



IN THIS ISSUE:

- Managed Services: Peeling Back the Onion. 1
- AT&T Eliminates Certain Port Surcharges. 3
- Carrier Outrages 3
- New Rules for BT's Exchange Line Services—but Don't Count on BT to Tell You about Them 3

Upcoming Events

Join LB3 and TC2 at CCMI's 15th Annual Telecom Negotiation Conference in Orlando, FL on March 3-5, 2008. For more information, call (866) 620-5938 or [click here](#).

Join LB3 and TC2 on October 3, 2007 for "Managed Services: Making the Right Decision," a webinar that runs from 2-3:30pm ET. For more information, [click here](#).

Managed Services: Peeling Back the Onion

Today's enterprise telecommunications network offerings almost universally inspire users to ask whether or not to obtain them as carrier-managed services. While adding a managed-services component to a procurement for MPLS (Multi-Protocol Label Switching), VoIP (Voice over IP) or wireless services provides additional functionality for the customer, it also adds substantial complexity to the bid evaluation and benchmarking process. For example, many enterprises know that if they simply ask for the "managed" prices of a given carrier offering (as if there is a single premium per enterprise site that you pay in order to turn all your headaches over to the supplier), they are likely to receive offers that are difficult, if not impossible, to compare. But competitive assessment requires that you peel back the onion to compare functions and charges across vendors in a logical way.

MPLS and Managed Services

For many enterprises, the years spent on network migration study and planning have led to the decision to procure carrier-managed IP (WAN) wide area network service, most likely based on MPLS.

Managed networks and MPLS services are complicated in their own right. Layering a managed network on top of MPLS introduces an entirely new level of complexity into the analysis.

For example, although all MPLS offerings come with a Class of Service (CoS) subscription structure, no two carriers seem to present and price CoS in the same fashion. Managed networks, at least in the full-enterprise WAN guise (rather than a single function like "managed email" or "managed security") also come with a series of discrete charges ranging from rental to maintenance to configuration management to managed back-up circuit charges. The problem is that some carriers combine these charges in their RFP responses or other bids. How and why the carriers "bundle" their price points for discrete port, circuit and management functions is partly a function of marketing style and partly a response to the carrier's own network design preferences (i.e., their congestion management schemes).

Here is where all the network planning, coordination and enterprise team-building with network engineers and other internal stakeholders pays off. The accelerating enterprise movement away from legacy fast-packet technologies has forced most enterprises to assess the level of partnering they really need from their enterprise

continued on page 2

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Managed Services: Peeling Back the Onion

continued from page 1

carriers. Telecom industry consolidation has also spurred enterprise customers to reconsider the relationship they are seeking to establish with their carriers, especially the AT&T and Verizon behemoths.

In addition, remember that there is nothing forcing you to buy managed MPLS services. At least domestically, competitive pressure and the large reserve of networking talent within enterprises has prevented carriers from enforcing periodic attempts to offer certain emerging product sets on a “managed-only” basis. But if your team agrees internally on managed services, there is a large element of craftsmanship in issuing an RFP (or other competitive procurement) for those services. Much of this is not just a question of separating discrete rate elements, but also of associating the right network performance and provisioning specifications to the right managed network element.

Enterprise customers also realize that router maintenance and truly active fault monitoring must be broken out in the procurement and analysis, lest the one carrier that bundles these charges appear to be overpricing one part or another. But these same enterprises may not realize that the best way to buy the maintenance piece is to accompany it with site-specific specs, such as whether/where 24x7 maintenance will be required and what mean time to repair intervals are needed. These requirements may differ depending on the location and importance of certain sites, driving the carriers’ price proposals as well.

Managed Services and VoIP

The class of service adds another dimension to the managed-services dilemma in the form of VoIP. Carriers now routinely offer managed VoIP services for enterprises, but these services often need to be purchased in conjunction with MPLS transport service. On the other hand, some (though not all) carriers require that MPLS managed service be purchased if the ultimate intention is to run voice over the network. If this sounds like a Catch-22, the good news is that if you sign up for this, there is usually no usage charge for on-net voice traffic. (Off-net usage may be priced in bundles of minutes, but there is still essentially a per-minute-based charge).

And that’s just the beginning of the VoIP considerations. Enterprise buyers need to watch for additional, miscellaneous VoIP-related charges such as VoIP-related MACDs, additional installation charges, charges for network-hosted call management infrastructure, PBX reprogramming charges, and other types of “custom solution” charges. There can

also be tricky little extras styled as “interface specifications,” and remember that all this is on top of paying for real-time CoS bandwidth on your MPLS network.

Wireless Services

Even more broadly, a discussion with carriers about managed services requires a careful definition of terms. After all, each of the following “hot buttons” can be considered a managed service:

- Telecom expense management
- Broadband access aggregation
- Managed security
- Managed wireless service
- “Virtual network operators,” where one management specialist is “providing” a service but riding over a large carrier’s network.

Some of these can be very sophisticated, but others mostly involve repetitive, menial tasks. And where the mega carriers fit into this picture can be confusing. These carriers can generally come up with a service in practically any of these areas, but whether they are offering the service themselves or are private-labeling it from someone else can take some probing.

Managed wireless services are an apt example of all these factors. Most users will want to state in their wireless RFPs that they are searching for additional information, rather than committing to buying managed wireless service. The reason is simple: managed wireless services constitute a continuum of processes (from provisioning management to an outsourced help desk for the end users) that different carriers may define differently or provide differently depending on whether the carriers are managing their own devices or their competitors’ as well. A true managed wireless service provider will also offer optimization management, which is especially key in corporate wireless service where usage patterns can vary widely among users. Such optimization should include rate plan reviews and management of pooled minutes-of-use arrangements, either of the enterprise as a whole or by business unit or other cost center.

Conclusion

Each type of managed service has its own procurement logic. A successful managed-services procurement uses planning, clearly defined terms and a thorough definition of the scope of services to obtain the right mix of services at the best price and on the best terms.

For more information, contact David Rohde at drohde@techcaliber.com or (202) 969-7870.

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AT&T Eliminates Certain Port Surcharges

Do you have Frame Relay or ATM service with AT&T (either traditional or IP enabled)? If so, you are probably paying a port surcharge if you have locations in Hawaii, Puerto Rico or the U.S. Virgin Islands. These surcharges have been around forever and are listed in most customer contracts. They are now priced at zero in AT&T's Service Guide, but you may still be paying them because they're in your contract! Next time you renegotiate, make sure you eliminate these charges.

For more information, contact Janis Stephens at jstephens@techcaliber.com or (202) 969-7870.

Carrier Outrages

Watch Out for Verizon's Web Portal Gotcha

The following language applies to users of the Verizon Customer Center Web Portal, which is the online billing site to which customers are being migrated:

Verizon may terminate your use of the Site for any reason at any time and without notice to you.

Verizon does not say how customers are supposed to get bills or review them if their access is terminated.

Have you recently encountered an outrageous carrier practice or term? Send it to us at insidewire@lb3law.com.

Beware of AT&T's Wireless NDA

In the August 6, 2007, edition of the *Voice Report*, LB3's Hank Levine warned against signing the boilerplate non-disclosure agreement (NDA) that AT&T Wireless (formerly Cingular) has been presenting to the consultants of enterprise customers. One egregious example of AT&T's overreaching is its attempt to claim ownership of customer billing information, including Customer Proprietary Network Information, over which customers have control under the Communications Act. Customers should not allow their consultants to sign the NDA, as that would greatly complicate RFPs, benchmarkings and rate reviews.

For more information, contact Hank Levine at hlevine@lb3law.com or (202) 857-2540.

New Rules for BT's Exchange Line Services—but Don't Count on BT to Tell You about Them

If you work in the IT or telecom business in the U.S. or abroad, you have probably heard your telecom carrier say more than once in response to your request for a special price or term: "I wish I could do that but I can't; it's in the tariff!"

In the U.S., that statement is nearly always (to put it politely) untrue. Most services (e.g., interstate and international services) have been detariffed for six years. As a result, customers and carriers can structure whatever contractual arrangements they like. As for the few services that remain subject to tariffing (e.g., ILEC intrastate and interstate access services) carriers can deviate from the standard tariff by filing a customer-specific tariff option to override the standard tariffed terms.

Unfortunately, the situation is much different (or, as the locals say, "tricky") in the U.K. Before May 29, 2007, BT could not (except for services originating in the Hull area) offer special prices or terms for business analog exchange line services in the U.K., ISDN services in the U.K., local and national calls within the U.K., and business calls to mobile phones in the U.K. These restrictions were imposed by Ofcom (the U.K. telecom regulator), because BT had "significant market power" (SMP) in those markets. Therefore, as the dominant provider, BT could only offer these services in accordance with its published tariffs and price lists notified to Ofcom, and BT could not depart from those terms directly or indirectly. However, BT's price lists often include published discount schemes for these services. Moreover, any bundling by BT of these SMP services with services for which BT was not a dominant provider was automatically presumed to be unduly discriminatory.

Ofcom Changes the Rules

On May 29, 2007, there was a sea change in the regulatory framework. Ofcom found that competitors had developed the ability to replicate BT's retail business analog exchange and ISDN services. Although Ofcom did not find that there was actual competition, it did determine that "replicability" was a sufficient basis upon which to relieve BT of these impediments.

continued on page 4

LB3 and TC2: Working Together to Meet the IT and Telecom Procurement Needs of Enterprise Customers

LB3 and TC2 help enterprise customers maximize the value on their telecommunications and IT investments. LB3's lawyers have broad experience in telecom and information technology transactions, regulatory work, and dispute resolution. TC2's consultants inform, prepare, and position enterprise customers seeking to optimize the cost and performance of their increasingly complex voice and data networks. Together, LB3 and TC2 work to assist clients in network services procurement, benchmarking, compliance management, regulatory issues, and disputes.

Inside Wire is a quarterly newsletter designed to keep enterprise customers informed about the latest developments in the telecom and IT industries. If you have any questions about any of the articles in this edition of the newsletter, e-mail us at insidewire@lb3law.com, or contact us at this address:

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New Rules for BT's Exchange Line Services

continued from page 3

As a result, Ofcom took several steps. First, Ofcom lifted BT's obligation to publish or inform Ofcom of BT's prices and terms for such exchange line and ISDN services for a business customer expected to spend more than £1M per year on BT's electronic communications services and associated facilities in the U.K. However, BT must still ensure that the unpublished prices for these services equal or exceed the wholesale line rental prices for connections that BT pays Openreach for the underlying transport facilities, plus the fully allocated costs for supply of the business exchange line. In other words, the contracted rates must exceed a price floor designed to prevent cross-subsidization and unfair competition.

Second, Ofcom cleared the way for BT to offer mixed bundles of business analog exchange and ISDN services with other services of which BT is not the dominant provider (e.g., international direct-dialed calls, high-bandwidth leased lines of 8 mbps or more, Internet access, audio conferencing). Ofcom will no longer presume that these bundles are unduly discriminatory. Ofcom did, however, reiterate that bundling of inland U.K. calls or low-bandwidth leased lines (for which BT remains the dominant provider) would remain subject to the presumption and would likely be unduly discriminatory.

The Impact of the New Ofcom Rules on Enterprise Customers

Enterprise customers that fall into the select group described above, or companies that buy both BT's analog exchange and ISDN services and some of the services for which BT is not the dominant provider, should not count on their BT account team (whose commissions are likely tied to the enterprise spend) to share the good news or offer a sweet deal. Instead, customers must take the initiative. If BT continues to insist that it cannot deviate from the tariff, read Ofcom's order back to them "BT...may depart from charges, terms and conditions set out in its published price lists [and] need not place on its website any information relating to prices terms or conditions for these customers." In other words, the new deal will be your little secret – a secret that could be worth quite a bit in savings. Once BT clears the first hurdle and actually starts to negotiate, remember that its initial offer will not be its best offer. Instead, keep pressing for even better charges. BT will be "disappointed" if you don't.

BT's new pricing and terms flexibility creates opportunities for enterprise customers to improve their BT agreements, but it will take knowledge and preparation to get the best possible deal.

For more information, contact Deb Boehling at dboehling@lb3law.com or (202) 857-2546.

Visit www.lb3law.com for new articles, the latest on the telecom megamergers and other breaking news.

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