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Demystifying AT&T Contracts for Network Services

Contracts for enterprise network services are rarely cut and dried. More often, they are layered, convoluted and confusing – and, for businesses with more complex voice and data network demands, the interrelationships can be overwhelming. This is especially true for AT&T's network services, where terms and pricing outlined in master agreements are often overridden by supplemental agreements. Companies that are looking to rein in their AT&T spend, renew their current agreement at best-in-class rates, or purchase new services first need to gain a thorough understanding of how AT&T's contracts operate.

Mystery equals margin. It's a concept that informs many telecom providers' pricing and contracting behavior, including AT&T's. The provider's contracting practices present ample opportunity for confusion, which ultimately translates into greater risk for customer overspending. Even AT&T's master service agreements, which imply simplification, contain many layers and a hierarchy of governance that can be difficult to understand. This makes it nearly impossible for non-experts to define exactly what services are being provided against which pricing schedule and minimum revenue commitments, and which terms and conditions apply. Most importantly, it has a long-term effect on how companies manage their spend with AT&T and how well they are able to find and apply leverage during contract negotiations.

This primer will help demystify how AT&T's agreements for voice and data network services work, putting you one step closer to optimizing your AT&T agreements for fair market value pricing and terms.

THE MASTER SERVICE AGREEMENT

AT&T offers two primary agreements that consolidate contract, commitments and billing: the AT&T Business Network Agreement (ABN) and the A&T OneNet Agreement. These operate as master service agreements in that they typically provide the overarching language for governing the business relationship. The ABN is primarily designed meet the needs of domestic enterprise customers, while OneNet is more suitable for multi-national enterprises (although it's not uncommon for global enterprises to have an ABN).

In both cases, these agreements cover the following:

- General terms and conditions (often with a URL link)
- Revenue commitment (either a Minimum Annual Revenue Commitment or a Term Volume Commitment)
- Term length and auto-renewal clause
- Special conditions (special credits, achievement credits, ramp period, etc.)

Remember, **pricing and terms** in the ABN or OneNet agreement **can be superseded** by those specified in an individual service agreement or pricing schedule – and the service order form's pricing and terms can supersede them both.

In addition to these general items, the ABN or OneNet Agreement will also cover discounts for most of the voice services in the AT&T portfolio. These may include access lines, PRI interfaces, switched digital services, long distance rates, toll free, interoffice channels – and virtually any other offering related to standard analog or digital voice services.

SERVICE AGREEMENTS, SUPPLEMENTAL SERVICE AGREEMENTS AND PRICING SCHEDULES

Under the ABN or OneNet Agreement will be a number of service agreements and pricing schedules for AT&T's core network services. There will also be supplemental service agreements and pricing schedules for each of the provider's non-traditional voice services that the customer wishes to buy from AT&T. This may include:

- FlexWare – AT&T's latest offering of SDWAN products
- AT&T Network Integration – Often used in conjunction with SDWAN internationally
- BVoIP – Business voice over IP
- AVPN – AT&T's flagship MPLS data networking product
- MIS – Managed internet service
- GigaMan – One flavor of AT&T's metropolitan area network
- SONET or DWDM Services – High-speed access rings
- ANIRA Services – Remote access solution

Each of these agreements will spell out the service description, terms, pricing, discounts and SLAs of the individual service that they cover. They will also typically include a reference to the minimum annual revenue commitment or term volume commitment specified in the master ABN or OneNet agreement. If there is a contradiction, the terms of the service agreement or pricing schedule take precedence over the terms of the ABN or OneNet contract.

SERVICE ORDER FORMS AND RESPECTIVE PRICING

In most cases, the ABN/OneNet and associated service agreements/pricing schedules function as a menu of offerings available to the customer. But, the actual ordering of a circuit or services is handled through a service order form (SOF). The SOF includes such details as the site address(es), contact name(s), equipment details, type of termination, feature sets, etc.

However, the SOF can also include special pricing and terms. For example, a SOF may include the cost for local access or may include its own minimum length service term. In the event of contradiction, the terms/pricing set forth in the SOF supersedes the service agreement/pricing schedule, as well as the ABN/OneNet agreement.

An inventory is what's actually being purchased off of the master agreement "menu." For example, **one company's inventory may look like this:**

- 10 PRIs
- Minutes per month of each type of call
- 20 DS1 access lines
- 20 DS1 AVPN ports
- 3 Ethernet access
- 3 10Mbps AVPN ports

BUT WHAT ABOUT LOCAL SERVICE?

So far, the agreements we've covered have pertained to AT&T's InterExchange Carrier (IXC) side of the business – also referred to as "Legacy T" agreements. Local telecom services such as PRI voice, plain old telephone service (POTS) or DSL internet service are purchased under an AT&T Incumbent Local Exchange Carrier (ILEC) service agreement. These are typically referred to as "Legacy S" agreements and can include any combination of the following:

- AT&T Business Local Calling ILEC Service Agreement
- ISDN Prime (ISDN PRI) Service with DS1 Service
- AT&T Local Switched Services
- FastAccess Business DSL
- AT&T High Speed Internet Business Edition
- AT&T ILEC Local Private Line DS1

This is only a partial list of potential ILEC contracts. There are many more and represent an additional area of a company's AT&T estate that needs to be closely managed.

TURNING SPEND VISIBILITY INTO LEVERAGE

The interrelationships between AT&T contracts aren't that difficult to understand once you break down the components and hierarchy. Once understood, they can be useful in helping you assess your current spend and optimizing terms and conditions. To get started, you will need data from three key areas:

1. A copy of all agreements and related amendments
2. A comprehensive inventory of what you're buying
3. A revenue achievement report

We've covered the first area in detail. By this time, you should have a strong knowledge of what different agreements you need to collect, and how they relate to one another.

The second item is an inventory – this is what's actually being bought and includes two main cost elements: monthly recurring charges (MRCs) and usage charges. MRCs are generally charged at a fixed rate for the entire term of the service on a monthly basis. They're commonly associated with services such as PRI circuits, AVPN (MPLS) ports, access services (DS1, DS3, SONET, ATM), 800-numbers, POTS lines, packages of DIDs (10, 50 or 100), etc.

Usage charges, on the other hand, will vary each month and are composed of a volume of consumption and a rate per unit. Voice traffic is the biggest example of usage-based billing and burstable internet is another. In voice traffic, the cost per unit is different for each type of call and each type of connection. The most common types of call are:

- Local – calls within the local calling area
- IntraLATA – calls within a local area but out of the local calling area

- IntraState – calls between local area calling zones but within a state
- InterState – calls between states
- International – calls between countries

Each of these calls can be rated at a different cost per unit depending on whether it is outbound (dialed) or inbound (toll free), and also depending on how it is connected to the public network. Connection types are either dedicated or switched. The volume of minutes is multiplied by a rate per unit. In most cases, the cost is expressed as a cost per minute (CPM).

For example, a usage-based bill may have traffic in each of the following four categories: (1) toll free – dedicated, (2) toll free – switched, (3) direct outward dial – dedicated or connected, and (4) direct outward dial – switched. In those categories, calls may be further categorized by interstate, intrastate, intraLATA, local, etc.

The final item needed for spend visibility is a revenue achievement report. It will illustrate how much revenue AT&T is tracking against your minimum annual revenue commitment. The complete report will show a breakdown of how much revenue AT&T is tracking by category of spend (legacy, integrated, corporate mobility, individual mobility, etc.). The best way to get this information? Ask your AT&T account rep.

READY, SET, GO

A contractual understanding, an accurate asset inventory and a revenue achievement report are essential in assessing and optimizing your AT&T network services spend. With this information, you have a clearer view into how much you're spending on which offerings, and how those compare to your minimum annual revenue/volume commitments. This intelligence is also the foundation for understanding where you may be underutilizing assets, and how/if they should be repurposed or decommissioned. In each of these cases, this insight can translate into meaningful leverage during your next AT&T purchasing or renewal event.

ABOUT NPI

NPI is an IT sourcing consulting company that helps enterprises identify and eliminate overspending on IT purchases, accelerate purchasing cycles and align internal buying teams. We deliver transaction-level price benchmark analysis, license and service optimization advice, and vendor-specific negotiation intel that enables IT buying teams to drive measurable savings. NPI analyzes billions of dollars in spend each year for clients spanning all industries that invest heavily in IT. For more information, visit www.npifinancial.com.

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