

Situation

In June, 2006, the FCC adopted an order requiring that VoIP providers will now have to contribute to the Universal Service Fund (USF). Due to the nature of the service, the FCC believes that the majority of calls made are interstate/international and has therefore assigned a safe harbor contribution rate of 64.9%. This FCC decision means that VoIP providers will now have to contribute potentially millions of dollars of their revenue to the USF. VoIP providers will have to make the decision to pay the increase themselves, pass the increase to their customers, or **take a closer look at their actual percentage of interstate usage**. By performing a PIU analysis, the carrier may be able to find that their actual PIU is lower than the safe harbor percentage given by the FCC. These findings could greatly reduce the amount of money that the provider has to contribute to the USF.

Analysis

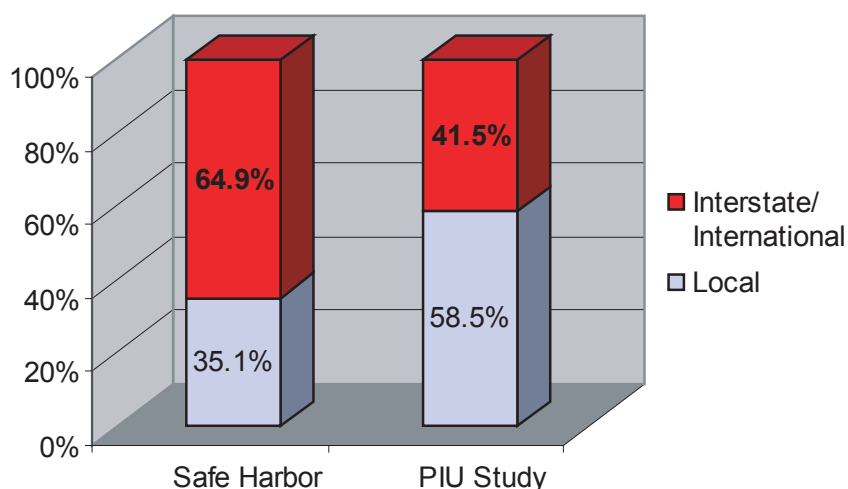
With the FCC ruling, VoIP providers need to take a closer look at their PIU to decide whether to pay the safe harbor rate or do their own PIU study. However, unlike wireline carriers, VoIP providers typically do not have quality means of measuring their interstate vs local traffic. In order to do so in a timely and cost efficient manner, the provider should reach out to usage analysis vendors such as Advanced Technologies and Services, Inc. (ATS) who has extensive knowledge and experience with PIU analysis. In fact, ATS is currently completing a PIU analysis for a wireless provider to reduce their USF contribution.

Solution

ATS' PIU study consists of a statistical analysis with a confidence level of 95% and a margin of error of no more than 1% as is required by the FCC. The experienced ATS team is able to analyze any type of CDR data whether it be from a wireline, wireless, or VoIP provider.

The ATS PIU analysis illustrated on the right shows the **estimated** savings a VoIP provider could realize if their actual PIU was found to be **41.5%** as opposed to the FCC safe harbor PIU of 64.9%. The VoIP provider's savings as a result of the study would be estimated at **\$7,076,000**. These savings would allow the provider to significantly decrease the USF fees for their customers and give them a competitive advantage in a fast growing and highly competitive VoIP market.

PIU Analysis



Assumptions:

Customer Base:	600,000
Avg Yearly Revenue Per Customer:	\$480
FCC Contribution Factor:*	10.50%
* 3rd quarter 2006	

	Safe Harbor PIU	PIU Analysis
Interstate/International Usage:	64.9%	41.5%
Yearly Revenue	\$288,000,000	\$288,000,000
(multiplied by PIU)	x .649	x .415
(multiplied by Contribution Factor)	x .105	x .105
USF Contribution	\$19,625,760	\$12,549,600

Estimated Savings: \$7,076,160

Want to estimate your potential savings?

Go to www.atso.com/products/voip/usfvoip.htm