

Belt-Tightening in Telecom Savings Opportunities and Risks

As we all face the holiday season with tightened belts (just after Thanksgiving turkey but before the holiday party season gets into modified swing), attorneys and staff at many offices are considering what changes can be made to cut the largely heretofore unnoticed office expense. Telecommunications is certainly one area where economies can be found, but as with anything else, changes in telecommunications equipment, networking and policies should be made with great care.

In the past several months, I have been brought in to resolve problems where the end-user was offered the moon for a song by a skilled salesperson who had no basis for the claims that he made other than his own vivid imagination. In both cases, the customer bought what he was selling hook, line and sinker without any knowledge that the salesman didn't know what he was selling, and secondly that he was actively misleading the customer in terms of penalties and other onerous charges that could – and did – apply. With this in mind, here are some items to consider when looking to save money.

Since the landmark Telecommunications Act of 1996, telecom providers (both equipment and service) have had numerous opportunities for corporate combination, acquisition or other realignment. While the bulk of the PacMan type activity happened shortly after the 1996 legislation became law, in fact, over the past 8 years, the mega-mergers have continued to make their way through

the U.S. Justice Department Antitrust Division, the FCC and the state regulatory authorities where appropriate. In the anti-regulation era of the past administration, a number of these mergers have moved through the process with few conditions, a process in my opinion, which has not served consumers – whether they are enterprise, government or individual.

Although there are fewer players in the telecom space than there were 8 years ago, most experts believe that the merger mania isn't quite over. The biggest players, including Verizon, AT&T and Comcast, for example, will remain dominant. What has yet to be seen is which of the smaller players will survive in the latest chapter of Darwin takes on the telecom companies.

From the consumer perspective, however, this may be a terrific opportunity to take advantage of the creative products, services, and pricing that is being offered by the smaller players. There is certainly risk associated with signing on with a smaller provider. However, for everyone but the 800 pound gorillas in the market, this is a time when innovation will make the difference between who survives and who doesn't. Local competitors like Paetec and One Communications can offer a significant savings over the "big boys," while posing only a small risk. My advice is don't be afraid to sign up for 2-3 year deals, but be sure to understand the escape options if the need arises.

The second area where money can be saved is with wireless. Although this isn't always the popular stance, it is my belief that enterprises should NOT own the wireless devices which it provides to employees. Aside from creating

additional liability in the event of an accident when an employee is driving and talking or, worse texting, employers who provide wireless devices to employees are not only subsidizing non-work related usage, but they are subjecting their employees to an additional tax burden (wireless devices are considered “listed property” by the IRS, and as such are subject to taxation) which will show up on the employee’s W-2 form.

The flip side of this issue, however, is corporate security, consistency and management. Wireless consultant Michael Finneran, Principal of dBrn Associates, Inc. (<http://www.dbrnassociates.com>) in Hewlett Neck, NY sees this issue another way. “Given the overall importance of mobility and the challenges in maintaining security, I’m a firm believer in having the company own the phone, managing/paying the bill, and ensuring the security features (which includes limiting what data and applications can be installed on it),” he said recently. “If cost control is the only issue, as long as we can get a decent corporate contract with computerized billing (so we have the info we need to choose the best contract), I don’t see much risk with users owning the phone- as long as it’s not a smartphone. Once we have applications and data storage capabilities on the phone, then we’ve got to be able to manage and secure it just like a PC. Unfortunately even ‘basic’ phones now have contact and calendar capabilities, and that can also be sensitive ‘company’ information.” Thus, while there may be other operational issues, the fact remains that reimbursing an employee for work-related wireless device usage may save – both in terms of

expenses and bill management and oversight. This decision, however, must be made when considering all of the options and associated obstacles.

Finally, as the market gets tighter, there are more people who are in need of the next big sale. If the deal you're being offered sounds too good to be true, it probably is. Telecommunications carriers like to lock up customers for extended periods of time. My preference is for deals that last no longer than 2 years, although under some circumstances 3 year deals make sense. Rarely (ok, never) does a 5 year contract make sense. The technology changes too quickly, and the contracts are too fraught with subtleties to be beneficial to the customer for this length of time. Furthermore, many account execs are compensated differently based upon the length of the agreement which is why they push longer agreements on customers who should refuse them.

Please accept my very best wishes for a festive holiday season and a happy new 2009.