What can you expect from your Carrier's "push" to IP telephony?

No secret the Carriers with the blessings of the FCC want this to happen and as such, you will see pressure from the Carriers to migrate your current environment to IP based services, sometimes involuntarily. One method will promote pricing incentives (either positive or negative) depending on the services or inflexibility through the direct discontinuance of traditional TDM services overtime.

Does this mean you need to migrate to IP based services immediately?

No. We want you to be aware of the changing landscape and take steps to protect yourself when negotiating new contracts. While some directional statements from the Carrier community predict TDM services will be dead by 2020, don't count on it. The certainty of challenges by consumer and business groups combined with the challenges associated with deployment must be considered.

A good example of such a challenge is how will enterprises with plants in rural areas be provided services in sparsely populated areas where the distance from the central office exceeds the limitations of current DSL technologies? Dedicated access facilities exceeding 25 miles will dramatically increase the cost of providing data services at these locations.

Will wireless access to services help solve the access issues?

The wireless Carriers are having capacity problems now, one can only imagine how they will economically handle the increased capacity demands generated by millions of new end points.

What does it mean for long distance rates and custom contracts?

Recent activity suggests major carriers are attempting to hold and increase pricing on traditional TDM long distance and toll free services while offering aggressive introductory rates for similar IP based services. Lower CPM rates are more common place for IP based services and lower rates are being offered by "tier 2" carriers, but at what additional cost? As contracts for traditional TDM services expire we expect to see upward pressure on pricing as well as the removal of rate stabilization for TDM services. Carriers are currently adding language to new and amended contracts giving them the ability to migrate users from existing services to another "similar service". The challenge then becomes the only similar service in many cases does not provide rate stabilization for IntraLATA, intrastate, or international voice services.

Complicating the market and on-going vendor management for many enterprises is the fact sub 1.5 Mbps services are being removed from the market leaving end-users scrambling to find replacement services for items such as off-premise extensions, foreign exchange lines, alarm circuits, etc. For those enterprises trying to control costs, they begin to erode leverage by expanding the vendor pool.

What impact can I expect on my local services?

It is no secret all the Carriers want to sell you SIP to replace your traditional PBX trunks. As with long distance and data service you will see pricing pressure on traditional TDM local services especially items such as non-digital PBX trunks, Centrex, sub-rate private lines, etc. In fact AT&T has notified its customers in several areas of their intention to discontinue sub 1.5 Mbps services such as off-premise extensions, foreign exchange lines, alarm circuits, etc. While this is not an immediate action, you need to begin planning now.

In some cases we've seen the incumbent carrier reluctant to renew contracts for digital trunks and/or PRI's in an attempt to move their customer to IP based services. Fortunately or unfortunately, this negotiation comes down to how big of a customer you are. A small business with a few circuits has less leverage than a large multi-location customer with 50 or more digital trunking facilities. We expect to see changes in the rates charged by the ILEC/LEC for local usage in order to create a promotional financial incentive to move to IP based services. Most of the SIP contracts NSA has negotiated include significant local usage and long distance minute reductions per concurrent talk path.

What should I do to prepare for this?

We recommend a combination of the basic steps listed below as a start to help you plan for your migration to IP services.

1. Build a baseline inventory of your contracts and services, especially for local services. Be sure to plot out the individual expiration date on any circuit specific term plans.
2. If a contract has less than a year remaining consider extending it with the same rates for an additional period of time.
3. Complete a needs analysis and sourcing strategy. Managing the sourcing project, and implementing the new services will probably take longer than you expect, especially as you manage the network on a day to day basis.
4. If you have 18 months or more on your contract or paying as you go with no contractual requirements begin planning for your migration. Significant savings as well as operational efficiencies might be obtained, but migrating now is not always the best fit.
5. If you need to add TDM services on a short term basis as you work through your migration strategy and begin implementation be sure to obtain short term pricing not only from your LEC but from an aggregator as well. Many times you will find aggregator pricing quite attractive with no contractual commitment required.