

Technology

## Don't Get Nickeled and Dimed by Telecom Fees

By David A. Solberg, J.D., C.P.A., Solberg/Adams LLC



Mr. David Solberg

If you manage a hotel, or chain of hotels, and are responsible for overseeing the bills, then you probably are aware telecommunications is one of your largest expenses.

Taxes, fees, and surcharges can comprise as much as 35 percent of your telecom bill. Certainly you have seen them listed, and, perhaps, even become enraged while feeling there was little, or nothing, that could be done about them. Wrong.

With the exception of a few taxes and fees many of the other charges are negotiable. The problem is most of us have no idea what is reasonable or even negotiable in our telecom bill. Often we find ourselves simply paying the bill without giving much thought to the actual charges.

What few people seem to know is more than 80 percent of telecom bills are wrong. That's right. Many businesses unknowingly spend thousands of dollars they don't even owe.

Here is what you should know:

### Taxes

We all know what Benjamin Franklin said about taxes – they are a certainty. For instance, unless you are exempt, the federal excise tax will be on your bill. This nice little tax has been steady at three percent since 1983. In its long history – it was created to fund the Spanish-American war -- it has fluctuated to as much as ten percent. It is essential you know what you may be exempt from to insure that you are charged appropriately. Among those exempt from this tax are certain hospitals, charities, schools, common carriers and communication companies.

There are also many services that are exempt from taxes. For instance, private circuits such as the direct line that you have to your New York office. For a complete list of exempt features go to IRS publication 510.

Local taxes also vary from county to county and from state to state. A common billing error is for the telco to "miscode" a customer as being located in a neighboring county with a higher tax.

### Fees and Surcharges

Many fees are applied at the state level. Depending on where you live you may pay fees to support the emergency 911 telephone service or to maintain your state's infrastructure. Other fees are charged by the carrier and can vary wildly depending on whom you choose as your service provider. Many of the fees that providers charge can be negotiated with your contract.

Carriers frequently point to the government when assessing other non-tax surcharges, saying that government "mandates" cause the charges. They don't indicate the carriers' own lobbyists promoted some

of these "mandates" as replacement revenue for diminishing sales.

For example, do you even know how much it costs to make a calling card call from the payphone on the corner? Probably not. Phone companies and the many independent pay phone operators were alarmed at the number of times people went up to pay phones and dialed toll-free access numbers for calling cards and alternatives to collect calling. So the pay phone operators lobbied to have the recipient of a toll-free call pay an additional fee for the cost of the call having been initiated at a pay phone, and the concept was written into the Telecommunications Act of 1996. The FCC decided on a surcharge of 26 cents per call, which has continually risen to as high as 47 cents with some carriers.

Other surcharges are nothing more than cost recovery for software upgrades and other capital expenses that carriers don't want to shell out on their own, such as local number portability or telecom-related public safety initiatives.

There are many other surcharges that we could talk about. Some are scams. But if you always make certain that your bill is properly scrutinized and that every charge is clear, paying special attention to third-party add-ons, then you will save money.

### **The Bottom Line**

Depending on the size of your company you may be able to analyze your telecom bill yourself. The more thorough your analysis the more money you will save.

Don't let the small numbers fool you. Though many fees and surcharges are less than one percent, they certainly add up quickly. Say a company spends \$100,000 in a month on qualifying charges. The USF (Universal Service Fee) alone is 9.2%, or \$9,200. Then there is the administrative fee providers are allowed to charge for the costs they incur in handling the USF. AT&T's administrative fee is 0.74% of the entire \$100,000 - or another \$740, an extremely high number for the administrative expense of one line item on one customer's monthly bill.

There are many such taxes, fees and surcharges – more or less depending on where you live. In order to correctly audit your bill you need to be familiar with each of the different charges and their correct application. Your local service provider should be able to answer any questions you have regarding your bill.

When telecom bills rise above \$10,000 it is difficult to audit in-house due to the tremendous time requirement. This is why many mid- to large-sized companies now are turning to telecommunications auditors for help. A telecommunications auditor is a contracted consultant who aims to control telecommunications costs and dramatically reduce a company's expenses. The auditor assigns a team of qualified individuals to scrutinize invoices from, and contracts with, domestic and international vendors, including local, long-distance, and Internet, fax and data system bills. The basic audit finds unnecessary costs that "creep" into monthly bills. The auditor also can negotiate surcharge and fee caps with telecom providers. Auditors usually charge a fee equal to a percentage of the savings they generate for their clients.

Taking the time to verify each line of your bill is accurate can save you a considerable amount of money. If you or your staff do not have the time to analyze the bill, then carefully choose a firm that will help guarantee your company the best results possible. It is your money, don't throw it away.

*David Solberg is Founder of Solberg/Adams, an independent telecommunications cost consulting firm. Mr. Solberg has spent his entire career as a "cost-reduction" expert," helping both businesses and individuals reduce expenses and improve profitability. In 1993, Mr. Solberg founded Solberg/Adams LLC, a telecommunications cost consulting firm, to audit telecommunications expenses for savings and refunds. The firm is comprised of professionals with telecommunications and engineering backgrounds, as well as professionals with legal and accounting backgrounds. Solberg/Adams also offers an outsourced telecommunications invoice payment service, in which they directly receive their clients' invoices, audit them for savings and refunds, dispute and resolve billing errors, approve the invoices, allocate the expenses to clients' GL codes, pay the bills, and provide detailed monthly reports generated by their proprietary software. Over the last 12 years, they have reduced costs by millions of dollars for hundreds of clients, including Fortune 500 companies. Mr. Solberg can be contacted at 503-292-3131, or at [solbergd@solbergadams.com](mailto:solbergd@solbergadams.com)*

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