

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

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

COMMENTS OF SPRINT CORPORATION

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Sprint Corporation (“Sprint”) hereby files comments in response to the recent Public Notice seeking comment on Rolka Loube Saltzer Associates LLC’s (“RLSA’s”) proposed provider compensation rates for various forms of telecommunications relay services (“TRS”)¹ and seeking to refresh the record on Sprint’s petition for reconsideration of the *2013 TRS Rate Order*.² As outlined below, Sprint again urges the Federal Communications Commission (“FCC” or “Commission”)³ to adopt a rate that adequately compensates Internet Protocol Relay (“IP Relay”) providers and ensures that consumers continue to have access to a competitive IP Relay marketplace. Sprint also urges the Commission to continue utilizing the MARS-based methodology to determine the rate for IP Captioned Telephone Service (“IP CTS”).

¹ *Rolka Loube Saltzer Associates Submits Payment Formulas and Funding Requirement for the Interstate Telecommunications Relay Services Fund for the 2014-2015 Fund Year*, CG Docket Nos. 03-123 and 10-51, Public Notice, DA 14-627 (rel. May 9, 2014) (“*Public Notice*”).

² *Id.* at 4; *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities; Structure and Practices of the Video Relay Service Program*, Order, 28 FCC Rcd 9219 (2013) (“*2013 TRS Rate Order*”); Petition for Reconsideration of Sprint Corporation, CG Docket Nos. 03-123 and 10-51 (July 31, 2013) (“*Sprint Petition*”).

³ For purposes of these comments, references to the Commission are meant to encompass both actions taken by the full Commission and actions that the Consumer and Governmental Affairs Bureau (the “Bureau”) may take based on its delegated authority.

I. INTRODUCTION AND SUMMARY

Sprint long has been a leading provider of IP Relay service and remains committed to providing this important service in the future. It is clear, however, that the current IP Relay rate is too low to sufficiently compensate providers. For example, although the Commission has recognized that the costs of providing IP Relay are nearly identical to the costs of traditional TRS, the proposed rate for traditional TRS is over twice as high as the proposed rate for IP Relay. Moreover, RLSA's attempts to build a "bottom-up" rate based on provider's costs ignores key categories of expenses and makes no allowance for the fact that providers must be able to make a reasonable profit. Sprint simply cannot, as a business matter, continue to operate its IP Relay service at a loss.

Accordingly, Sprint urges the Commission to reject RLSA's woefully insufficient proposed rate of \$0.9538 per minute and adopt a rate that offers providers adequate compensation. Specifically, the Commission should replace the current rate, which is based on a byzantine regulatory assessment of providers' "costs," with one that is more consistent with the market-based rate established for interstate TRS.⁴ At a minimum, the Bureau should grant Sprint's pending Petition for Reconsideration and revert to the previous rate of \$1.2855 per minute while the Commission works to develop an appropriate long-term rate. If the Bureau declines to take the actions necessary to ensure a reasonable rate, Sprint will have little choice but to exit the IP Relay marketplace, thereby depriving consumers of the benefits of competition and threatening the continued availability of a "functionally equivalent" service for certain core users including, importantly, deaf-blind users that uniquely benefit from IP Relay services.

⁴ Consistent with its support for a market-based rate for IP Relay, Sprint also reiterates its support for the continued use of the MARS methodology to determine the rates for IP CTS.

II. THE PROPOSED RATE WOULD NOT ADEQUATELY COMPENSATE SPRINT FOR ITS IP RELAY SERVICES

While the Commission has expressed concern in the past regarding possible overcompensation of IP Relay providers, the problem today is that the current IP Relay rate *undercompensates* providers such as Sprint.⁵ Adopting the proposed rate would only exacerbate this problem by reducing the rate even further, from \$1.0147 to \$0.9538. As RLSA has admitted, the proposed rate would fail to cover Sprint's costs, even under RLSA's narrow view of "compensable costs."⁶ Clearly, "[t]he current rate trajectory for IP Relay is simply not sustainable."⁷ Sprint cannot continue to provide IP Relay at the proposed rate. In fact, Sprint has developed plans to begin the process of exiting the business if the Commission does not adopt an adequate rate.

In determining a reasonable rate, the Commission must begin by acknowledging that the current methodology does not account for all of the costs that Sprint incurs in providing IP Relay. As Purple has explained, "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."⁸ Indeed, since the current rate structure was adopted, five of seven IP Relay providers have stopped providing service, at least in part because they found it

⁵ Sprint does not know whether the proposed IP Relay rate would be sufficient for Purple given that Purple enjoys cost advantages based on its larger market share and its offshore call centers. If Purple finds the proposed rate to be adequate, the Commission may want to follow the precedent it set in the VRS context and establish a tiered rate system for IP Relay that pays lower rates to larger providers that handle relatively large call volumes.

⁶ *Interstate Telecommunications Relay Services Fund: Payment Formula and Fund Size Estimate*, Rolka Loube Saltzer Associates LLC, CG Docket Nos. 03-123 and 10-51, at 17 (May 1, 2014, filed April 30, 2014) ("RLSA Report").

⁷ Comments of Purple Communications, Inc., CG Docket Nos. 03-123 and 10-51, at 1 (April 17, 2014) ("April 2014 Purple Comments").

⁸ Comments of Purple Communications, Inc., CG Docket Nos. 03-123 and 10-51, at 2 (Dec. 5, 2013) ("December 2013 Purple Comments").

was not financially viable to remain in the marketplace.⁹ For example, when Sorenson Communications, Inc. announced its plans to exit the IP Relay business, it expressly stated that its decision was based on the fact that the rates adopted in the *2013 TRS Rate Order* “are simply too low to sustain a high quality service” and “will not yield functionally-equivalent telecommunications relay service.”¹⁰ If Sprint is to continue as an IP Relay provider, it must receive sufficient compensation to allow it to earn a profit while also maintaining its quality of service. The proposed rate does not meet this basic requirement.

Given the shortcomings of the proposed rate (and the existing rate methodology), the Commission should consider whether an alternative approach would yield better results. For example, the Commission could use the interstate TRS rate as a basis for determining the IP Relay rate. As RLSA recently noted, the Commission historically has found the costs of

⁹ See *TRS Fund Performance Status Report*, Rolka Loube Saltzer Associates (Feb. 2008), <http://www.r-l-s-a.com/TRS/reports/0208JanuarydataTRSstatus.pdf> (showing seven IP Relay providers as of January 2008).

¹⁰ Letter from John T. Nakahata, Sorenson Communications, Inc., to Marlene H. Dortch, FCC Secretary, CG Docket No. 03-123 (July 8, 2013). See also RLSA Report at Appendix G, Interstate TRS Advisory Council Meeting Minutes, April 15, 2014, at 2 (noting that a Sorenson representative reiterated that “the exit by multiple providers [from the IP Relay market] was the result of a decrease in the rate and not the decrease in demand”); Comments in Support of Sprint’s Petition for Reconsideration of Telecommunications for the Deaf and Hard of Hearing, National Association of the Deaf, Association of Late-Deafened Adults, Inc., Deaf and Hard of Hearing Consumer Advocacy Network, Cerebral Palsy and Deaf Organization, and California Coalition of Agencies Serving the Deaf and Hard of Hearing, CG Docket Nos. 10-51 and 03-123, at 4 (Dec. 5, 2013) (“There is strong evidence that the Commission’s decision to reduce immediately IP Relay rates by nearly 20%, and to mandate further annual six percent reductions for the next two years, has had a dramatic and negative impact on the ability of deaf and hard of hearing consumers to have a choice of multiple providers from which they can obtain high-quality IP Relay services.”) (“Consumer Group Comments”); *id.* at 5 (“There is enough evidence in the record for the Commission to conclude that the drastic reduction in IP Relay service providers is the direct result of an unrealistically low reimbursement rate.”).

providing IP Relay and traditional TRS to be “generally similar.”¹¹ Indeed, for many years, the FCC set the IP Relay rate at the same level as the traditional TRS rate.¹² Such an approach was logical, given that the two services offer largely the same functionality, and, in many instances, “the same CAs, sitting at the same offices, handle both traditional and IP Relay calls.”¹³ Even today, Sprint uses the same network, CAs, and equipment to provide IP Relay and traditional TRS.

The federal TRS rate has the added advantage of being based on state TRS rates that are set through competitive bidding. The market imposes discipline on the TRS rate because bidders know that if they ask for an unreasonably high rate they will be undercut by a more efficient competitor. As Sprint has explained, the rates that result from competitive bidding are, therefore, more reflective of the costs of providing relay services than are the rates established by regulators seeking to replicate the workings of a competitive market.¹⁴ For example, unlike the rate established under the current rate methodology, the MARS-based rate appropriately accounts for the fact that no provider – no matter how high the quality of its service – will be compensated for 100% of the call minutes it handles.¹⁵ Similarly, the market-based MARS rate reflects the fact that providers incur carrying costs when there are significant delays in receiving compensation – an occurrence that happens with unacceptable frequency.¹⁶

¹¹ RLSA Report at 14; *see also Telecommunications Relay Services and Speech-to-Speech Service for Individuals with Hearing and Speech Disabilities*, Report and Order and Declaratory Ruling, 22 FCC Rcd 20140, ¶ 41 (2007) (“2007 Cost Recovery Order”).

¹² 2007 Cost Recovery Order ¶ 39.

¹³ *Id.* ¶ 41; RLSA Report at 14.

¹⁴ Sprint Petition at 8.

¹⁵ *Id.* at 12.

¹⁶ *Id.* at 12-13, n.32 (explaining that such delays led the Interstate TRS Advisory Council to actively support “a more timely payment schedule for provider reimbursement” and

While Sprint recognizes that there might be some differences between IP Relay and TRS that justify a marginally lower rate for IP Relay, these small discrepancies cannot account for the vast gap between the proposed IP Relay rate – \$0.9538 per minute – and the proposed TRS rate of over \$2.00 per minute.¹⁷ The Commission should reconcile this disparity by using the traditional TRS rate as the starting point for determining the IP Relay rate and reducing the rate as needed to reflect costs that providers incur for TRS but not for IP Relay. For example, the use of an IP-based network, rather than traditional phone lines, may result in some cost efficiencies that make IP Relay slightly less expensive to provide. In addition, there might be some differences between the states and the Commission regarding minimum standards that could affect providers' costs.

If the Commission is reluctant to move immediately to a rate based on the rate for interstate TRS – or some other reasonable methodology – it should, at a minimum, grant Sprint's Petition for Reconsideration and reinstate the previous IP Relay rate of \$1.2855 per minute as an interim rate.¹⁸ Adopting this rate on an interim basis would allow Sprint to continue providing

“consideration of additional interest payments made for reimbursements that are significantly delayed”) (citations omitted).

¹⁷ RLSA Report at 15 (“The MARS rate for TRS for the 2014-2015 Fund year is calculated to be \$2.1170 per minute, which is more than double the IP Relay rate for the same period.”).

¹⁸ See Sprint Petition at 1, 14. The Bureau undoubtedly has authority to adopt this rate. See, e.g., 47 C.F.R. §§ 0.141(f), 0.361 (noting the Bureau's broad authority to “act[] for the Commission under delegated authority, in matters pertaining to persons with disabilities”); see also *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, 19 FCC Rcd 12475, ¶¶ 167-170 (2004) (affirming the Bureau's authority to act). In the past, for example, the Bureau has restored certain costs that otherwise would have been disallowed by the administrator. *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Order, 21 FCC Rcd 7018, ¶ 17 (2006). More fundamentally, it is the Bureau that adopted the improperly low base rate at issue; the Bureau inherently has the authority to undo its own mistake. *2013 TRS Rate Order* ¶ 2; *2007 Cost Recovery Order* ¶ 5 n.20 (noting that “[s]ome rate orders have been at

IP Relay service while the Commission gives further consideration to the appropriate rate methodology going forward and, ultimately, “adopt[s] an IP Relay rate and rate trajectory that will support . . . the viability of the service, competition, innovation, and service quality.”¹⁹

Even if the Commission has concerns about granting Sprint’s Petition for Reconsideration or moving to a more appropriate rate methodology, it must at least act immediately to make certain modifications to RLSA’s proposed rate in order to reflect current realities. First, the Commission should forego application of the proposed six percent efficiency factor. As RLSA acknowledged, “[t]he projected costs of the two remaining providers do not

the Commission level, and some have been at the Bureau level”). At the very least, the Bureau has the authority to waive the rate-setting provisions of the rules and the application of an inequitable rate for good cause shown, just as it has the authority to waive other rules governing TRS. *See, e.g., Structure and Practices of the Video Relay Service Program; Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Order, 27 FCC Rcd 4868, ¶ 1 (2012) (the Bureau waived the requirements for the administrator to file payment formulas and revenue requirements); *Misuse of Internet Protocol (IP) Relay Service; Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket Nos. 12-38 and 03-123, Order, DA 14-564, ¶ 1 (rel. Apr. 29, 2014) (the Bureau waived the requirement that IP Relay providers handle 911 calls initiated by callers who have been registered but not verified); *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities; Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities; E911 Requirements for IP-Enabled Service Providers*, Order, 28 FCC Rcd 9246, ¶ 1 (2013) (the Bureau extended waivers of certain TRS mandatory minimum standards for VRS and IP Relay providers). For the reasons outlined in these comments and in Sprint’s pending Petition for Reconsideration, the facts make strict compliance with the price cap regime inconsistent with the public interest, and a deviation from this methodology is warranted. 47 C.F.R. § 1.3.

¹⁹ Letter from Monica S. Desai, Counsel to Purple Communications, Inc., to Marlene H. Dortch, FCC Secretary, CG Docket Nos. 03-123 and 10-51, at 5 (April 21, 2014); *see also, e.g.,* Consumer Group Comments at 3 (“The Consumer Groups urge the Commission to suspend its new rate structure for IP Relay, reinstate the prior compensation rate of \$1.2855 and adopt a compensation rate that will ensure the remaining IP Relay service providers have an incentive to remain in the market while delivering high-quality services that strive to meet the functional equivalence requirement.”); *id.* at 8-9; Letter from Danielle Burt, Counsel to Telecommunications for the Deaf and Hard of Hearing, Inc., to Marlene H. Dortch, FCC Secretary, CG Docket Nos. 10-51 and 03-123, at Exhibit 1, Consumer Groups’ TRS Policy Statement, at 8-9 (March 6, 2014) (discussing the importance of fostering intense competition among qualified relay providers).

indicate that either provider will achieve productivity gains.”²⁰ It makes no sense to impose a productivity factor on providers that are experiencing declining call volumes and that are not benefitting from any countervailing innovations that increase efficiency.²¹ Second, because the Commission has not yet established a National Outreach Coordinator for Relay services, the Bureau should reinstate the outreach cost component, adding \$0.0244/minute to the proposed IP Relay rate.²² Finally, IP Relay providers should be permitted to receive a reasonable return on their investments. Companies cannot make significant investments and incur monetary risks unless they have a reasonable expectation that they will realize at least a modest positive return.²³ Moreover, the Commission has a longstanding practice of applying a rate of return to TRS compensation rates and that practice has been affirmed by a federal court of appeals.²⁴ These changes represent the bare minimum adjustments that must be made to the proposed IP Relay rate in light of recent developments.²⁵

²⁰ RLSA Report at 17.

²¹ December 2013 Purple Comments at 3 (“[W]hen demand is in decline, but service standards remain unchanged, per-minute costs naturally increase due to diminishing operating leverage and fewer dollars to cover fixed costs required to deliver the service.”).

²² RLSA Report at 17 (“Until the Commission sponsored outreach program becomes operational, the Commission may also wish to consider reinstating outreach by the remaining providers until further Order.”)

²³ *See, e.g.*, Letter from Monica S. Desai, Purple Communications, Inc., to Marlene H. Dortch, FCC Secretary, CG Docket Nos. 03-123, 10-51, and 13-24, at 4 (Dec. 9, 2013) (agreeing with Sprint that the Commission must ensure that service providers “are able to receive a reasonable return on their investments”).

²⁴ *Structure and Practices of Video Relay Service Program and Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Report and Order and Further Notice of Proposed Rulemaking, 28 FCC Rcd 8618, ¶ 196 (2013).

²⁵ An interim rate based on these minimal adjustments would allow Sprint to cover most of its costs in the short run, though it would not allow Sprint to make necessary investments in its network or service or to realize a reasonable profit. Letter from Scott R. Freiermuth, Sprint Corporation, to Marlene H. Dortch, FCC Secretary, CG Docket Nos. 03-123 and 10-51, at 2 (April 24, 2014) (suggesting that, with these adjustments, the minimum rate would be \$1.16).

III. CONSUMERS WILL BE HARMED IF THE COMMISSION DOES NOT ADOPT AN ADEQUATE IP RELAY RATE

If the Commission fails to establish an adequate rate for IP Relay service, the IP Relay marketplace will soon consist of, at most, only one service provider. As explained above, Sprint simply cannot continue to provide IP Relay service at a below-cost rate. Indeed, Sprint will have no choice but to begin the process of exiting the market if the Bureau does adopt a sufficient rate – or at least set an acceptable interim rate while the Commission gives further consideration to a new rate and rate structure that will ensure the long-term sustainability of Sprint’s IP Relay business.

If Sprint is forced to exit the marketplace, consumers will be left with only one IP Relay provider (assuming Purple chooses to continue providing service at the new rate), depriving consumers of benefits of competition such as innovative service offerings and higher service quality.²⁶ When a single provider is unconstrained by consumers’ ability to switch to a different provider, there is no incentive for it to improve its service quality.²⁷ Indeed, as other providers have noted, the “severe rate cut” to IP Relay already has “impacted the quality of the service,

Accordingly, such a rate is unlikely to allow Sprint to remain in the IP Relay business for the long term. This rate would, however, allow Sprint to carry out a more gradual exit from the marketplace and provide a smoother transition for consumers.

²⁶ Consumer Group Comments at 2 (“[T]he presence of multiple competitors in the market is crucial . . . the Commission needs to adjust its pricing regime to foster additional entry and competition among providers.”); *id.* at 5 (“Most significantly, the lack of choice will impact deaf-blind users because IP relay may be the only form of relay service accessible to them.”).

²⁷ Sprint Petition at 10; *see also, e.g.*, Letter from Claude Stout, Telecommunications for the Deaf and Hard of Hearing, Inc.; Andrew Phillips, National Association of the Deaf; and Lise Hamlin, Hearing Loss Association of America, PS Docket No. 07-114, CG Docket Nos. 10-51 and 03-123, at 1 (Feb. 14, 2014) (“Consumers and industry alike benefit from the kinds of innovation that occur when more than one provider is in the market.”).

stifling innovation.”²⁸ For example, as the rate for IP Relay has declined in recent years, providers have made few, if any, capital expenditures. Instead, providers continue to rely on the aging network and infrastructure already in place rather than investing in upgrades or innovation. As a result, the IP Relay costs that providers report to RLSA have declined as firms avoid making much-needed investments for which they will not be compensated. The result – a poorer service – only serves to harm consumers, such as the deaf-blind, that continue to rely on IP Relay.

The exchange of a marginally lower rate for a lower-quality service is not an acceptable “trade-off,” either legally or as a policy matter. The IP Relay rate adopted both now and going forward must ensure that providers are able to provide a service that is functionally equivalent to the telephone service that hearing users enjoy.

Ironically, failure to adopt an adequate IP Relay rate ultimately could drive an *increase* in the size of the Interstate TRS Fund.²⁹ If a single provider controlled the market, nothing would constrain its ability to seek a higher rate knowing that the Commission has no alternative to turn to for a more reasonably priced service. Indeed, once providers fully exit the marketplace, there are significant costs to reentry.³⁰ Moreover, if IP Relay providers cannot afford to offer customers an adequate level of service, users will migrate to other forms of relay, all of which

²⁸ RLSA Report, Interstate TRS Advisory Council Meeting Minutes at 2; *see also* Letter from John T. Nakahata and Christopher J. Wright, Counsel to Sorenson Communications, Inc., to Marlene H. Dortch, FCC Secretary, CG Docket Nos. 10-51 and 13-24, at 2 (Feb. 28, 2014) (“TRS must have a regulatory structure that sustains a healthy VRS industry and nurtures long-term continued innovation.”).

²⁹ Sprint Petition at 9.

³⁰ Exiting and re-entering involves the termination and rehiring of employees. Sprint would also expect to incur marketing costs to inform customers of the exit and re-entry. In addition, Sprint would expect to incur costs associated with the decommissioning and re-commissioning or registration of ten-digit numbers.

cost more per minute than IP Relay. Reverting to the 2012 IP Relay rate of \$1.2855 per minute, or to a higher rate that adequately compensates providers for the true costs of providing service, would increase the Fund size by far less than the Fund would grow if even a relatively small segment of IP Relay demand shifted to more costly forms of TRS such as VRS.³¹

More importantly, these alternative forms of TRS are less “functionally equivalent” than IP Relay for at least some users.³² For example, IP Relay “provides accessible communications not only for individuals who are deaf, but also people who are deaf-blind, have speech impairments, who do not know American Sign Language or who do not have sufficient broadband speed to use VRS.”³³ Likewise, as the National Association for the Deaf has recognized, “IP Relay is often the only way someone who is deaf or hard of hearing can reach 911 while outside of the home.”³⁴ Thus, the failure to offer sufficient compensation to IP Relay providers ultimately could deprive many deaf, hard-of-hearing, and deaf-blind consumers of a critical form of relay service and leave consumers, in at least some instances, without access to emergency services – a result that would contravene the tenets of the Americans with Disabilities

³¹ December 2013 Purple Comments at 3 (“[P]reserving the previous rate of \$1.2855 per minute rather than implementing the reduced baseline rate adopted by the Commission for 2013-2014 would have a negligible impact of less than 0.4% on the total projected Fund.”); April 2014 Purple Comments at 3 (“A rate increase would have virtually no Fund impact.”).

³² See 47 U.S.C. § 225(a)(3) (requiring common carriers to provide telecommunications relay services that are “functionally equivalent” to the communications services available to hearing individuals).

³³ Emergency Petition for Limited Waiver, Purple Communications, Inc., CG Docket Nos. 03-123 and 10-51, at 3 (July 11, 2013); see also Letter from Claude Stout, Telecommunications for the Deaf and Hard of Hearing, Inc.; Brenda Estes, Association of Late-Deafened Adults, Inc.; Cheryl Heppner, Deaf and Hard of Hearing Consumer Advocacy Network; Mark Hill, Cerebral Palsy and Deaf Organization; and Howard Rosenblum, National Association of the Deaf, to Marlene H. Dortch, FCC Secretary, CG Docket Nos. 03-123 and 10-51 (June 26, 2013); April 2014 Purple Comments at 1-2; Consumer Group Comments at 3 (“[S]ome individuals feel that this form of TRS gives users more control of their phone conversation.”)

³⁴ Letter from Andrew S. Phillips, National Association of the Deaf, to Marlene H. Dortch, FCC Secretary, CG Docket Nos. 12-38 and 03-123, at 1 (Aug. 23, 2012).

Act.³⁵ The Commission must stop “focus[in]g on reducing compensation levels at the expense of the core mission of IP Relay and other Relay services”³⁶ and instead afford “companies sufficient compensation to provide service to users that meet the ‘functionally equivalent’ standard.”³⁷

IV. THE IP CTS RATE SHOULD CONTINUE TO BE BASED ON THE MARS METHODOLOGY

The Public Notice contains calculations RLSA made for an alternative compensation rate for IP CTS. Although the Public Notice states that the calculations were included only “[t]o help inform the Commission’s decision on an appropriate rate methodology for IP CTS and to be prepared should the Commission determine to use a cost-based methodology to determine a new rate for IP CTS,” Sprint is concerned that the inclusion of this information is a sign that the Commission is planning to change the IP CTS rate methodology.³⁸ Sprint again cautions against the adoption of a new methodology, which unquestionably would not reflect the *true* costs of providing service.

As Hamilton has explained, a MARS-based methodology is “superior to its alternatives chiefly because it relies on the competitive market, rather than prescriptive regulation and proxies, to set rates.”³⁹ As a result, the MARS methodology obviates the need for the Commission to address the “complexities inherent in rate-of-return or price-cap rulemaking while relying on providers’ strong incentives to estimate their costs accurately in the competitive

³⁵ 47 U.S.C. § 225.

³⁶ Consumer Group Comments at 7.

³⁷ *Id.* at 2.

³⁸ Public Notice at 2.

³⁹ Comments of Hamilton Relay, Inc., CG Docket Nos. 13-24 and 03-123, at 2 (Nov. 4, 2013) (“Hamilton Comments”).

bidding process.”⁴⁰ In addition, the effectiveness of the MARS policy is clear from the record.⁴¹ Accordingly, there is no reason to develop other rate methodologies that can do no better than artificially replicate the market-based rates already established under the MARS plan. There also is no evidence in the record that the MARS methodology is driving unwarranted growth in IP CTS usage or leading to inefficiencies.⁴² The Commission, therefore, has no basis for extending to IP CTS the flawed reasoning that led to the decimation of the IP Relay marketplace. As the IP Relay experience has shown, when rates decline but costs do not, providers have little choice but to exit the marketplace, leaving customers without service.

⁴⁰ *Id.*

⁴¹ *See, e.g.*, Reply Comments of Sprint Corporation, CG Docket Nos. 13-24 and 03-123, at 2-4 (Dec. 4, 2013); Reply Comments of Hamilton Relay, Inc., CG Docket Nos. 13-24 and 03-123, at 2-9 (Dec. 4, 2013); Comments of Purple Communications, Inc., CG Docket Nos. 13-24 and 03-123, at 1-3 (Nov. 4, 2013).

⁴² Hamilton Comments at 4-5.

V. CONCLUSION

For the foregoing reasons, Sprint urges the Commission to reject the IP Relay rate proposed by RLSA. Instead, the Commission should either adopt a long-term rate based on the interstate TRS rate or reinstate the previously-applicable rate of \$1.2855 on an interim basis while it formulates a long-term rate that offers providers adequate compensation. In addition, Sprint urges the Commission to maintain the current MARS-based methodology to determine the IP CTS rate.

Respectfully submitted,

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