

# MPLS's Impact On Multinational Sourcing

D.E. Boehling

## Here are five ways to maximize your chances of success with a services contract.

**A**sked his cap size at the beginning of spring training, Yogi Berra is said to have replied, "I don't know, I'm not in shape." That about says it all. Spring training is about getting back in shape for the season (although cap sizes aren't necessarily the best measurement of that). It reconnects teammates, refocuses them on the fundamentals, and prepares them to play hard and (hopefully) win.

Well, it's spring, and if your multinational enterprise is preparing for a global telecom procurement, here's a playbook.

### It's Not MLB; It's MPLS

When multinational enterprises look for a conduit over which to run business applications these days, whether data, voice, video, conferencing, presence awareness or something else, many turn to MPLS. First, MPLS is often cheaper than legacy data services like frame relay. This is particularly true abroad, where frame relay and ATM port and PVC (permanent virtual circuit) pricing can be exorbitant.

Second, MPLS facilitates convergence of voice and data networks by offering different quality or classes of service, which means that time-sensitive applications like voice and video can be assigned priority status.

Third, in contrast to traditional frame/ATM hub-and-spoke architectures, MPLS's any-to-any connectivity opens up the door to voice and video applications that don't have a predefined list of players. Anyone can connect to any application at any time.

Finally, the big U.S. facilities-based providers are planning to terminate their legacy data offerings. The trade press reported Sprint's plans to phase out frame relay and ATM by 2009, but customers are seeing contract clauses that force them to migrate to MPLS by January 2007. AT&T is

making similar noises—its form contracts allow AT&T to pull any service on 12 months' notice, and this has become essentially non-negotiable in recent months.

MPLS's promise of any-to-any connectivity gives multinational enterprises incentive to source their telecom needs to a single vendor because using multiple providers means losing part of that potential for any-to-any connectivity. Right now, the MPLS platform—like instant messaging platforms in use today—is not truly "open," and network-to-network interface (NNI) connectivity between competing providers is more talked about than real.

If any-to-any connectivity is the driver, using a single provider looks like a good idea. But keep in mind the down side. Unlike hub-and-spoke or private-line networks, which can be broken apart and put back together using services from different providers, it will be difficult for a multinational enterprise to keep its global network running the way it expects (with any-to-any connectivity) if it runs into trouble at a specific site. The provider may let you pull that particular site from your contract, but the question is, where do you go with that single site?

### Make Sure Everyone's On The Team

A multinational enterprise's corporate structure can make or break efforts to enter into global sourcing arrangements. Some IT departments simply don't have control over sourcing decisions for divisions or affiliates across the globe. Even those that have this control must remain sensitive to the desires of those in far flung places, lest off-shore discontent undermine an otherwise successful procurement. Either way, in most multinational enterprises, global operations are a bit like free agents—they need the right incentives to come aboard.

So what should you do?

First, ask what these overseas departments think about the global sourcing initiative, and discuss ways to address their needs within a unified framework.

Second, ask colleagues in different regions to share their experiences with their incumbent

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provider and with the entities receiving the RFP—the good, the bad and the ugly.

Third, highlight the benefits you believe will come from a global procurement (e.g., better prices, a uniform telecom platform, fewer inter-connection hassles, less need for internal oversight).

Fourth, keep overseas colleagues involved (or at least apprised) throughout the negotiations, and get their cooperation on implementation.

It's not unusual for IT professionals in a multinational enterprise to discover that colleagues in different regions have different expectations that can't be met by a single global vendor. There are only two serious "global" MPLS providers if the U.S. is involved (AT&T and the new Verizon Business Services—formerly MCI), but neither is necessarily the strongest provider in other regions.

Colt and BT Infonet get high marks in Europe, the Middle East and Africa; SingTel in Asia Pacific. Equant gets high marks almost everywhere outside the U.S. Internationally, it has excellent MPLS PoP coverage when compared to other global MPLS providers. In the States, it has few. This means multinationals with a large U.S. presence either pay big money to access Equant's U.S. MPLS PoPs or get a hodgepodge of facilities, and Equant subcontracts services in the U.S. to another MPLS provider—raising the NNI concerns mentioned above.

Before MPLS, multinationals with different regional expectations generally signed regional telecom deals—typically one each for Europe, Middle East and Africa, Asia/Pacific, South and Central America, and North America. And while any-to-any connectivity is a consideration for moving to MPLS, many multinationals continue to view MPLS primarily as a cheap replacement for frame or ATM.

If you fall into this category, consider regional deals. Although regional deals won't allow any-to-any connectivity among sites served by different providers, regional MPLS deals work well for hub-and-spoke type "meta"-networks, where the multinational can "connect" different provider services indirectly through customer equipment located at regional hubs.

#### **Make Sure The Right Teams Take The Field**

Once you've got your team together, get to know the other side(s). The RFP responses are not enough. Do your own homework. Are they really global players? Many make that claim but few can back it up. Their websites may say they provide services globally, but do they provide them in the specific countries in which your enterprise operates? Have they previously provided non-global services to your enterprise? If so, what's their reputation within the organization? If not, what do others say about them?

Get references, particularly from other multinationals with analogous needs and structures. If

the test results are clean, bring the best candidate to the table, preferably with another vendor waiting in the wings.

#### **The First Pitch Is Not Worth Swinging At**

You've checked the website and the RFP response, and your chosen vendor appears to be a global player. It provided pricing and SLAs for all sites on your list. But pitches just off the outside corner will always tempt you, and that is exactly where the provider's offer is likely to be.

Push back, but don't ask for the impossible. Understand that most providers are unable to provide truly ubiquitous telecom services. They may not have operations within a particular country, or the regulatory environment may prohibit them from providing end-to-end service. The local loop is the best example of this—certain emerging countries continue to limit the number of local loop/fixed line providers in a particular area, or require the end user to order the circuit directly from a native local service provider (LSP).

Given these constraints, investigate how your chosen provider plans to deliver service with or through LSPs. If it proposes simply to subcontract its obligations to another carrier (particularly one with which it has an NNI arrangement) and will stand behind performance of the sub, there is no problem.

There may well be a problem, however, if the provider expects you to sign separate agreements in certain countries. Although the provider may manage those relationships on your behalf, the rates, terms and conditions upon which service will be provided are as stated in the third-party contract, not your global contract.

#### **A Walk Is As Good As A Hit**

There are ways to limit the distortions that providers introduce in global deals. First, unless there are legal prohibitions against the provider ordering the service on your behalf, require it to subcontract the services within the country and to stand behind the sub's performance.

Make sure there aren't loopholes in the contract (such as SLA exceptions or an overly broad *force majeure* clause) that excuse the provider's performance if a sub fails to perform. This will limit your risk to those countries in which the provider simply has no choice, rather than putting you at risk wherever the provider is risk averse (i.e., everywhere).

Second, where legal prohibitions to subcontracting do exist, have the provider guarantee that your multinational enterprise will receive what it was promised in the RFP response—for example, by providing credits to offset higher prices or lower SLAs.

Finally, require the provider to do what is necessary to ensure that your enterprise can enforce the rates, terms and conditions in the global contract in each country. Although competition exists

in many areas and for many types of services, some countries (including states within the U.S.) still require providers to file tariffs or set prices and terms within parameters established by a regulatory agency. If your contract calls for something else, it may not be enforceable. Should this happen, require the provider to make your enterprise whole by sweetening the rates or terms in a country in which the rates, terms or conditions are not subject to regulatory oversight.

With these strategies, you may not hit a home run, but you can get on base and stay in the game.

### **Conclusion**

Many multinationals decide on a global telecom sourcing strategy because telecom isn't their primary line of business. That's reasonable, but don't let the provider's knowledge of its primary line of

business disadvantage you. Ask questions. If the response is favorable, have the provider warrant it. If the response is unfavorable, consider options and incorporate back-out plans and protections into your contract. As Socrates said, "There is only one good, knowledge, and one evil, ignorance." May knowledge level your playing field

### **Companies Mentioned In This Article**

AT&T ([www.att.com](http://www.att.com))  
BT Infonet ([www.btinfonet.com](http://www.btinfonet.com))  
Colt ([www.colt.net](http://www.colt.net))  
Equant ([www.equant.com](http://www.equant.com))  
SingTel ([www.singtel.com](http://www.singtel.com))  
Sprint ([www.sprint.com](http://www.sprint.com))



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