

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
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
)	

COMMENTS OF PURPLE COMMUNICATIONS, INC.

If the Commission wishes to maintain Internet Protocol Relay (“IP Relay”) as a viable service, it must implement rates that reflect reality. The current rate trajectory for IP Relay is simply not sustainable. Accordingly, Purple Communications, Inc. (“Purple”) hereby comments in support of the Petition for Reconsideration filed by Sprint Corporation (“Sprint”) requesting an immediate freeze of the IP Relay rate at its current level, and reconsideration of IP Relay rates and rate structure.¹ Purple agrees with Sprint that the Commission should freeze the IP Relay rate at the current \$1.01 level while it conducts a review to adopt an IP Relay rate and rate trajectory that promote competition, innovation, and service quality in the IP Relay market.

IP Relay serves a unique need: IP Relay serves a unique and critical purpose. It provides accessible communications not only for individuals who are deaf, but also people who are deaf-

¹ See *Request for Comment on Petition Filed by Sprint Corporation for Reconsideration of the Commission’s Internet Protocol Relay Rate Order*, CG Docket Nos. 03-123 and 10-51, Public Notice, 28 FCC Rcd 16063 (rel. Nov. 25, 2013); see also *Petition for Reconsideration of Sprint Corporation*, CG Docket Nos. 03-123 and 10-51 (filed July 31, 2013) (“Sprint Petition”); see also Letter from Scott F. Freiermuth, Sprint Corporation, to Marlene H. Dortch, Secretary, FCC, Ex Parte Presentation, CG Docket Nos. 03-123, *et al.* (dated April 4, 2014) (“Sprint April 4 Ex Parte”); Letter from Scott F. Freiermuth, Sprint Corporation, to Marlene H. Dortch, Secretary, FCC, Ex Parte Presentation, CG Docket Nos. 03-123 and 10-51 (dated April 10, 2014).

blind, have speech impairments, who do not know American Sign Language, or who do not have sufficient broadband speed to use Video Relay Service (“VRS”). IP Relay is also preferred by some users over the higher cost VRS, resulting in a savings to the Fund.

The Commission’s capital-based rate methodology is misplaced as applied to a labor-intensive industry: The methodology used by the Fund Administrator and the Commission to develop “cost-based” rates is poorly designed to effectively measure the true costs of providing IP Relay service.² As Purple has emphasized in previous filings, the Commission’s historical rate methodology, which is oriented toward capital intensive utility carriers, is misplaced as applied to TRS services, including IP Relay, because these are labor-intensive services with very low capital investment requirements.³ Even the Fund Administrator has acknowledged that this methodology does not make sense in a labor-intensive industry.⁴

Declining industry volume supports a rate *increase*: Further, it is important to consider the rate in the context of the IP Relay industry’s declining minute volumes, which have dropped by approximately 60% from 2011 levels.⁵ It is basic math that when demand is in decline, but service standards remain unchanged, rates should naturally and logically increase due to diminishing

² See Comments of Purple Communications, Inc., CG Docket Nos. 03-123 and 10-51 (filed Dec. 5, 2013) (“Purple’s Dec. 5 Comments”); Sprint Petition at 6-8.

³ See, e.g., Comments to Public Notice on Structure and Practices of the Video Relay Services Program, Purple Communications, Inc., CG Docket Nos. 10-51 and 03-123, at 11-12, Addendum A (filed Nov. 14, 2012) (attaching report finding that the Commission should have rejected the weighted average cost formula in the VRS context because it is based on flawed assumptions and undermines the Commission’s goal of increasing competition.).

⁴ See Rolka Loube Saltzer Associates Interstate Telecommunications Relay Services Fund Payment Formula and Fund Size Estimate, CG Docket Nos. 03-123 and 10-51, at 23 (May 1, 2013).

⁵ See Purple’s Dec. 5 Comments at 2.

operating leverage and less revenue to absorb the fixed costs required to deliver the service.⁶ The record did not support the Fund Administrator's recommendation for a rate *cut* in his May 1, 2013 report, given industry volumes that were sharply *declining* at that time. In Purple's case, as of the date of the Administrator's report, Purple's minute volumes were approximately 20% below forecast. Significantly, even with the rapid exit of three of the five certified providers, Purple's full-year 2013 volumes were 17% *below* the forecast delivered to the Administrator in January 2013. Furthermore, the Administrator will report on May 1 that, rather than decrease by the estimated 6% "efficiency factor," the providers' weighted actual cost/minute actually increased by over 3%.

Moreover, the costs of providing service go beyond the costs reported to the Fund Administrator. For example, Purple invested substantial funds in implementing robust anti-fraud measures that far exceed the minimum standards required. And, there are high ongoing regulatory costs associated with the service. Based on these factors, Purple believes the Commission should implement an *increasing* rate trajectory for IP Relay similar to the trajectory used for traditional TRS rates.⁷

A rate increase would have virtually no Fund impact: To put this request to reconsider rates into perspective, IP Relay is less than 2% of the entire TRS Fund. Based on current call volumes, freezing the rate will have virtually no effect on the overall Fund. Even reversing last summer's rate cut and reestablishing the \$1.28 rate would impact the Fund less than 0.5%. As a result, there is virtually no reward to the Fund for taking the risk of jeopardizing the very existence of this service by continuing on the current rate path.

⁶ See Comments of Purple Communications, Inc. on Payment Formulas and Funding Requirement for the Interstate Telecommunications Relay Services Fund for the July 2013 Through June 2014 Fund Year, CG Docket Nos. 10-51 and 03-123, at 3-4, Figure 1 (filed May 31, 2013) (chart reflecting inverse relationship between TRS minute volumes and rates) ("Purple's May 31 Comments").

⁷ See Purple's Dec. 5 Comments at 3-4; Purple's May 31 Comments.

CONCLUSION.

The Commission's current rate and rate trajectory are simply inadequate to ensure the long-term availability of IP Relay service for consumers who rely on it. Purple supports reform of the methodology used by the Fund Administrator and Commission to set IP Relay rates, and strongly urges the Commission to adopt a basis for IP Relay rates that encourages industry competition, innovation and high service quality. Whether Purple is the only provider of IP Relay service, or one of many, Purple is dedicated to ensuring the long-term viability of this important service for the consumers who rely on it.

Respectfully submitted,



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April 17, 2014