

**STATEMENT OF
COMMISSIONER MICHAEL O'RIELLY
APPROVING IN PART, DISSENTING IN PART**

Re: *Structure and Practices of the Video Relay Service Program*, CG Docket No. 10-51;
Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CG Docket No. 03-123, Further Notice of Proposed Rulemaking

I was not at the Commission when it established the rate structure for Video Relay Service (VRS), but I understand that one purpose was to ensure that consumers who pay fees on their phone bills to support Telecommunications Relay Services (TRS), including VRS, do not have to contribute more than what is necessary. That is an extremely worthy directive and one we shouldn't dismiss haphazardly.

Overall, I support seeking comment on whether freezing VRS rates for the three smallest providers for a time period is justified given their costs. At the same time, however, I was troubled to learn that some providers are potentially receiving reimbursement for costs that may not be directly related to the provision of service. Specifically, it appears that some providers include expenditures for travel, meals, sponsorships, and other similar items. My concerns are two-fold.

First, as a general matter, those who follow our universal service proceedings know that the Commission has renewed its focus on ensuring that funding from consumers is targeted to the intended purposes. Indeed, we recently issued a Public Notice reminding recipients of high-cost universal service support that certain expenses—including personal travel, food, and sponsorships—are not necessary to the provision of supported services and, therefore, may not be recovered through USF. It is just as critical that we ensure that consumer dollars devoted to TRS are targeted to providing service.

Second, the premise of this rate freeze would be that rates are too low to enable providers to recover the costs of providing service. If, however, costs are above rates because of non-essential expenditures, then a rate freeze would not appear to be warranted. I hope that by seeking comment we will be able to better understand the data and whether a limited freeze for the smallest providers is justified. At a minimum, we will need more detail on the various categories of expenses and, if they are warranted, whether they fall within a reasonable range.

Moreover, given these outstanding issues on costs, I do not think it is appropriate, in this item, to open the door to new TRS expenses for additional services. These additional services may or may not be good ideas that we may or may not have authority to implement. While I was not completely opposed to putting them out for comment through our standard procedures to better understand these issues, making specific proposals on the services in this Further Notice and linking the proposals to the rate freeze, is flatly wrong. Specifically, we are suggesting that any costs associated with them could be included when determining whether to continue down the VRS glide path. If providers want to offer these new services, let them pay for them, not TRS, and not by making it a quid pro quo for stopping the rate reductions already in the works.

To be clear, I am already skeptical that these services would impose additional costs or are actually beneficial. For example, the Notice proposes to reduce the speed of answer to a level that all providers are already able to meet today. Accordingly, there should be no additional expenses associated with this proposal.

That said, I am sure it will be argued that at least some of these proposals increase providers' expenses and, therefore, the Commission should freeze or even raise rates. That seems extremely dubious at this point but it seems prudent that we first understand whether the current rate structure is justified based on the existing services and requirements before complicating the picture by adding a bevy of new ones. Therefore, I must dissent from this portion of the Further Notice.

Moving forward with various TRS reforms in the future, my hope is that we will be able to take advantage of new technologies, apps, and services to further reduce both the burden on ratepayers and the Commission's reliance on rate regulation as a means to keep TRS fund growth in check. As I have stated before, we must change our overall mindset to embrace technologies, such as free texting applications, that may serve as a better and more effective means of service to the disabled community, while increasing price efficiency for those paying into the system.