



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 18, 2015

The Honorable Charles E. Schumer
United States Senate
322 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Schumer:

Thank you for your letter urging the Commission to consider a joint proposal submitted by six video relay service (VRS) providers on March 15, 2015, requesting a freeze of the VRS compensation rates. I concur completely with you about the importance of VRS as a critical communications tool for people with hearing and speech disabilities. I share your commitment to reliable and high-quality interpreting services. I am also bound by a statutory mandate that VRS must be delivered in the most efficient manner, especially because these services are paid for by telephone subscribers across the country.

As you know, the VRS ratemaking process itself is relatively straightforward. On an annual basis, providers report cost and demand information to the TRS Fund Administrator, including both historical and projected data. Reported costs are then analyzed and rates calculated based on the information received and longstanding ratemaking guidelines.

In 2010, after conducting a thorough analysis of the VRS compensation rates, the Commission and the TRS Fund Administrator found that for many years, VRS providers had been underestimating projected demand and, consequently, overestimating their per-minute costs. As a consequence, all VRS providers were receiving compensation at rates far in excess of their actual allowable costs (e.g., in 2009, average VRS compensation rates ranged from \$6.24 per minute to \$6.74 per minute while provider costs averaged \$4.16 per minute).

As a result of its 2010 review, the Commission reduced the lowest per-minute compensation rate from \$6.24 to \$5.07 per minute for the 2010-2011 Fund Year. The Commission also initiated a new proceeding to address, among other things, whether to make additional changes in VRS compensation policy. Over the next few years, the Commission engaged in a searching public inquiry, with input from all stakeholder groups including advocates for deaf consumers, to determine appropriate VRS compensation rates, and in 2013 concluded that, despite the earlier rate reduction, compensation rates still exceeded actual costs by between \$1.67 and \$2.84 per minute. In a major Report and Order (*VRS Reform Order*) that included numerous measures to enhance the quality and increase the efficiency of VRS, the Commission adopted a four-year "glide path" to institute additional, gradual rate reductions designed to bring VRS rates closer to actual costs while considering a transition to market-based rates.

The four-year rate adjustment plan recognizes that all VRS providers are not in the same situation. In an effort to provide a reasonable opportunity for smaller operators to grow and to increase their efficiency, the schedule adjusts the rates in tiers that apply to smaller volumes of minutes more gradually than the rates in tiers applicable to the largest providers. With these incremental, cost-based reductions in overall VRS compensation levels, the consequent savings for telecommunications consumers have been significant over the past two years.

In response to VRS providers' request for an across-the-board compensation "rate freeze," the Commission has held extensive meetings with providers, from which we have gathered detailed cost information. Our review of this information has revealed that the smallest providers (those whose monthly usage does not exceed a certain threshold level) have shown a need for temporary rate relief. Accordingly, on October 22, 2015, the Commission proposed a temporary freeze of the compensation rates for the smallest providers, to afford these companies additional time to develop their ability to compete efficiently in this market. Among other things, we recognized that these providers may serve niche disability communities that larger VRS providers do not.

Our October 22nd proposals also seek comment on service feature improvements for the VRS program, which reflect the Commission's interest in ensuring high quality service for consumers who rely on VRS. These include improving the speed by which VRS calls are answered, allowing the use of sign language interpreters skilled in medical, legal and other areas that require specialized terminology, and allowing at-home interpreting services to address interpreter shortages and facilitate the provision of VRS during overnight hours. Each of these measures is designed to ensure that VRS is functionally equivalent to its voice telephone counterparts. The proposals also request detailed information from providers regarding any likely costs of such improvements.

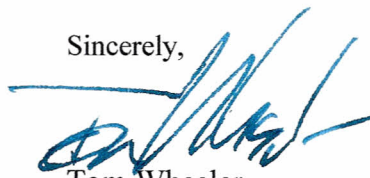
In light of the need for prompt action, the Commission adopted an abbreviated comment period for the above VRS rate proposals. Comments on these proposals are due December 9, 2015 and reply comments are due December 24, 2015. Once the Commission receives and reviews the comments, we will move quickly to determine whether to grant rate relief.

We note as well that on November 23, 2015, we received an Emergency Petition from the three smallest VRS providers who would qualify for relief under the VRS rate proposals – Convo Communications, LLC, Communications Access Ability Group/Star VRS, and ASL/Global VRS Services Holdings, LLC – seeking an immediate grant of rate relief. We are actively reviewing this petition and will act on it expeditiously if we determine that temporary, interim, relief is warranted pending the Commission's action on the abovementioned proposals.

We expect that Commissioners and staff will continue to meet with all interested parties to determine effective VRS rates going forward. I am committed to ensuring that this path will well serve the disability community, respect the business needs of VRS providers and protect the Fund and ratepayers. I welcome your input and appreciate your interest in this important issue.

Please let me know if I can be of any further assistance.

Sincerely,



Tom Wheeler