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Beware Pool Shortfall if Voice Minutes Move

Skype Mobile Comes to 9 VZW Smart Phones in March

A new mobile application has the potential to save enterprises on voice minutes, but be prepared to rethink your end users' voice and data plans if you deploy it broadly.

Skype will be available as a downloadable client on Verizon Wireless' 3G smart phones in March, Verizon Wireless spokeswoman Debra Lewis tells *Voice Report*.

Skype is a voice over IP application – in use today on computers – that transmits voice calls over data networks. Skype calls between Skype users are free, but users are charged pay-as-you-go or monthly rates for calls made from the Skype application to phone numbers.

See 'Skype,' p. 7

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Also In This Issue …

Avoid These Gotchas in Your Next Carrier Negotiation

Underwater Telephones and 6 More Contract Nightmares

By Richard Longview, Contributing Writer

A large utility company in southern California paid $1,200 a year for phone lines in a construction trailer that had been sitting at the bottom of a man-made dam for the last decade.

A large public agency continued paying for a few hundred phone lines in a building that had been demolished almost five years prior, plus another $20,000 a month on an obsolete multi-drop data network that hadn't been used in nearly 15 years.

A large moving and storage company in Los Angeles had dutifully paid an innocent-looking "service charge," only to find during an audit that it had been paying more than $150 a month across several invoices for rotary phones in its warehouses that were unplugged more than 10 years ago.

Conduct a thorough audit before renewing or signing any contract to ensure you're only charged for services you are really using today. You might be surprised what you're still paying for.

Other Terms to Watch Out for in Your Telecom Contract

Preferred Provider: Your telecom provider might tell you that adding the words "preferred provider" to your contract will get you a better deal. Don't buy it.

For years one large U.S. carrier defined "preferred provider" in its tariffs such that enterprises would be obligated to award almost 100% of their telecom business to that carrier.

Contributory Charges: This term refers to the amount of money you've agreed to spend to meet the annual dollar commitment in your contract. Services like long distance, toll free, and various frame relay and MPLS services contribute to help you meet the annual dollar commitment. But it's important to pay close attention to your carrier's contributory charges and make sure that all of your services apply to your total.

One major telecom carrier does not apply monthly access charges for dedicated circuits to its clients' overall contract volume. This can mean that an enterprise with a $2 million annual contract really needs to spend $2,400,000 to meet the commitment, since its access charges don't apply to the $2 million minimum.

Auto Renewal: "Auto renewal" means that your contract can be renewed automatically (with rates usually several years out of date). You don't have to sign anything, and you might not even know your contract has been renewed until it's too late.

Auto renewal often takes effect several months before your contract officially ends, making it more likely that you will not provide the required notice to NOT auto renew in time. Remove auto renewal language from your contacts to protect your negotiating leverage with your carrier. ☎

Doing an audit before contract negotiations can make carrier credits much easier to get. Account team responsiveness goes way up and carrier management approval cycles go much faster when you're in negotiations with the carrier or they consider your business with them at risk.

Read on for six more critical aspects that could trip you up in your next deal.

#1: Carrier Billing Delays Cost You Savings

Beware of agreement clauses that state "new rates become effective the second full billing cycle."

Your enterprise should be entitled to pay lower rates as soon as they're enacted with a new contract or any amendment to an existing contract. A delay of even one month means the carrier gets to bill you another month at older (and usually higher) rates.

Of course, carriers all claim this is a billing system limitation on their side and there is nothing they can do.

If you hear that, use the delay in implementing new rates as an opportunity for negotiations with the carrier. One large retailer in northern California conducted additional negotiations to recover lost savings of $25,000 that would have resulted from just one month's delay in enacting new rates.

The key to making sure you are not hurt by the carrier's billing system is to ask exactly when new rates will go into effect when comparing carrier bids or new contract amendments.

The detailed pricing model showing your current costs and new rates should provide you exact information on what each month of delay in implementing new rates will cost you. Knowing the answers to those questions will give you the facts you need to request credits from your carrier that might otherwise be overlooked in final contract negotiations.

#2: Last-Minute Renegotiations Favor the Carrier

It's in your carrier's best interest to do nothing as your contract nears the end of its term – to wait until you come to them with only a few months or weeks remaining on your contract,

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hoping to negotiate.

But delaying your next contract RFP process gives all the leverage to the carrier. Your leverage declines as you approach your contract's expiration date. The day after the contract ends, that voice-minute you paid three cents for can suddenly turn into a $2.49-per-minute charge – an 8,200% increase! Getting caught with no time to properly bid or renegotiate with your carrier usually means you will sign whatever deal it puts on the table rather then risk huge rate increases.

That's why it's so critical to monitor your contracts on a regular basis and begin contract negotiations at the time when you have the greatest leverage before your contract expires.

The point of greatest leverage is different for each enterprise. First consider how long it will take you to deploy services with a new carrier – known as the "conversion window." For an enterprise with a handful of sites with basic voice services and low-bandwidth data services, this can be a matter of just a few months. But for an enterprise with hundreds of locations and high-bandwidth data services, it might be six months or longer.

Next take note of exactly when your current contract ends. You will have the greatest leverage if you complete a competitive bidding or RFP process with a new provider while still outside the conversion window.

If you're a mid- to large-size enterprise and your conversion will take five months, build in another three months to conduct your RFP. Your goal should be to start your contract negotiations/RFP process eight months out from your current contract end date. This is the point when you have the greatest leverage, because your enterprise still can walk away from the deal and have time to change carriers if necessary.

#3: Costs Increase Despite Great Discounts

Many telecom contracts include discounts – sometimes as high as 70% to 80% – on services like long distance voice, private line or MPLS services.

These discounts look great on paper, but are only good for that moment in time if the base rate the discount applies to is not fixed for the term of the contract. Most telecom carriers raise their rates on a regular basis, some as often as four times a year and by as much as 5% to 15% each time.

Do some quick math and you'll find the budget you submitted for that data network or call center toll-free service a year ago is suddenly in the red by 30% or more, if the rates on which it's based were not locked in as well.

Clearly define in the contract what each service will cost during the course of the contract term and lock in fixed base rates as well as your discounts over the term.

#4: Terms and Conditions Change Without Notice

Most standard telecom contracts today advise you to visit the carrier's Web site for additional terms and conditions. The carrier should provide you URLs to the various tariffs and service guides for the products and services they are proposing.

Pay a visit to the site and you'll find dozens – or even hundreds – of pages of various terms and conditions that you've just agreed to by signing the standard carrier contract.

Worse yet, the standard carrier policy gives that carrier the authority to change what's on those pages –

at any time and without notice. That means the carrier can change terms, alter policies, increase prices, or even make up new fees or surcharges.

One major telecom carrier changed its standard terms and conditions to state that customers automatically accepted the invoice as correct unless a dispute was filed within 30 days of the invoice date.

It is incredibly difficult – if not impossible – for any enterprise to audit all of its telecom bills completely each month. A condition like this basically gives the carrier a free pass on billing errors and eliminates the customer's ability to get back credits for past billing errors.

The key to minimizing any impact of changes on outside references like tariffs or carrier Web-based service guides is to first make sure your agreement can overrule those other documents.

Secondly, make sure major areas like specific rates, payment terms and billing disputes that are critical to your business are clearly defined in your agreement. If your enterprise needs a two-year billing dispute window (which used to be standard until several years ago), make it a point of your negotiations with the carriers you are considering.

5: Meaningless SLAs

How do you gauge when an application is running too slowly for workers at a remote site?

How long of a delay is acceptable for your customer's credit card transaction to take during the peak holiday shopping season?

What latency, jitter and other network performance metrics will the carrier stand behind during the contact?

When the carrier doesn't meet these standards, what credits will it provide you?

Many of these questions should be addressed during the carrier evaluation process and the performance metrics agreed to should be documented in the contact (or as a contact attachment) as service level agreements (SLAs).

Carriers have standard SLAs on most services; make sure you understand what each one covers and how any performance metrics will be measured. Look for any loopholes that let the carrier off the hook when the network does not perform as was agreed to.

One large software company in the San Francisco area entered a contract with a top-tier telecom carrier that included an innocent-sounding SLA: The agreement for quality had an exception for Sundays, when the carrier reserved the right to conduct maintenance.

The problem: The SLA allowed the carrier to shut down service not just for a brief period, but for hours at a time each Sunday without notice. Only when international users started complaining about poor or no performance on Sunday in the United States was it uncovered the carrier itself was the source of the problem.

Several years ago another enterprise's carrier began offering MPLS services, but the opening paragraph in the SLA stated that unless the SLA was formally written into the original contract, the quality levels did not apply. This is the ultimate in carrier double-speak; when asked, the carrier stated that it had an SLA for MPLS services, but failed to mention that it was invalid unless written into the formal contract.

Beware of SLAs that calculate service metrics and quality based on averages across all links. For example, your telecom carrier might guarantee quality 99% of the time – which sounds good on the surface.

If you have one or two sites, chances are 99% uptime is fine.

But that's not the case if your network has 100 sites. That 99% quality level could now be met if 99 of the sites are up all month but one is down all month.

Since your contract only specified an average of 99% – not how that 99% would be calculated by link – your carrier has technically met the service level and owes you nothing for a site that is down all month.

Be wary of SLAs with no financial penalties to the carrier for non-performance. Credits generally don't exceed the monthly charges on a circuit, but the enterprise should be entitled to some compensation. It gets the carrier's management's attention when they have to pay out some money.

#6: Locked In to Old Technology

Telecom services continue to evolve and you need flexible contracts that won't lock you into old technologies.

Your contract should provide terms that allow for technology upgrades as new services are released and old services are discontinued. When carriers decommission old services like frame relay and request enterprises move to MPLS services, they should waive conversion fees.

You should also request a lower annual contract commitment so you don't end up in a contract shortfall situation by moving to a new, lower-cost technology.

Beware new contract wording carriers have been inserting in agreements recently that allows them to discontinue a product or service with only 30 days notice. Carriers say this wording allows them to roll out new services and decommission old services effectively. But is impossible for enterprises to evaluate and deploy new services with just 30 days notice. ☎

Richard Longview CMC is founder and senior consultant of Telecom611.com. The firm specializes in assisting clients with managing telecom vendors and conducting carrier contract negotiations. If you would like to get a no-obligation telecom contract best practices checkup, e-mail rlongview@telecom611.com for a complementary report.

Verizon Wireless Tops J.D. Power Call Quality Study

Verizon Wireless ranks highest in the Mid-Atlantic, Northeast, Southeast, Southwest and West regions of the United States in J.D. Power and Associates 2010 Wireless Call Quality Performance Study, released Feb. 18.

J.D. Power and Associates surveyed 24,345 wireless customers between July and December 2009 and asked them to rank their carriers' performance on dropped calls, static/interference, failed call connection on the first try, voice distortion, echoes, no immediate voicemail notification and no immediate text message notification, according to a press release from the Westlake Village, Calif-based marketing information services company.

This marks the 11th consecutive reporting period in which Verizon Wireless has topped the rankings for the Mid-Atlantic and Northeast regions. Verizon Wireless had the lowest reported problems with dropped calls, initial connections and echoes compared with regional averages in the Mid-Atlantic and Northeast.

U.S. Cellular ranked highest in the North Central region for the ninth consecutive reporting period. The North Central area is the only region not won by Verizon Wireless.

U.S. Cellular had fewer reported problems with dropped calls, failed initial connections, static and echoes than the average for the North Central region.

AT&T Mobility finished last in the North Central, Northeast, Southwest and West regions. Sprint Nextel was the worst-rated carrier in the Mid-Atlantic and Southeast regions.

T-Mobile finished either second or third in every region. ☎

T-1, T-3 Prices Could Freeze, Drop over Long Term

FCC Reexamines Special Access Rate Regulations

Enterprises could pay lower rates on special access – including DS-1s and DS-3s – if the FCC changes the way it regulates carrier pricing on those services.

The FCC is asking for public comment on whether the rules it put in place to control pricing on "special access" services are effective. (See Public Notice DA 09-2388 at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-09-2388A1.pdf)

Special access includes services that do not use local switches, but rather use dedicated facilities, like those that run between an end user and an interexchange carrier's point of presence; between an interexchange carrier's network and an incumbent local exchange carrier (ILEC) network; or between two separate enterprise locations.

Special access revenue today accounts for about 30% of the total revenue of AT&T, Verizon and Qwest, notes Andy Regitsky, president of Regitsky & Associates, Associates, a consulting firm in Reston, Va., that provides regulatory policy expertise. In 1996, by comparison, special access comprised just 5% of total revenue for those carriers.

FCC Seeks Better Method to Measure Competition

Special access pricing primarily affects carriers that sell it to one another, but enterprises feel the pinch when price hikes are passed along in their rates for services like T-1s and T-3s. Other enterprises are impacted because they buy special access directly from carriers.

Either way, enterprises often complain that those services are overpriced. That's because ILECs take advantage of regulations that allow them to set special access rates above FCC-mandated price caps when they can prove competition exists in a metropolitan area, Regitsky explains.

The FCC measures competition in the special access market by looking at how many competitors have facilities "collocated" in the same serving wire centers as ILECs. But that translates to ILECs being allowed to charge higher rates in areas where it is easiest for them to provide service, such as Manhattan and downtown Los Angeles, Regitsky says.

The FCC is getting serious about regulating special access rates for the first time in five years, he notes. It is asking for comment on whether the existing regulations effectively control prices, and what would be a better measure of competition than collocation.

It's possible that cable and WiMAX will factor into any competitive analysis of ILEC market power the FCC undertakes, Regitsky says.

Regitsky urges telecom managers to shop around for special access services in areas where multiple carriers offer it.

He gives it a 50/50 chance the FCC will decide on a better way to regulate special access rates by the end of 2010. Rate freezes will likely be the end result for enterprises, though prices could decrease as new regulations take effect over the next couple of years. ☎

Skype, continued from p. 1

The Skype mobile application will enable users to place Skype calls that will count as usage on their data plans, instead of placing cellular calls that eat up minutes on the carrier's voice network. Such voice-minute-avoiding apps have been a topic of hot debate among carriers and app developers, and the FCC even got involved when Apple and AT&T rejected Google Voice from being used on the iPhone.

Billing for Skype Calls Depends on Termination

Verizon Wireless says Skype mobile will be available on nine smart phones in March: BlackBerry Storm 9530, Storm2 9550, Curve 8330, Curve 8530, 8830 World Edition and Tour 9630 smart phones, as well as the Motorola Droid, HTC Droid Eris and Motorola Devour.

All Skype mobile calls will travel over Verizon Wireless' 3G voice network instead of its data network for quality and reliability reasons, Lewis explains. The traffic will also ride on Skype's network for parts of the calls.

Skype mobile calls will be billed one of three ways, depending on where the calls terminate, Lewis says.

- Calls made from the Skype mobile app to another Skype user (on a PC or smart phone) anywhere in the world will count as data usage for billing purposes, and those with unlimited data plans won't incur additional charges.

- Calls made from the Skype mobile app to a phone number in the United States will be billed as voice minutes on the users' plans.

- Calls made from the Skype mobile app to an international phone number will be billed at Skype's "Skype Out" rates. Skype's rates for users of its computer application are available at www.skype.com/intl/en/allfeatures/callphones.

Verizon Wireless smart phone users will also be able to send and receive instant messages to other Skype users and see friends' Skype presence.

"We're effectively giving customers with smart phones and data plans the option to extend their unlimited calling community to hundreds of millions of Skype users around the globe," says John Stratton, executive vice president and chief marketing officer for Basking Ridge, N.J.-based Verizon Wireless, which has 91 million subscribers.

Skype Could Save Money, But Consider Pool Shortfalls

Many enterprises would welcome any application that cuts their mobile expenses. But mobile Skype would alter the predictable cellular usage patterns

RIM Announces BlackBerry Enterprise Server Express

Enterprises and small businesses will have a new option to wirelessly synchronize and secure BlackBerry devices: the BlackBerry Enterprise Server Express.

The new server software will be available as a free download in March, according to a RIM press release.

RIM intends the software to be used by enterprises looking to manage personal BlackBerry devices that connect to enterprise e-mail services. It is also designed for small- and medium-sized businesses that need enterprise-grade security and manageability but not all of the advanced features that come with the BlackBerry Enterprise Server.

BlackBerry Enterprise Server Express provides users with secure, push-based wireless access to e-mail, calendar, contacts, notes and tasks, plus other business applications and enterprises systems behind the firewall. It works with Microsoft Exchange 2010, 2007 and 2003 and Microsoft Windows Small Business Server 2008 and 2003.

BlackBerry Enterprise Server Express also offers 35 IT controls and policies, including the ability to remotely wipe a smart phone and enforce and reset passwords. ☎

Fingers Crossed for Lower Special Access Pricing

Tune in as the Junkies discuss the future of pricing for special access services like T-1s and T-3s. Hear regulatory expert **Andy Regitsky**'s take on the latest FCC proceedings in this episode, hosted by CCMI's **George David.** Listen at www.telecomjunkies.com.

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that telecom managers rely on to determine voice minutes and data plans needed for end users, notes Cindy Zhou, senior director of marketing at telecom expense management firm Rivermine, based in Fairfax, Va.

Here are four questions Zhou recommends you consider before deploying Skype mobile:

- How will Skype mobile calls impact your corporate voice pool plans? Will Skype mobile cause under-utilization of pooled minutes, resulting in wasteful spending?
- Many end users do not need data plans currently. Are you willing to pay more for data plans to save on voice minutes with Skype mobile?
- How will your enterprise handle costs associated with inadvertent Skype mobile calls to phone numbers? New corporate policies will need to be established to account for this inevitability, Zhou cautions.
- Will your enterprise be able to track Skype mobile calls for expense management, HR and legal purposes like you can today with call detail records? Will Skype mobile call detail records be presented in the same format on invoices?

Verizon Wireless' Lewis is looking into if and how Skype mobile calls will be reported on invoices.

In the meantime, Zhou reports Rivermine's customers are taking a cautious approach and waiting for more details before deploying Skype mobile. ☎