

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

In the Matter of)	
)	
Structure and Practices of the)	CG Docket No. 10-51
Video Relay Service Program)	
)	
Telecommunications Relay Services and)	CG Docket No. 03-123
Speech to-Speech Services for Individuals)	
with Hearing and Speech Disabilities)	
_____)	

COMMENTS OF CSDVRS, LLC

CSDVRS, LLC (d/b/a ZVRS, “CSDVRS”) hereby offers its comments in response to the Notice of Proposed Rulemaking (“NPRM”) issued by the Federal Communications Commission (“FCC” or “Commission”) on April 15, 2011 concerning the rates and compensation for video relay service (“VRS”) for the 2011-12 Interstate Telecommunications Relay Services (“TRS”) Fund (Fund) year.¹ CSDVRS, as with other VRS providers and relay stakeholder organizations, supports a tiered rate structure as critical to sustaining consumer choices and innovations to services and products, maintaining the integrity of and savings to the TRS Fund, and allowing for stable and predictable funding to ensure quality services during a time the VRS market undergoes significant changes.

¹ *In the Matter of Structure and Practices of the Video Relay Service Program; Telecommunications Relay Services and Speech to-Speech Services for Individuals with Hearing and Speech Disabilities, Public Notice*, CG Docket No. 10-51; CG Docket No. 03-123, FCC 11-62, 76 FR 24442, (“Rate NPRM”) (2011).

I. INTRODUCTION

In its Rate NPRM, the Commission seeks to further develop the record with respect to VRS compensation structure following its 2010 Notice of Inquiry proceeding.² The Commission seeks additional comment about VRS accounting requirements and how it should treat certain costs and expenses including the capital used in the provision of VRS. The Commission seeks comment about its tentative conclusion that, in the event that it does not finalize a compensation structure prior to the next Fund year beginning July 1, 2011, it should extend the current interim rates for VRS of \$6.2390 for Tier I, \$6.2335 for Tier II and \$5.0668 for Tier III.

Since any fundamental changes to the VRS compensation structure should be specifically described in a further rulemaking proceeding to ensure relay stakeholders a complete opportunity to comment on such a proposal, CSDVRS will concentrate the comments in this instance on what appears to be the Commission's consideration of the current tiered rate structure given that the Rate NPRM does not specifically propose any other compensation methodology.

CSDVRS supports extending into the next Fund year the tiered rate structure as a stable and predictable funding mechanism which best balances the objectives of progressing towards an ADA-compliant level of relay services and ensuring that providers have the opportunity to realize a reasonable return in providing that level of relay services during a period that substantive changes are being made to the VRS program. CSDVRS also urges the Commission to expand the tiers in the interim to better align the shifted economies of scale caused by the growth of the VRS market.

² *Structure and Practices of the Video Relay Service Program*, CG Docket No. 10-51, Notice of Inquiry, 25 FCC Red 8597 ("2010 VRS NOI") (2010).

II. THE TIERED RATE METHODOLOGY HAS ADVANCED QUALITY AND INNOVATIVE VIDEO RELAY SERVICES AND PRODUCTS

The Abused Deaf Women Advocacy Services (ADWAS) was founded because there was no support system for abused deaf and hard of hearing people from public services such as police department, justice system, hospitals, etc. Often when an abused d/hh victim is brought to the emergency room, doctors, nurses, police officers, paramedics often find themselves scrambling for answers on how to communicate, assist and save a life - no one knows what to do, where to go, who to turn to or how to provide. ADWAS has grown into a nationwide recognized service at saving lives and providing services but they still were using obsolete TTY lines, no full access hotline service, no full videophone systems with video mail, alerting or mobile services to be reached at any time. Today, I am proud to say communications barriers have been steadily broken down with the help of ZVRS. Now, through the service and technology provided by ZVRS and used by ADWAS and public service facilities and personnel, lives are being saved by the second. *Marilyn S., Seattle.*

The tiered rate structure has been the foundation for a sustainable VRS program which enables competition and greater consumer choices in progressing relay consumers towards the Americans with Disabilities Act's ("ADA") mandate of functional equivalency³ in their telecommunications.⁴ The Commission adopted a tiered rate methodology for VRS to reflect that "providers that handle a relatively small amount of minutes and therefore have relatively higher per-minute costs will receive compensation on a monthly basis that likely more accurately correlates to their actual costs" in furtherance of "promoting competition" and to ensure that the dominant provider is not "overcompensated due to economies of scale."⁵ The consensus view among providers

³ CSDVRS fully endorses the Consumer Group's definition of functional equivalency in relay services and its position that it must serve as the standard by which TRS funding decisions are assessed. *See, In the Matter of Structure and Practices of the Video Relay Service Program; Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, Public Notice, Notice of Ex Parte Meeting, Consumer Groups' TRS Policy Statement - Functional Equivalency of Telecommunications Relay Services: Meeting the Mandate of the Americans with Disabilities Act*, CG Docket No. 10-51; CG Docket No. 03-123 ("Consumer Groups' TRS Policy Statement") (April 12, 2011).

⁴ Pub. L. No. 101-336, § 401, 104 Stat.327, 366-69 (adding Section 225 to the Communications Act of 1934, as amended, 47 U.S.C. § 225) ("Section 225 of the Communications Act.").

⁵ *See In re Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket No. 03-123, Report and Order and Declaratory Ruling, 22 FCC Rcd 20140 (2007), as corrected by Erratum, DA 07-5089, 22 FCC Rcd 21842 (2007).

and relay stakeholder organizations⁶ is that the current tiered rate methodology has been a tremendous success story, spurred by emerging and non-dominant providers competing and innovating, which has “accomplish[ed], among other things, shorter hold times, clearer video displays and connections, higher quality video interpreting, the establishment of a ten-digit numbering system, automatic 9-1-1 services, new videophone hardware and application software, video mail, expanded video technology installations in businesses, workplaces and public places, and enhanced features for video dialing and connections.”⁷ While advancements in VRS have been regrettably challenged and slowed by the fraudulent or unethical activity of some individuals (which has been the subject of vigorous enforcement and regulatory activity to end such abuses), there is absolutely no question that the tiered rate structure has significantly progressed VRS towards closing the gap with functional equivalency in telecommunications as compared to the consumer experience prior to the tiered rate structure’s adoption in 2007.

In the current Fund year CSDVRS has brought consumers life-changing new and enhanced technologies to access relay services. CSDVRS has steadily refined the services of its fully certified video interpreter workforce and increasingly exceeded TRS requirements such as the minimum average speed of answer to support consumers conducting their relay calls in a functionally equivalent manner. In the past two years, CSDVRS has released four new video phones to the market (Z340, Z150, Z20 and the

⁶ See, *In the Matter of Structure and Practices of the Video Relay Service Program*, Telecommunications for the Deaf and Hard of Hearing, Association of Late-Deafened Adults, Inc., National Association for the Deaf, Deaf and Hard of Hearing Consumer Advocacy Network, American Association of the Deaf-Blind, Comments in Response to Notice of Inquiry, CG Docket 10-51 (supporting continuing the tiered rate structure) (August 18, 2010).

⁷ See, *Written Ex Parte: Structure and Practices of the Video Relay Service Program*, Joint letter to Chairman Genachowski from CSDVRS, LLC, Snap Telecommunications, Inc., Purple Communications, Inc., AT&T Services, Inc., and Convo Communications, Inc., CG Docket No. 10-51 (“offered in further support of the tiered rate reimbursement methodology”) (January 21, 2011).

ZOjo), a software client available for download for both the PC and MAC systems (Z4) and Z4 Mobile for many Android smartphones, Android tablets and Apple's iPhone 4, iPod Touch and iPad 2. CSDVRS is driven by a philosophy of providing relay consumers with more choices of telecommunication products, as well as offering the highest quality, fully certified interpreting services. Furthermore, CSDVRS strives to provide its services and products in a manner which enables consumers to independently determine the nature of their telecommunications, for example, CSDVRS has eschewed the disempowering model of requiring relay users to apply and hope they are selected for a videophone, eligible consumers are able to select, purchase and/or download from CSDVRS a range of telecommunications options whenever they desire it.

<p>I own a car dealership business, Precision Auto Sales. All of my business is over the phone and I count on top quality interpreters to make my customers confident regardless of deaf/hard of hearing employees such as myself and my staff. With ZVRS, I have the best product and service available to me. ZVRS provides very competent people to work with, thus making my business very successful. <i>Sal R., New York City</i></p>

Relay consumers have strongly responded to CSDVRS' industry leading commitment and investment in the quality of their calling experience, choosing to use CSDVRS services and products in exponentially increasing numbers. To date in this Fund year, the tiered rate structure has enabled a 118% increase in the number of customers with a ten digit number provided by CSDVRS, allowed for a 132% increase in the number of customers who have acquired video communication technologies from CSDVRS, enabled a 60% increase of VRS calls serviced and 48% increase of VRS minutes handled, experienced a 71% increase in the number of hearing inbound callers serviced, supported a 386% increase in CSDVRS' handling of emergency (e911) calls, and driven a 21% decrease in CSDVRS' average speed of answer time.

I am an administrator of the deaf and hard of hearing program located in Solvay, near Syracuse. Initially there were severe reservations about installing videophones at the school based on a bad experience with another VRS provider being unable to resolve firewall issues. ZVRS was able to install videophones for deaf and hard of hearing staff with minimal changes to our network security. I was so impressed with ZVRS' willingness to work with us to successfully provide video solutions and felt that we made the best decision for our school to take advantage of ZVRS' service and products. We are now better able to serve our staff, students and parents. *Jeffrey W., Solvay*

CSDVRS is constantly exploring ways to better the caller experience, including through the expansion and development of the different features of our videophones to provide our callers a functionally equivalent experience on par with hearing callers. CSDVRS continues to stay on top of technology advancements and plans to support additional off-the-shelf Android and Apple products through the development of application software for the yet to be released devices. CSDVRS looks forward to continuing its progress to the benefit of relay customers under an extended tiered rate structure.

It would benefit the VRS program if there were better understanding of what it takes to be a "real service provider" and the associated legitimate costs. First we must account for the fact that access to VRS is not yet possible without provider videophones or video communications software programs. CSDVRS is the only company that has provided a successful off the shelf purpose built videophone in competition with the dominant provider giving consumers true choice and options from its closed monopolistic offer. This has come at considerable expense not just in the cost of the phone but installation, training, support, platform operations and engineering (ensuring interoperability), failed unit repair and replacement, testing and more. Even if off the shelf technology which readily connects with VRS eventually becomes available, there will always be training and support issues. For example, CSDVRS has an extensive

customer service department that supports home routing issues, confusion on loading software on off the shelf equipment, confusion with dial around and porting, confusion and support of our video phones, all of which involve hundreds of CSDVRS people to support or service. This cost is absolutely critical in providing VRS service at the minimum mandated service levels required by the Commission and is indeed equivalent to the support a hearing person might get from major telecommunication companies such as AT&T, Comcast or Verizon. In addition, today's market is dominated by purpose built videophones. We must examine the evolution of this great service and revisit the many prohibited costs today which are necessary to progress and truly compete. Without the allowance of these costs the competition will be relegated to dial around only which has been obviated in practice by the use of ten digit numbers provided by a default VRS provider. True competition and innovation comes at a cost and fortunately for CSDVRS the tiered rate structure has given us the ability to innovate and compete.

III. RATE STABILITY IS ESSENTIAL TO ALLOW FUNDAMENTAL VRS PROGRAM CHANGES TO SETTLE INTO PLACE

Last month the Commission issued a Report and Order which made comprehensive changes to the practices and structure of VRS.⁸ CSDVRS regards the new rules as significant reform which will help safeguard the long term health of VRS. CSDVRS, as with other providers, are diligently laboring to implement the substantial list of new requirements, effecting a material change in the business of providing relay services. The Commission's commitment to maintaining quality VRS during this transition period must be predicated on a consistent, stable and predictable rate funding structure to ensure that VRS providers are able to maintain during this period of

⁸ See, *In the Matter of Structure and Practices of the Video Relay Service Program*, Report and Order and Further Notice of Proposed Rulemaking, CG Docket 10-51, ("2011 Order") (Adopted April 5, 2011).

significant change a fully compliant level of services. It is crucial that the Commission extend the current tiered rate into the next Fund year to allow providers time and stability in making those changes so that relay customers do not experience any degradation to their access to relay services.

In CSDVRS' case, the 2011 Order required it to terminate long standing business relationships with non-eligible providers who partnered with CSDVRS to serve certain segments of relay customers. CSDVRS will complete the required changes by the 2011 Order's effective date of June 1st, but is clear that much work will continue well past that date to effectuate the complete transition of customers from non-eligible providers. The 2011 Order also requires CSDVRS to terminate its contractual interpreter support from several interpreter agencies. Likewise, CSDVRS will be timely compliant, but again much work is needed to hire, transfer, orient, train and otherwise prepare the new cadre of high quality and fully certified CSDVRS interpreters to replace the loss of interpreter contract support so that customers do not experience any change to the quality of proficient interpreting CSDVRS is renowned for nor would customers experience any increase to the average speed of answer of their calls. CSDVRS urges that the Commission maintain the current rate structure to allow CSDVRS the ability to fluidly effectuate these changes in the next Fund year.

The Commission's new annual audit requirement is another compelling reason to continue the tiered rates. The financial information of CSDVRS, as with other VRS providers, has been extensively disclosed to the Commission and its auditors in an ongoing process. The Commission will require time to assess and compare that information, and address any issues that arise from its review. Relatedly, the Commission

has waived the May 1, 2011 TRS Fund Administrator's filing requirement for VRS payment formulas and revenue requirements.⁹ The Commission has changed the Fund Administrator to Rolka Loube Saltzer Associates, LLC (RLSA). Time and stability of funding in the next Fund year is required to properly transition to a new Fund Administrator which is then provided the opportunity to review and work with the Commission in setting the appropriate VRS payment formula and revenue requirements in subsequent Fund years.

In addition to the Commission, providers and consumers' transitioning pursuant to the 2011 Order and the time involved to effectuate the new certification process which will also significantly affect the VRS market, other fundamental VRS reform items are being considered following the 2010 VRS NOI.¹⁰ A stable and predictable rate structure in the form of an extended tiered rate funding is required so that relay stakeholders and providers can concentrate on engaging in this reform without being diverted by service issues caused by changed or uncertain funding approaches. It would also serve us well if we allowed time and a stable structure to address the fundamental points raised by Consumer groups in their TRS Policy Statement, specifically what "action(s) will move TRS users on both sides of the conversation toward functional equivalent experience, and what technology, equipment, training, program, policy, or service needs to be developed, (or can be provided), to achieve greater functional equivalency."¹¹ Having this discussion is especially vital given the rapid evolution of off-the-shelf technology coming into use by relay consumers and which was subject to a recent Consumer and Governmental

⁹ See, *In the Matter of Structure and Practices of the Video Relay Service Program; Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, Public Notice*, CG Docket No. 10-51; CG Docket No. 03-123, DA 11-655 (2011).

¹⁰ See, Rate NPRM.

¹¹ See, Consumer Groups' TRS Policy Statement, pg. 1.

Affairs Bureau Public Notice seeking additional comment and information regarding new and emerging technologies that may be used to access VRS.¹²

IV. COST CONSIDERATIONS MAKE IMPERATIVE MAINTAINING THE CURRENT RATE LEVEL

CSDVRS has become a proficiently efficient provider by investing in platform technology and leveraging of commercial of the shelf smart phones and tablets to improve interpreter efficiency and significantly improve the quality of life for the deaf community by rolling out mobile video phone technology on laptop computers, Android based smartphones, iPhone, iPad and iPod products from Apple and Android based tablets in the last 9 months. The dramatic change in off the shelf video technology is just beginning and another year of analysis of this change will also give the FCC more time in determining the appropriate changes to the VRS program to account for this major market change. CSDVRS is also the first to significantly begin shifting the cost for the hardware from the VRS provider to the deaf consumer, resulting in another level of cost savings to the Fund. During the same period many others made only minor technology announcements, e.g., additional features on the current platform and reduced qualifications of their video interpreters thereby degrading service quality for profit maximization rather than investing to constantly improve the quality of life for the deaf.

CSDVRS has yet to realize a return on its investment, understanding that, absent an increase to the VRS rates, the only way it can accomplish the Commission's established rate of 11.25% return on investment¹³ is to continuously invest in better

¹² See, *Public Notice, Consumer and Governmental Affairs Bureau Seeks Comment on Application of New and Emerging Technologies for Video Relay Service Use*, CG Docket No 10-51, DA 11-317 (rel. February 17, 2011).

¹³ See, *In the Matter of Telecommunication Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Order, CC Docket 98-67, FCC DA03-2111 (2003).

services and products in an effort to grow to a similar economy of scale experienced by the dominant VRS provider. CSDVRS relies and has made investment commitments based on the Commission's maintaining a stable and predictable funding for VRS, accomplished by extending the tiered rate structure.

If the Commission is to ensure a robust and competitive market, the rate must correspond with a range of providers' true costs of providing VRS and investing in technology enhancements. A rate methodology which reflects lower than the true costs makes it a problematic to grow to achieve economy of scale and realize a reasonable return on their investment. CSDVRS has discussed with the Commission a model which presented a sophisticated analysis of the economies of scale in the VRS industry demonstrating the allocation of fixed and variable costs as volume increases.¹⁴ CSDVRS' analysis indicated that expanding the tier levels would better reflect the changes in economies of scale incurred at various volume levels and result in significant savings to the TRS Fund by decreasing overcompensation to the dominant provider.

The Commission has in its possession information on all of CSDVRS' costs associated with the provision of VRS; the Commission is fully aware that CSDVRS as a proven efficient provider which has worked hard to bring its operating costs steadily down while remaining competitive *cannot be said to be overcompensated under the tiered rate structure for the VRS calls it services*. Nevertheless, CSDVRS labors to accomplish under the current rate structure certain costs which are either not adequately compensated or not at all, specifically those costs related to ten digit numbering, E911 support, compliance with TRS requirements, customer support, phone costs, increases in standard operating expenses,

¹⁴ See, e.g., *In the Matter of Structure and Practices of the Video Relay Service Program*, Comments of CSDVRS LLC. and Petition for Clarification and Rulemaking, CG Docket 10-51, (March 7, 2011).

outreach, the cost of videophones and R&D.¹⁵ Thus, the Commission must maintain the current rate at each tier to ensure a minimally equitable and reasonable compensation and to maintain incentives for providers to continue to build for the future.

We concur with the Commission's assessment that the current tiered rate structure has resulted in significant savings for the Fund.¹⁶ The Commission has vigorously defended the interim tiered rate as reasonable, balanced and advancing the "functional equivalency mandate."¹⁷ Extending the interim rate into the next Fund year would preserve the balance the Commission sought in adopting those rates "between the goals of ensuring that VRS providers recover their reasonable costs from the Fund and ensuring quality and sufficient service while the Commission considers reform of the practices and structure of VRS."¹⁸

V. FINANCIAL ISSUES

A. Accounting

As noted in the Commission's Rate NPRM, some providers including CSDVRS are of the view that a mismatch would largely be created if Part 32 Uniform System of Accounts¹⁹ were required to apply to the VRS industry because of the difference between the labor intensive nature of VRS as compared to Part 32's focus on the costs of traditional telecommunications companies which utilize physical assets as the primary

¹⁵ See, e.g., CSDVRS' 2010 Rate Comments.

¹⁶ See, e.g., Rate NPRM, pg. 3.

¹⁷ See, e.g., *Sorenson Communications, Inc., v. Federal Communications Commission and the United States of America*, Uncited Preliminary Answer Brief (Public Version)(10th Cir. 2010). CSDVRS contends, however, that any overcompensation issues exclusively apply to Sorenson whose scale of economy establishes their actual costs as drastically lower than those of other providers.

¹⁸ See, e.g., Rate NPRM, pgs. 1-2.

¹⁹ See 47 C.F.R. § 32.1 *et seq.*

conduit for communications.²⁰ Given the Commission's recent Report & Order²¹ which requires that all TRS providers submit to audits at least annually, CSDVRS continues to be of the view that providers should be permitted to establish an accounting structure that best fits their business and which is subject to the required financial audits to ensure their accuracy and conformity with generally accepted accounting principles ("GAAP").

If the Commission believes that a prescribed system of accounts is necessary, CSDVRS recommends a reconfigured chart of accounts which is more aligned with the cost structure of VRS providers. The Commission has in its possession CSDVRS' and other VRS providers' financial documents as a result of a recent industry-wide audit and can review how providers have accounted for their financials. In addition, we have attached a sample balance sheet and income statement (Attachment A) reflective of the types of items which occur within the VRS industry. While the attached sample is representative and we prefer to maintain our current chart of accounts, we remain available to work with the FCC and the industry outside a rulemaking process to develop a TRS industry-specific chart of accounts should the FCC choose that route.

B. Capital

CSDVRS continues to be of the view that the Commission should not cap or otherwise set limits related to raising and investing capital, interest expenses and debt repayment.²² The Commission's allowed 11.25% return on investment, when calculated properly and incorporated in the rate, should be sufficient to cover dividend payments and debt repayments to investors inclusive of debt repayment for capitalization for

²⁰ See, *In the Matter of Structure and Practices of the Video Relay Service Program*, Comments of CSDVRS LLC., CG Docket 10-51, p.4-6 ("CSDVRS NOI Comments") (August 18, 2010).

²¹ See, 2011 Order, para. 84.

²² See, CSDVRS NOI Comments, at p. 7.

growth. CSDVRS has previously commented about the TRS Fund Administrator's deviation from the return on investment methodology established for Local Exchange Carriers, and instead utilizing what we believe to be an erroneous application of the Return on Net Book Value of Depreciable Assets methodology which greatly understates the return the FCC intended for TRS providers.²³ In its 2010 Rate Comments, CSDVRS provided detailed information on two proposed alternative rate of return methodologies, "Hybrid Capital" and "Consistent Margin," to bridge the current gap with the intent of the 2003 Rate Order to generate a fair and reasonable return on provider investments.

Consistent with the above, CSDVRS is of the view that the approval of the Commission should not be required for any provider financial activity including raising capital. It is incumbent on providers to make fiscally sound decisions and the extent of any public obligations or liabilities is limited to the compensation paid out from the TRS Fund for VRS call minutes actually and legitimately generated. Since information about any material financial transactions should be accounted in providers' financial records which is subject to inspection and audit by the Commission, disclosure of these transactions are implicitly subject to disclosure at any time to the Commission. If the Commission decides to include reporting significant financial transactions in the obligation to notify the Commission of substantive changes, CSDVRS is of the view that trigger point should be any financial transaction over a million dollars. Furthermore CSDVRS believes that the Commission should apply the same reasoning it determined that provider cost and demand data were not publicly disclosable²⁴ in treating provider

²³ See, *In the Matter of Structure and Practices of the Video Relay Service Program*, Comments of CSDVRS LLC re: proposed VRS compensation rates, CG Docket Nos. 03-123 and 10-51 ("2010 Rate Comments") (May 10, 2010).

²⁴ See, 2011 Order, para. 81.

financial transactions as proprietary and not subject to public scrutiny if their disclosure is not otherwise required by an applicable law or regulation.

Moreover, although CSDVRS believes that many costs that are not currently reimbursable are crucial to customers' access to relay services and should be allowable, any items deemed non-reimbursable should be permitted to be reconciled to the company's audited financial statements prepared in accordance with GAAP and included in the information submitted pursuant to the annual collection of provider costs and demand data.

VI. CONCLUSION

I am a deaf Sous Chef who runs a 4/5 star restaurant. Before I used the Z, I had another VRS provider's videophone and was having trouble with calls. My business contacts and vendors would not trust calling me but use text instead. That resulted in very limited communication between vendors and me. After I switched to a Z videophone, people trusted more using the phone to call me, and we realized that Z's certified interpreters were outstanding and better than other VRS I have used in past. I gave out my Z phone number to my vendors, and they all call me more than texting now. The reason for that is because the vendors are better able to explain to me in detail about the special deals, or some surplus they want to get rid of rather than using text that limits the communication between vendors and me. Also, the Z alerts and video messages help me get things done faster. *Bobby O., Tampa*

CSDVRS has always been, and continues to be, a strong proponent for the continued use of a multi-tier, multi-year rate as it allows equitable treatment of all providers despite their market size and levels of efficiency. We have provided a model and analysis of the economies of scale in VRS justifying tiers. A variance to the tiered rate structure at this time would cause great uncertainty and a slowdown in the industry to the ultimate detriment of relay customers. At this critical juncture in an evolving and maturing VRS, we continue to hold to the consensus view that the tiered rate is a proven methodology for sustaining progress and that now is not the time for the Commission to

imperil such progress by experimenting with new untested VRS compensation approaches.

The tiered system has allowed greater competition in the marketplace, it has lowered costs, and it has ultimately resulted in greater benefit of deaf and hard-of-hearing relay consumers. We urge the Commission to extend for one year the current rate structure and leave tiered rates as an on going part of rate setting moving forward. This will ensure stability and quality VRS while the Commission, providers and relay stakeholders work through the challenges of implementing the requirements of the 2011 Order, undertake critical new operational responsibilities, examine and include rapidly evolving technologies, evaluate information about unserved and underserved relay consumers, discuss enhancing the delivery of interpreting services and consider further critical changes to the VRS program.

Respectfully Submitted,
CSDVRS, LLC

By:

Jeff Rosen
General Counsel
CSDVRS, LLC
600 Cleveland Street, Suite 1000
Clearwater, Florida 33755
Videophone: (240) 560-4396
jrosen@zvrs.com

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ATTACHMENT A:

Sample VRS, LLC Consolidated Balance Sheets

<u>Assets</u>	<u>Acct</u>	<u>December</u> <u>2010</u>	<u>Notes</u>
Cash	1000	XXX	Accts 10XX are for various cash and cash equivalent accounts
Accounts Receivable	1100	XXX	
Reserve	1101	XXX	
Prepaid Expenses & Other Current Assets	1200	XXX	Accts 12XX are for various Prepaid accounts (Insurance, Rent, Empl Advance, etc)
Inventory	1300	XXX	Accts 13XX are for various VideoPhone Equipment
Total Current Assets		<u>XXX</u>	
Property & Equipment, gross	1400	XXX	Accts 1400-1419 are for various asset classes within Fixed Assets
Less: accumulated depreciation	1420	(XXX)	
Property & Equipment, net		<u>XXX</u>	
Deposits	1501	XXX	
Goodwill	1500	XXX	
Total Assets		<u>XXX</u>	
Liabilities and Members' Equity			
Accounts Payable	2000	XXX	
Accrued & Other Current Liabilities	2100	XXX	Accts 21XX are for various accruals (taxes, payrolls, utilities, etc.)
Current Portion of Long-Term Debt	2200	XXX	
Total current Liabilities		<u>XXX</u>	
Long-Term Debt	2201	XXX	
Total Liabilities		<u>XXX</u>	
Paid in Capital	3100	XXX	Depending upon corporate Structure, accounts within the Equity section of the balance sheet may vary
Accumulated earnings	3200	XXX	
Total members' equity		<u>XXX</u>	
Total Liabilities and Members' Equity		<u>XXX</u>	

**Sample VRS, LLC
Income Statement**

	<u>Acct</u>	<u>VRS</u>	<u>NON-VRS</u>	<u>CONSOLIDATED</u>	<u>Notes</u>
Revenue					
VRS Revenue	4000	XXX	0	XXX	
Contractor Revenue	4010	XXX	0	XXX	
Other Revenue	4030	0	XXX	XXX	Other Lines of Business (e.g. VRI)
Reserve	4099	(XXX)	(XXX)	(XXX)	
Total Revenue		XXX	XXX	XXX	
Call Center Costs					
Labor	5400	XXX	XXX	XXX	Direct Expenses specifically related to providing VRS (or other similar) services
Facilities	5230	XXX	XXX	XXX	Accts 5400-5449 related to various payroll items
Telecom	5260	XXX	XXX	XXX	Accts 5230-5249 to include utilities and other costs directly related to call centers
Other	5300	XXX	XXX	XXX	
Total direct costs		XXX	XXX	XXX	
Gross Margin		XXX	XXX	XXX	
GM%		x%	x%	x%	
SG&A					
Outreach Costs (tradeshows)	6000	XXX	0	XXX	
Bank Service Charges	6010	XXX	XXX	XXX	
Business Insurance	6020	XXX	XXX	XXX	
Computer Equip/Supply/Software	6030	XXX	XXX	XXX	
Dues & Education	6070	XXX	XXX	XXX	
Legal Fees	6120	XXX	XXX	XXX	
License & Fees	6130	XXX	XXX	XXX	
Materials - Z-Products	6135	0	XXX	XXX	Miscellaneous Expenses for providing videophones to consumers (e.g. shipping supplies)
Mobile Communication	6140	XXX	XXX	XXX	
Office Expense & Supplies	6150	XXX	XXX	XXX	Accts 6150-6159 for more detailed expense tracking
Outside Services / Temp Labor	6170	XXX	XXX	XXX	
Postage & Delivery	6180	XXX	XXX	XXX	Primarily Expenses related to shipping videophones to consumers
Property Taxes	6200	XXX	XXX	XXX	
Rent Expense	6230	XXX	XXX	XXX	
Telecom Communication	6260	XXX	XXX	XXX	
Utilities & Maintenance	6270	XXX	XXX	XXX	
Payroll & Related	6400	XXX	XXX	XXX	Accts 6400-6449 associated with non-direct departments re: engr, finance, network ,ops, etc.
Incentive Payroll	6450	XXX	XXX	XXX	For meeting performance targets
Outreach Specialist Costs	6500	XXX	0	XXX	costs associated with educating the deaf re: VRS services
Travel & Entertainment	6800	XXX	XXX	XXX	Accts 6800-6849 related to various travel expenses (airfare, rental cars, etc.)
Other SG&A	6890	XXX	XXX	XXX	
Net Phone Costs	6900	0	XXX	XXX	Net costs related to videophones provided to consumers
Total SG&A		XXX	XXX	XXX	
EBITDA		XXX	XXX	XXX	
Other non-operating income/expense					
Depreciation	5050	XXX	XXX	XXX	
Interest Income	7000	XXX	XXX	XXX	
(Gain)/Loss on Disposal of Assets	7020	XXX	XXX	XXX	
Corporate Income Tax	7040	XXX	XXX	XXX	
Net (loss) / Income		XXX	XXX	XXX	