards placed on traditional relay, users will simply refrain from using the new service and the relay provider will not obtain reimbursement. Over time, this method of reimbursement will ensure that carriers will seek to win customers by improving the quality of the features associated with their new relay services.

#### **Conclusion**

WorldCom urges the Commission to reject Sprint and CSD's proposed reimbursement method. It would reward relay providers for declining levels of demand, and could incent them to refrain from promoting or improving the quality of service. WorldCom urges the Commission to utilize the traditional methodology of setting a national average rate based on actual VRS costs and usage. This method would encourage VRS providers to compete with each other, promote their existing services, and make improvements in the quality of their VRS services.

WorldCom supports Sprint and CSD's request to relax the minimum standards for VRS.

Sincerely,

**Larry Fenster**

---

<sup>6</sup> Comments of WorldCom, Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CC Docket No. 98-67, July 30, 2001 at 5.

Larry Fenster  
1133 19th St., NW  
Washington, DC 20036  
202-736-6513

### **Statement of Verification**

I have read the foregoing and, to the best of my knowledge, information and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct.

Executed on February 28, 2002

Larry Fenster

Larry Fenster



### **Service List**

I hereby certify that on February 28, 2002, a copy of these Comments was delivered by electronic mail to the following parties:

Qualex International  
Qualexint@aol.com

---

L. Elizabeth Bryant