



FCC Meetings

VRS Reform Policy Recommendations – Rates & Structure

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Leading VRS Positions

Reimbursement Model

	Sorenson	Purple
Per User or Per Minute	Has advocated per user, but seems willing to stay with per minute based on illustrations and examples in recent presentations.	Per minute, but would support per user if necessary.
Rationale	Believes per user will serve as a deterrent to waste, fraud, and abuse and “minute pumping”.	<p>Per user compensation model won’t curb waste, fraud, and abuse.</p> <p>Creates new abuse options (similar to duplicative subscriptions recently denounced by the FCC in LifeLine) and shifts incentive for abuse to consumers who want flexibility and choice. Harder for FCC to enforce rules against individuals in per user model.</p> <p>Between Rolka and OIG audits and waste, fraud, and abuse orders, FCC has made great strides to bring maturity and accountability to current per minute system.</p>

Leading VRS Positions

Rate Structure

	Sorenson	Purple
Rate Structure	Unitary rate applied across the industry. Price cap mechanism for out-year adjustments.	Unitary rate applied gradually over 3-5 years across the industry. Price cap mechanism for out-year adjustments.
Rationale	<p>Tiers “prop up” inefficient suppliers and create waste in the system.</p> <p>Industry needs predictability through long term rates.</p> <p>Industry should benefit from price caps when it operates efficiently and price caps better reflect a high-operating expense industry vs. a capital intensive industry.</p>	<p>Purple and Sorenson share a view that all providers should be compensated at the same rate, for a defined period of years, with price cap driven adjustments.</p> <p>However, Purple believes implementation of technical standards is a critical first step prior to adoption of unitary rates. Technical standards foster a more competitive environment, enhance consumer choice, and give providers ability to reach scale.</p>

Leading VRS Positions

Rates

	Sorenson	Purple
Rates	\$5.14 per minute across the industry.	<p>Purple has previously proposed a <u>temporary continuation of a modified tiered rate structure</u> with expansion of minutes in each tier and reduction in compensation per tier yielding a <u>\$50M annual savings to the FCC</u>.</p> <p>If not acceptable to the FCC, Purple endorses a 3-year continuance of the current tiers with modest reductions to the rates, particularly in Tier 3 where the majority of minutes are reimbursed.</p>
Rationale	<p>\$5.14 is Sorenson’s current blended rate. Given Sorenson’s size, they believe rates less than \$5.14 will harm service experience of VRS users.</p> <p>Despite the fact that Sorenson is 7x larger, Sorenson believes Z and Purple are “at scale” and should be paid at the same rate as Sorenson.</p>	<p>A phased in approach allows technical standards to be implemented and competitive market conditions to improve, while setting a date certain by which all providers will be paid at the same rate.</p> <p>Sorenson has greater operating leverage in its financial model given its size and smaller providers should not immediately be compensated at the same rates.</p>

VRS – Benefits of Scale

- Sorenson’s position as the “all-in” low cost VRS provider is due to their scale rather than their claimed operational productivity or efficiency advantages.
- Purple’s cost per operational minute at Sorenson’s market share would be lower than Sorenson’s, through similar efficiency, but much lower capital structure costs.
- Operating efficiency at scale is achieved in the following provider cost categories:
 - Interpreter utilization – overnights, weekends, Spanish volume
 - Fixed corporate Infrastructure costs (Compliance, Regulatory, Executive Management, IT, etc.)
 - Video platform maintenance
 - Outreach activities – geographically based
- Purple intentionally pays a premium for its interpreters in comparison to Sorenson due to Purple’s certified labor pool.
 - This is a voluntary cost disadvantage incurred to deliver a premium level of service quality, designed to yield incremental market share

VRS – Benefits of Competition

- VRS providers, other than Sorenson, must fuel innovation and invest in equipment and service to create meaningful competition
- Proposed interoperability standards would enable level playing field
- Purple believes that a continuation of a modified tiered rate structure is critical for a defined period to address the scale issue, prior to adoption of a unitary rate