

Agenda Date: August 22, 2001
Item Number: 2A

Docket: UT-991535 - Area Code 564 Overlay
Company Name: Telecommunications General

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Recommendation

Issue an order suspending the schedule for implementation of the 564 overlay area code and mandatory 10-digit dialing.

Background

The telecommunications industry is currently scheduled to implement a new area code and mandatory 10-digit dialing on October 20, 2001. In the past, the WUTC has taken the position that new area codes are a burden to consumers and businesses and should be avoided unless necessary. Staff believes that, based on a close review of the number of telephone prefixes being used and the current industry situation, the planned 564 overlay should be delayed for at least a year.

Recent History of Area Code Relief

Since the development of local telephone competition and wireless services in the early 1990s, customers, telephone companies, and regulators have struggled with a telephone numbering system that was designed for a monopoly environment. In the mid-1990s western Washington went from having a single area code to having four area codes, and the majority of customers in that area were required to change their telephone numbers.

In 1999, the telecommunications industry sought approval¹ of a fifth area code in western Washington to supply additional telephone prefixes in the 360 area code that had been created four years earlier. A few months later, the industry requested a sixth area code because it expected to run out of prefixes in area codes 206 and 425.

¹ Prior to passage of the Telecommunications Act of 1996 the WUTC's role in area code relief was largely advisory. The Federal Communications Commission's rules implementing the 1996 act delegated to state commissions the authority, within limits, for area code relief:

State commissions may resolve matters involving the introduction of new area codes within their states. Such matters may include, but are not limited to: Directing whether area code relief will take the form of a geographic split, an overlay area code, or a boundary realignment; establishing new area code boundaries; establishing necessary dates for the implementation of area code relief plans; and directing public education and notification efforts regarding area code changes. [47 C.F.R. § 52.19(a)]

The industry proposed that the new area codes be implemented as "overlays," rather than the "splits" that had been used to implement 360, 425, and 253. Overlays would avoid the need for any existing customer to change telephone numbers, but they would require customers to dial ten digits (area code plus seven-digit telephone number) for every local call.

The approach of the WUTC in reviewing these requests for new area codes has been to approve relief when new area codes are needed but to do so only after the industry has demonstrated that it has taken all reasonable steps to use its existing supply of telephone numbers as efficiently as possible. The reason for this approach is that mandatory 10-digit dialing will be a significant burden on consumers and businesses.

The WUTC approved the overlay of the 564 area code on 360 in October 1999, and it approved use of the same overlay code for area codes 206, 425, and 253 in May 2000.

By requiring more efficient use of telephone numbers and working closely with the industry to implement new efficiency measures, the state has been able to postpone introduction of a fifth area code. The overlay code was originally scheduled to become effective in July 2000. That date was moved to February 2001, and last year the WUTC approved a further extension until October 2001.

Status of Western Washington Area Codes

The western Washington area codes currently have from 57 to 414 prefixes available for assignment to a telephone company. (There are 792 available prefixes in an area code.) The number of available prefixes by area code is shown in the table below, which also shows that companies are currently returning more prefixes than they are requesting:

Area Code	Prefixes Available As of August 15, 2001	Prefixes Assigned, Year to Date 2001	Prefixes Returned, Year to Date 2001
206	236	10	12
253	414	23	24
360	57	21	31
425	286	22	27

Source: North American Numbering Plan Administrator

The Staff recommendation to delay the overlay is based on a conclusion that the industry forecasts were too pessimistic about when area codes 360, 425, and 206 would run out of prefixes. Area codes 206 and 425 were projected to run out in the first quarter of 2002. Those area codes each have more than 200 prefixes remaining and now cannot reasonably be expected to run out of prefixes during 2002.

The western Washington area code that is nearest exhaustion is 360. Based on an assumption that telephone companies would request nine prefixes per month, it was projected to run out of prefixes in the first quarter of 2001. A rationing plan was imposed to limit the number of new prefixes assigned to seven per month, but the actual number requested has been three per month this year. The numbering administrator's forecasts continue to assume that, but for rationing, companies would request nine prefixes per month.

With companies returning prefixes, Staff expects there to be more prefixes available – in western Washington as a whole and in area code 360 in particular – at the end of 2001 than were available at the end of 2000.

There are two basic reasons why the earlier forecasts were too pessimistic:

- The forecasts assumed no improvement in the companies' use of telephone prefixes. The industry has responded to our challenge to use their existing supply of numbers more efficiently, and this has reduced the need for additional prefixes.
- There was a high level of entry after enactment of the Telecommunications Act of 1996, and the earlier forecasts assumed this level of entry would continue. In reality, growth in the number of new companies has virtually stopped.

The WUTC made similar decisions in February 2000, when it decided that scheduled implementation at the end of July 2000 was premature, and in June 2000, when it determined that scheduled implementation in February 2001 was premature.

Because the situation in area code 360 is crucial to a decision about whether a delay is feasible, Staff has closely examined confidential reports on how each company is using each prefix in area code 360 and has asked individual companies to consider returning prefixes. In most cases, companies expressed a willingness to help but were unable to return prefixes. However, the process did enable Staff to identify at least 32 prefixes that companies agreed to return to the numbering administrator. These returns will take up to 90 days to implement. However, with these returns the number of available prefixes in area code 360 is effectively 89, rather than the 57 reported by the numbering administrator.

Consumer and Industry Comments

The WUTC has received at least 350 comments from consumers and businesses since the initial area code 564 overlay plan was announced. Most of the comments expressed an opinion about the choice of an overlay instead of an area code split, but virtually every comment reflected a concern that a new area code was needed so soon and a desire to avoid a new area code of either form.

Staff has discussed the proposal to delay the overlay with telephone companies operating in western Washington. In addition to discussions with many individual companies, Staff convened a meeting for all companies on August 3. The industry comments have generally opposed any delay in the area code overlay. The companies note that the number administrator still considers area code 360 to be in "jeopardy," with rationing in place. They believe that Staff has overstated the burden on customers of 10-digit dialing, noting that many customers today dial 10 digits where their local calling area crosses an area code boundary. The companies also are concerned about the possibility that the demand for new prefixes could increase again and exhaust the remaining supply of prefixes in area code 360.

Likely Effect of a One-Year Delay

Staff believes that, in considering whether to approve a delay, it is important to evaluate whether a delay will lead to long-term benefits for customers in the state and whether it is likely to impede the operations of the telephone industry in western Washington. On both counts, Staff has concluded that a delay is warranted:

- Long-term benefit – The telecommunications industry expects to make significant improvements during the next year in how efficiently it uses telephone numbers. Number pooling, which is a process that allows multiple companies to share a single telephone prefix, is scheduled for national deployment over the next year. Staff believes that, if mandatory 10-digit dialing is delayed for a year, there is a good chance that number pooling could be implemented in western Washington during that year. Should that occur, it would likely result in a further delay in the need for area code relief. However, if an overlay is imposed before pooling begins, there is no practical way to undo it after number pooling makes the overlay unnecessary.²
- Ability of companies to operate – Area code 360 already has a prefix rationing process in place. The process, which was developed by the industry, limits the number of prefixes assigned to seven per month and grants a preference to companies that are attempting to enter the market. At no time in 2001 has the ration limit been binding, because the number of prefixes requested in a month has never exceeded seven. Indeed, so far this year more 360 prefixes have been returned than have been assigned. However, the industry could address any concern about a shortage of prefixes by reducing the ration level. With the ration level set at 4 or 5 prefixes per month, the industry could ensure that prefixes were available through October 2002. In addition, Staff believes that there are many still untapped opportunities for companies to obtain numbering resources from each other.

² Oregon implemented area code 971 as an overlay in the Portland area in October 2000. It is now in the process of implementing a number pooling trial, to begin in October 2001. Telephone companies, as a group, have donated 349 thousand-number blocks from the 503 area code and, as a group, have projected that they will need 141 thousand-number blocks in the first year of pooling. These numbers suggest that, had Oregon been able to implement pooling before the overlay, it could have delayed the overlay by 2.5 years.

Consumer Education Plan

One concern identified by Staff and the telecommunications industry is the effect of a delay on the plan for educating customers about the new area code and the new dialing method. The WUTC has approved an industry plan that involves both notice to individual customers and public education through radio, television, and newspaper advertising. The plan also includes outreach to seniors, elementary school students, and non-English speaking populations.

Staff acknowledges that customers have already received a notice that 10-digit dialing will be required in October. However, most of the advertising and outreach effort has not yet occurred. If the proposed delay were only a few months, the potential for customer confusion would probably more than offset the benefit of the delay. In this instance, the delay would be for at least a year and could be much longer with number pooling. Staff believes that customers would prefer to delay 10-digit dialing even if it results in some confusion about the change in plans. Moreover, if a customer fails to get the message and begins dialing 10 digits in October, the calls will still be completed.

Conclusion

There has been a significant change in the use of telephone prefixes since the WUTC approved the area code overlay date last year. The telecommunications industry is requesting fewer new prefixes and is using its existing supply of prefixes more efficiently. In light of these changes, Staff believes that the scheduled implementation of an area code overlay and mandatory 10-digit dialing in October 2001 is no longer necessary. A delay is feasible without causing significant harm to the telecommunications industry, and it will provide significant benefit to consumers and businesses in western Washington.