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Be aware of vulnerabilities associated with new technology

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A couple of weeks ago, someone for whom I have a great deal of respect asked me to assist him in evaluating a young company providing service in the telecom industry. I was asked to consider this company from the outside only for the purpose of advising a potential investor.

As a result of this research, I ultimately concluded that an investment in the company would not be prudent, but the issues were much less about the deployment of cool technology than the way that the product is being marketed. With this mind (and recognizing that I only got paid in the event that the investment was made, and the company was ultimately successful), I hoped that it was understood that my motives were pure.

During the course of the research, I reached a very basic conclusion: it's not always what the product or services provide, but about what they don't provide — and about what those who are interested in selling the product don't tell the customer — that should make the difference.

In telephone equipment and services, these are the questions that need to be asked.

The technology in this particular instance is called "hosted IP," which relies on Internet technologies to provide high-end telecommunications capabilities in multi-user, multi-site scenarios, and in organizations that do not consider the capital expense costs of a new telephone system to meet the objective of "investing only in direct lines of business." In English, this means that hosted IP-based systems can provide very high levels of sophistication for a reasonably low price.

The specific strengths of hosted deployments and configurations are that they allow for a convergence of voice and data, making such a combination not only feasible, but cost-effective for the small- to medium-sized business.

These combined technologies can offer specialized features and capabilities to small businesses that would otherwise be priced out of the market for some highly sophisticated features. And, in a time when everyone at every level is talking about convergence, great technological capabilities at a fraction of the cost of a traditional phone system are very attractive.

Current market conditions show the converged network savings continue to outweigh the savings realized from a converged premises based VoIP PBX's hardware solution. IDC, Gartner and Yankee Group predict that aggressive deployments of hosted IP will ramp from about \$800 million in 2006 to a \$1.5 to \$2 billion market in 2009 and, along the way, hosted IP will blur and redefine the traditional parameters of the small- to medium-sized business markets.

Hosted IP is a rapid deployment, scalable, flexible, and predictable product, based on an "all you can eat on a cost per seat" market plan. Simplicity and outsourced support are strong market drivers particularly to a tech savvy, fast tracking company or division.

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Another attraction of deploying a hosted IP product is that the end user is no longer responsible for providing high expense technical support, as well as customized space incorporating specialized HVAC and power requirements necessary to support a phone system.

Finally, one of the other most notable advantages of a hosted IP system is that it can support multiple remote locations without the expense of traditional long distance connectivity.

The vulnerabilities of a hosted IP system are often overlooked in favor of the more glamorous functionalities. Specifically, in the event of a power failure, even with battery back-up, the system is vulnerable.

In a traditional POTS (plain old telephone system) configuration, power is derived from the central-office provided dial-tone. In a hosted IP scenario, this is simply not possible unless a specific "power loss failover" plan is incorporated into the system, at an additional cost.

From a legal perspective, employers have a legal obligation — under three different theories of law — to provide a safe environment for their employees. While hosted IP can be configured to support some enhanced 911 (E-911) capabilities, in fact such configuration costs money, thus reducing the significant cost savings promised by the vendor. E-911 is an essential service, and companies have been held liable on the occasion that a first responder can't get to a medical emergency in time because of a lack of specific and useful identification information.

In addition to 911 capabilities, other more traditional devices, including faxes, are best kept on POTS lines. Again, while the hosted IP provider touts a single answer to all communications needs, a POTS line that can serve in multiple roles as a fax line, power failure backup and 911-friendly facility, will need to be provided by another vendor, thus making the system not quite as seamless and clean as originally advertised.

Finally, while one of the selling points of hosted IPs is that the end-user can do its own moves, adds, and changes, in fact when more complex, outside service is required, it will require an expensive resource on a time and materials basis. Time and materials agreements are rarely cost-effective and the expense to conduct some maintenance that's just beyond what's defined as routine can also eat away at the significant savings that the vendor has promised.

This story is useful as an example. Hosted IP, along with many other recent technologies, are very useful for businesses of all sizes. The issue isn't about hosted IP or any other sexy service, it's about identifying the vulnerabilities and then making an informed decision about whether the cool features at the low price are worth the exposure.

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