



**Scott R. Freiermuth**  
Counsel – Government Affairs  
[scott.r.freiermuth@sprint.com](mailto:scott.r.freiermuth@sprint.com)

Sprint Corporation  
6450 Sprint Parkway  
Overland Park, KS 66251  
(913) 315-8521

June 20, 2014

VIA ELECTRONIC FILING (ECFS)

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, DC 20554

RE: **EX PARTE PRESENTATION**

*In the Matters 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

Dear Ms. Dortch:

On June 18, 2014, Scott Freiermuth and Mark Seeger from Sprint Corporation (Sprint) met with Karen Peltz Strauss, Deputy Chief, Consumer and Governmental Affairs Bureau (CGB), Greg Hlibok, Chief, Disability Rights Office (DRO), Eliot Greenwald, CGB/DRO, Robert Aldrich, CGB/DRO, and Dave Schmidt, Office of Managing Director (OMD).

The purpose of the meeting was to discuss Sprint's Petition for Reconsideration of the July 1, 2013 Order in which the Commission adopted per-minute compensation rates to be paid from the Interstate TRS Fund. Sprint urged the Commission to reconsider the IP Relay rate in light of drastic changes in the marketplace including the decisions of three IP Relay providers to discontinue service. Consistent with its Petition, Sprint once again urged the Commission to restore the IP Relay rate to the previous \$1.28 level while it undertakes a review of the rate and rate structure. Sprint advised the Commission that it cannot continue providing service at the present \$1.01 rate which will soon decrease to \$0.95 per minute – as these rates are below Sprint's costs to provide service at present service quality levels.

As it stands now, the IP Relay rate is at \$1.0147 per minute, and it is scheduled to decrease to \$0.9538 per minute on July 1, 2014 given the Commission's adoption of a 6% efficiency factor.<sup>1</sup> Simply put, Sprint cannot remain as an IP Relay provider at this *below-cost* rate level.<sup>2</sup> At a minimum, Sprint believes the Commission should forego the efficiency factor at 6%<sup>3</sup>; it should add back in the outreach cost component of \$0.0244/minute<sup>4</sup>, and it should allow

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<sup>1</sup> See, *Relay Rate Order* at ¶ 20.

<sup>2</sup> Sprint recently filed its "allowed" costs with the Interstate TRS Fund administrator - Rolka Loube Saltzer Associates (RLSA). Sprint understands that the Commission has access to this cost information. Further, Sprint does not accept that the current "allowed" costs fully take into account the costs needed to sustain IP Relay business.

<sup>3</sup> The productivity factor is inappropriate in a market with declining call volume.

for a reasonable profit which has traditionally been set at 11.25% rate of return.<sup>5</sup> Based on the foregoing, Sprint calculates this rate to be approximately \$1.16 per minute. Sprint also discussed other factors (including risk and decreasing call volume but static fixed costs) that contribute to Sprint's inability to continue providing IP Relay service at below cost rates.

In short, while Sprint reasserts its original position that the IP Relay should have been suspended at \$1.2855 per minute, Sprint believes an interim rate of approximately \$1.16 would be an acceptable level that would permit Sprint to remain in business as an IP Relay provider while the Commission gives further consideration to a new rate and rate structure for long term sustainability of Sprint's IP Relay business.

This filing is made in accordance with Section 1.1206(b)(1) of the Commission's rules. In the event that there are any questions concerning this matter, please contact the undersigned.

Respectfully submitted,

*/s/ Scott R. Freiermuth*

Cc: Karen Strauss  
Bob Aldrich  
Eliot Greenwald  
Greg Hlibok  
Dave Schmidt

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<sup>4</sup> The Commission subtracted outreach costs of \$0.0244 per minute. *Order* at ¶ 17. However, because the Commission has not yet established a National Outreach Coordinator for Relay services, the outreach cost component should be re-included in any cost calculations.

<sup>5</sup> Application of the 11.25% rate of return to TRS compensation rates is a longstanding practice that was affirmed by a federal court of appeals. *See, In the Matters of 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, CG Docket Nos. 10-51 and 03-123, FCC 13-82 at ¶ 196 (June 10, 2013).