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Robert W. Freson

Municipal Technical Advisory Service

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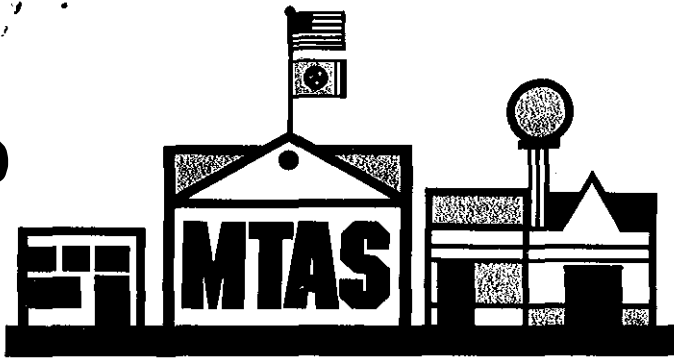
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TECHNICAL BULLETIN

MUNICIPAL TECHNICAL ADVISORY SERVICE
THE UNIVERSITY OF TENNESSEE
IN COOPERATION WITH THE TENNESSEE MUNICIPAL LEAGUE



12/1/86

HOW TO REDUCE PHONE COSTS

by

Robert W. Freson, Municipal Management Consultant

At a recent seminar on telephone costs, the following statements were presented:

"Ninety percent of all businesses in the U.S. overspend on their telephone service",

"Ninety percent of all telephone bills have some sort of error",

"Ten to twenty percent of every phone bill is due to waste",

"Thirty percent of long distance charges are due to abuse",

"Telephone costs are increasing at the rate of ten percent per year."

There are a number of steps which you can take to reduce your phone costs.

1. Check to be sure your phone bills are correct as to the equipment and services for which you are being charged. Request your phone company to supply you with detailed service and equipment records for all of your lines. Ask that this be translated into plain English, otherwise it will be in code which you will not be able to understand, or you may request a copy of the Uniform Service Order Code Book. Also, request a copy of the tariffs charged by the phone company. Once you have this information, do an audit to be sure that you have all the equipment for which you are being charged and that you are being charged the proper amounts.
2. Check to be sure that you need, and are using, all the equipment for which you are being charged. If not, have it removed.
3. Prepare and maintain an accurate inventory of your phone equipment.
4. Require that all changes in your phone system be authorized in writing and grouped together. If you have a purchase order system, this can be used to control changes.

5. Consider doing your own moves, changes and additions in equipment. Most of the equipment is not that difficult to work with. If you feel you cannot do it in-house, get competitive bids. If you do contract work out, be sure and have someone monitor the important dates.
6. Consider buying your own equipment, including your in-house cable for which you otherwise pay a monthly charge. If you decide to purchase your own equipment, you will want to review a joint MTAS-CTAS publication called, "Telephone Management in Local Government: A User's Guide", or you may request assistance from your MTAS Consultant. Buying a new phone system is a process that requires a good deal of research and planning to avoid making errors in the equipment you purchase. Allow at least six months for the process so that you will have adequate time.
7. When buying new phones try to make do with single line phones as opposed to six button phones. There can be as much as \$75 difference in cost. With the right system there is not that much difference in what the two phone can do.
8. Also when buying a new system, be sure and consider "Call Accounting." This is a system which can supply you with much valuable information on how your phone system is being used or misused and help you control your costs (do not purchase such a system without first checking with one or more customers of the system you are considering).
9. Many metro areas are moving toward charging for local service by the user of "message units." If you are effected by this change, it could have a significant impact on your phone costs. The following are some alternatives to MU's:
 - * Mini-Wats (Nashville);
 - * Off-premises extensions;
 - * Automatic Ringdowns (Direct lines to high volume numbers);
 - * FX (Foreign Exchange) to other M/U Districts;
 - * Coin phones, eliminate personal calls; and
 - * Bulk Service - WATS.
10. Make a study of your long distance calling to determine where you are calling, when, how often, for how long, and how much it is costing you.
11. If long distance calling is a major part of your phone costs you may wish to consider various options such as: WATS (mini-WATS is available on an area code basis); optional calling lines, and circle calling (both of which provide for a limited amount of calling at a fixed charge); foreign exchange lines, and non-AT&T services.

12. Eliminate operator-assisted calls, such as person-to-person and collect calls. (You can make six direct dial calls for the cost of one person-to-person call).
13. Eliminate third party calls.
14. When buying new equipment, consider "least cost routing." This is a system which will automatically select the least expensive way to complete a long distance call, if you have more than one option available.
15. Consider restricting long distance calling only to those phones where it is necessary.
16. Use letters and memos rather than long distance calling as much as possible.
17. Make maximum use of "800" numbers.
18. Carefully check your monthly charges for long distance calls.
19. Make one person responsible for managing your phone system.

At a seminar referred to above, the statement was made that it is possible in some cases to reduce phone costs by as much as forty percent. The above steps are some of the possibilities that might assist you in accomplishing sufficient savings in your phone costs.

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Municipal Technical Advisory Service
891 20th Street
The University of Tennessee
Knoxville, TN 37996-4400

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