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AT&T's Creeping Costs

What's AT&T Dedicated Access Going to Cost You? More Than You Think

By Deb Boehling and Theresa Knutson

Telecom carriers raise rates to make more money.

But how can they do that in a tough market in which they face competitive pressure to **reduce** rates? They imitate the airlines.

This means keeping the nominal price down but getting more revenue through surcharges and miscellaneous fees. Basic airfares have declined but there are now add-on costs for checked baggage and premium seating.

AT&T is doing the same thing – coming up with new ways to increase revenue by increasing the cost of its access-related add-ons.

AT&T's cost of basic access service – think T-1 access rates – has decreased dramatically over the past few years, and rates are now commonly less than \$200 per month. But at the same time, AT&T's add-ons – such as access connection charges, access coordination charges and multiplexing – have been increasing steadily, which is generating more money for AT&T.

So let's talk about the add-ons.

Access-Related Charges – A Moving Target

AT&T does not insist on incorporating its Service Guide into your contract because it wants to give you better prices or terms. It's to give AT&T leeway to increase prices on unsophisticated or unsuspecting customers and on smart customers living by the 90/10 rule – use valuable negotiating time to fix your prices for 90% of the services you use, and live with the risk on the other 10%.

Changes in AT&T's access-related add-ons are a great example.

Add-On #1: Access Connection Charges

First is the access connection (AC) charge. It applies when you connect a dedicated access line (even if AT&T provided it) to another AT&T service.

Using a port in AT&T's POP to connect to another AT&T service is apparently far more expensive to provide than connecting your equipment to a port on your LAN, and it's also apparently far more expensive than an actual circuit between two geographically separate locations.

AC currently costs:

- \$99 per month for a DS-0 access connection
- \$872 for a T-1 access connection
- \$2,955 for a T-3 access connection
- \$5,329 for an OC-3 access connection
- \$23,386 for an OC-12, 600 Mbps or STM4 access connection
- More (but how much more is unclear) for higher bandwidth access connections

The AC charge has increased 15% year over year since 2008. Remember that number ... 15%.

Add-On #2: Access Coordination Function Charges

Second is the access coordination function (ACF) charge.

It's supposed to pay for AT&T's help ordering, installing, testing and maintaining dedicated access other than access provided by AT&T Corp, so it applies to dedicated access bought from AT&T's own ILECs. (You never knew how much help AT&T provided with your access, did you?)

ACF is cheaper than AC, but it isn't small:

- \$118 per month for a DS-0 access channel
- \$254 for a non-AT&T Corp. T-1 access channel
- \$536 for a non-AT&T Corp. T-3 or 50 Mbps access channel
- \$684 for an OC-3 or 150 Mbps access channel
- Undefined charges applying for higher bandwidth access channels

Like the AC charge, the ACF charge has increased 15% year over year since 2008.

Add-On #3: Multiplexing Function Charges

Third is the multiplexing function charge. This comes in many flavors, so customers need to thoroughly understand their network designs to know if the function is used.

Here's the range:

- \$288 for sub-rate multiplexing
- \$582 for M-24 Multiplexing US-
- \$2,404.80 for M-28 Multiplexing US

Again, like AC and ACF, multiplexing has increased 15% year over year since 2008 and will likely continue to do so. (Are you seeing a trend here?)

AT&T is using the 15%-per-year increases to test the water to see if/when customers will notice and complain.

Shrewd observers are noticing and complaining – you should be, too. The last increase was effective beginning Jan. 20, 2011, so you should expect another 15% increase will be coming soon.

Waivers Available – If You Know to Ask

Now that you know about AC, ACF and multiplexing charges, address them in your contracts.

When you raise concerns, don't be surprised if AT&T points you to a waiver package in the Guide. Those will help you avoid *installation charges* for AC and ACF up to OC-3 only (unless connected to a domestic AT&T private line); they do not address *monthly* AC and ACF charges.

Typically AT&T will waive some monthly AC, ACF and multiplexing charges, but the waiver needs to be negotiated and cover all of the speeds that you use. The waiver is pretty routine for DS-0, T-1 and T-3, but you have to ask for it to get it, and a bit more negotiating is needed to get this for O-C3 and higher speeds.

Think about this: If you have one OC-3, the AC/ACF fees alone are more than \$6,000 a month! That makes these fee reductions worth fighting for.

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