

ITS Costs versus Size of Facility

FCC Presentation – Washington, D.C.

July 9, 2014
R. A. Smith

ADP ²	Average Rates Excluding Commissions ¹	Range of Rates Excluding Commissions ¹	Number of Securus Facilities
0 – 100	\$.28	\$.09 - \$1.22	634
101 – 1000	\$.17	\$.08 - \$.70	511
1001 – 20,000	\$.13	\$.08 - \$.39	82
+20,000	\$.10	\$.07- \$.16	4
Total	\$.15 - \$.18³	\$.07 - \$1.22	1,231

The average cost per minute for all prison/jail facilities is estimated to be \$.15 to \$.18 per minute excluding commissions – and including an average level of public safety features.

- Notes:
- 1) Above represents point estimates from Securus' bid modeling/marketing systems and may vary from the data submitted on July 17, 2014 to the Federal Communications Commission by FTI Consulting.
 - 2) Average Daily Population (ADP)
 - 3) Price capped rate would have to be higher to achieve this average.

85 Items Influencing Bid Models and Actual/Forecasted Site Profitability

- 1) Commissions
 - Minimum Annual Guarantee
 - Flat Rate on All Products
 - Variable Rate by Product
 - Tiered
 - Technology Grants
 - Optional/Variable Based on Products Taken
 - Signing Bonuses
 - Prepaid Commissions
- 2) Rates
 - Interstate
 - Intrastate
 - Local
 - International
 - Free Calls
 - Pro Bono Calls
 - Flat Rate
 - Variable Rates and Surcharges
 - Variable Rates Only
 - First Minute and Additional Minutes
 - Mix of Traffic
- 3) ADP
 - Growth Rates
 - Lockdowns
 - New Construction
 - Shift to Other Facilities
- 4) Performance Bonds
 - Letters of Credit
- 5) Call Duration
 - No Limits
 - Limits
 - Ramp Up
 - Elasticity of Demand with Respect to Price
- 6) Forms of Call Restrictions
 - Voice Biometrics
 - PINs
 - PANs
 - Incentive/Disincentives
- 7) Capital Requirements
 - Premise Renewal
 - SCP
 - SCP Renewal
 - Telephone Replacements
 - Telephone Reuse
 - Inside Wire
 - New
 - Reused
 - New Product Development
 - Disability Requirements
 - Other Public Payphones
 - Visitation Phones
- 8) Credit Profile
 - Bad Debt Profile
 - Postpaid Percentage
 - Prepaid Percentage
 - Prepaid Cards
 - Blocking to Selected Terminating Areas
 - High Toll Blocking
 - High Velocity Blocking
 - Customer Segmentation
 - Billing Agreements
 - Return Code Blocks
- 9) Taxes
 - Included in Rates
 - Billed Separately
 - USF Included or Excluded in Rates
- 10) Associates Required
 - On Site Dedicated Technicians
 - On Site Dedicated Site Administrators
 - Dedicated Account Executives
- 11) Fees/Other Charges
 - BSF
 - Funding Fees
- 12) Other Products
 - Jail Management System
 - Video Visitation System
 - Contraband Wireless Controls
 - MP3 Players
 - Continuous Voice Recognition
 - IVR
 - Inmate Funding
 - Friends and Family Facing
 - Monitoring/Analysis of Calls (Corrections Functions)
 - Kiosks
- 13) Call Recordings
 - Storage Requirements
 - On Site
 - Centralized
- 14) Penalty Provisions
 - SLAs
 - Other Penalties
- 15) Network Costs
 - Connections to T1s
 - DSL Facilities
 - Connections to Unique Carriers
 - Cable Modem
 - Variability by Carrier
- 16) Other Issues
 - Long Distance/Local Arbitrage
 - Wireless Contraband
 - Unemployment
 - Recession/Economy
 - Billing and Collection Costs
 - RBOCs and LECs
 - Direct Billing
 - Voice Biometric Inmate Sign Up

Securus has at least 85 variables that can influence profitability, NPV, and IROR on facility contracts and the FCC needs to take all into consideration in any future rate order.