

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In the Matter of )  
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Numbering Resource Optimization )  
 )  
Further Notice of Proposed Rulemaking )

CC Docket No. 99-200

COMMENTS OF WORLDCOM, INC.

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## EXECUTIVE SUMMARY

Pursuant to the Commission's further notice of proposed rulemaking, WorldCom addresses four topics in these comments: (1) utilization thresholds; (2) implementation of pooling for non-LNP-capable carriers; (3) pricing of numbers; and (4) recovery of shared industry and direct carrier-specific costs.

Insofar as the Commission is determined to establish mandatory utilization thresholds, regardless of the threshold established, the Commission must allow a safety valve for situations where a carrier's inventory is below the threshold, but insufficient to meet the needs of a particular customer. Otherwise carriers with larger number inventories will enjoy an unwarranted competitive advantage in competing for large customers. Moreover, any utilization threshold must operate at the rate area level, not NPA-wide.

WorldCom does not know of any reason why wireless carriers would need a transition period beyond the expiration of the LNP forbearance period. However, if a transition is needed, it should not be lengthy. Wireless carriers should be implementing most of the changes necessary to participate in pooling as part of their LNP preparations. WorldCom does urge the Commission to seek comment on the implications of the coincidence on November 24, 2002 of the wireless pooling implementation and the expiration of mandatory wireless resale. To the extent that any facilities-based providers seek to terminate resale arrangements, a transition period will be needed to allow the orderly porting of end users' numbers.

The use of a pricing mechanism to allocate numbers is a superficially attractive way to obtain more efficient use of these resources. However, WorldCom believes that the actual implementation of such a mechanism would raise insuperable practical difficulties. Instead of establishing a true market that would promote socially efficient resource usage, as the Commission has done with PCS spectrum, it is likely that the Commission would have to rely on administrative resource pricing. Such a system would inevitably distort the marketplace and fail to provide the appropriate incentives to all participants. Even if the Commission succeeded in deterring at the margin the use of numbers, it could have no confidence that its pricing mechanism was actually promoting socially beneficial behavior.

WorldCom continues to oppose the use of access charges for recovery of ILEC pooling costs. Such cost recovery is not competitively neutral and distorts the market for exchange access services. In addition, WorldCom does not believe that sufficient information exists to allow an accurate estimate of the costs avoided by pooling implementation.

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Further Notice of Proposed Rulemaking )

**COMMENTS OF WORLDCOM, INC.**

On March 31, 2000, the Commission released a Report and Order and Further Notice of Proposed Rulemaking in the Matter of Numbering Resource Optimization.<sup>1</sup> Therein, the Commission took a number of actions on administrative and technical matters related to optimizing the use of numbering resources. The Commission also established a national framework for implementation of thousands-block number pooling. Finally, the Commission sought additional comments on issues ranging from utilization thresholds to the establishment of a pricing mechanism for the allocation of numbering resources. WorldCom, Inc. (WorldCom) hereby submits comments on the Commission's further notice.

**I. Utilization Threshold**

The Commission has sought further comment on the specific utilization threshold non-pooling carriers should be required to achieve in order to request growth codes. As an initial matter, whatever threshold is established, it is critical that the Commission

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<sup>1</sup> CC Docket No. 99-200 (*Pooling Order*).

allow carriers with specific customer needs to obtain additional resources without regard to utilization. Otherwise carriers that hold larger inventories will have a significant advantage in competing for large customers. A simple example will illustrate the problem.

Imagine that a large customer opens a new campus for several thousand workers. To support this campus, the customer requires 8,000 telephone numbers initially. Two local exchange carriers, CLEC and ILEC offer service in the area where the campus is located. CLEC has only a single NXX, which is 40% utilized. Thus, CLEC has only 6,000 numbers available. ILEC has 5 NXXs within the rate area which are also 40% utilized, thus ILEC has 30,000 numbers available. In this example, if the utilization threshold is set above 40%, CLEC cannot even offer its services to the customer. CLEC has insufficient resources to serve the customer and no prospect of obtaining more. ILEC, however, does not require additional resources, and thus is not harmed by the utilization threshold. This example shows that without a safety valve, adoption of any mandatory utilization threshold will inevitably discriminate against carriers with smaller inventories. Such discrimination would plainly violate the statutory requirement that numbers be made available on an equitable basis.<sup>2</sup>

If the Commission is determined to establish a utilization threshold to work in concert with some sort of safety valve, it should base that threshold on empirical evidence of the average utilization level when a carrier must request a growth code. The Commission has determined that until a utilization threshold is established, to obtain growth NXX codes carriers must make a showing of need based on current utilization

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<sup>2</sup> § 251(e)(1) of the Telecommunications Act of 1996.

and recent historical growth.<sup>3</sup> The Commission should allow this regime to remain in place for 24 months before establishing a utilization threshold. During that time, NANPA could determine the average current utilization of carriers that seek growth codes. That number could then be used as the basis of a utilization threshold to work in concert with a safety valve for large number requests.

State commissions should have no discretion to alter any utilization threshold or range established by the Commission. The Commission has rightly acknowledged the importance of national numbering and pooling administration. A mandatory utilization threshold will be an important part of numbering administration. National carriers such as WorldCom must be able to develop uniform, national systems and procedures for number administration. There has been no showing that varying utilization thresholds will serve any significant public policy interest. The Commission should not sacrifice uniform number administration to unidentified benefits associated with varying utilization thresholds.

The Commission has also sought further comment on utilization thresholds at the rate area level that would operate in concert with NPA-level thresholds. WorldCom sees no benefit whatsoever to measuring utilization at the NPA level. The fact that a carrier has low NPA-wide utilization is irrelevant to that carrier's need for numbers in a particular rate area. Unless the Commission finds a way for carriers to use numbering resources throughout an NPA, rate area utilization is the only number that can matter.

## **II. Implementation of Pooling for Non-LNP-Capable Carriers**

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<sup>3</sup> *Pooling Order* at ¶ 103.

The Commission has sought comment on whether covered CMRS carriers should be required to participate in pooling immediately upon expiration of the LNP forbearance period on November 24, 2002. Alternatively, the Commission has asked whether there should be a transition period between the time when covered CMRS carriers must implement LNP and the time that they must participate in pooling. At this time, there has been no showing that wireless providers will require any additional time beyond LNP implementation to participate in pooling. Indeed, there is still substantial time before expiration of the forbearance period for wireless providers to prepare for pooling. However, if wireless providers do require a transition period, it should not be lengthy. Assuming that wireless providers are implementing as part of their LNP preparations the ability to “port-in” non-native numbers, the incremental addition of being able to draw blocks from a pool and place numbers from those blocks in service should be relatively minor. Fair competition requires that wireless providers participate in pooling as quickly as possible. Access to numbering resources should not depend on the technology used. The Commission should not allow substantial delay beyond November 24, 2002 for pooling implementation by wireless providers.

As a separate matter, the Commission should seek comment on the implications of the coincidence on November 24, 2002 of wireless pooling implementation and the expiration of mandatory wireless resale. WorldCom and other carriers provide resold wireless service to a significant number of end users. If any of the facilities-based providers whose service we resell seek to terminate the resale relationship, there will have to be a transition period to allow the orderly porting of end users’ numbers to other facilities-based providers. Past practice clearly demonstrates the need for a transition

period. For example, the transition from interim local number portability to permanent local number portability required approximately one year to complete. Without a sufficient transition period, customers may face the unacceptable choice of changing numbers or changing service providers. Moreover, any spike from the flash-cut porting of wireless reseller customer numbers could threaten to overload the NPAC and cause service degradation. The Commission must determine the appropriate time period for this critical transition.

### **III. Pricing for Numbers**

#### **A. Introduction**

The Commission has requested comment on the possibility of establishing a market-based mechanism for the allocation of numbering resources. Specifically, the Commission has indicated an interest in receiving comment on whether such a market-based mechanism can improve the efficiency of allocation of numbers among carriers.

At first view, the concept of establishing a price for the use of numbering resources seems attractive. Given that within the context of the current numbering system, numbers are a scarce resource that is in danger of exhaustion, establishing an economic cost for the use of numbers could induce carriers to be more efficient and innovative in the way that numbers are used.

However, any plan to implement a market-based mechanism for the allocation of numbering resources would face daunting difficulties in implementation. Simply charging for numbers is not enough. Unless a true market can be established for the use of numbering resources, it is not at all clear that carriers will have incentives that will

produce the efficiency gains that the Commission envisions. Within the overall policy context that the assignment and use of numbers currently operates, the establishment of such a market may be difficult, if not impossible.

It is tempting to posit an analogy between the Commission's treatment of spectrum resources in recent years and the proposed treatment of numbering resources. Both resources are in some sense scarce: the use by one carrier of one portion of the electromagnetic spectrum in one location generally will preclude other uses of the same portion of spectrum within the same locality, just as the use by one carrier of a portion of the numbers in a given area will preclude other uses of the same portion of numbers in the same locality. By establishing a cost for the use of spectrum, the Commission has forced carriers to be efficient in their use of spectrum and has ensured that spectrum is used in the manner most valued by the marketplace. It thus could be reasoned that establishing a similar market mechanism for the use of numbering resources also would encourage efficient use of numbers and ensure that numbers are put to the use most valued in the market.

The analogy can, however, be carried too far. There are important differences between numbering resources and the electromagnetic spectrum that may make the creation of a market for numbering resources much more difficult than the creation of a market for spectrum. First, and perhaps most importantly, each carrier's use of spectrum is not affected by issues of portability, as is the use of numbers. When a PCS customer switches her service from Sprint to AT&T, she does not take the spectrum she formerly was using in Sprint's system with her. That spectrum remains with Sprint, and can be, in effect, "re-used" by other Sprint customers. If, however, a customer switches local

service from Bell Atlantic to WorldCom, the number that that customer used on the Bell Atlantic network should, under the Commission's policies regarding number portability, move with that customer to WorldCom's network. Thus, unlike the situation with spectrum resources, Bell Atlantic could not be assured of the continued use of the numbering resources it had paid for if it experienced competitive losses in the marketplace.

A second major difference between spectrum resources and numbering resources is that, in the case of spectrum resources, there are very real physical limitations on the amount of spectrum that is available for telecommunications services, while the scarcity of numbering resources is not a result of physical limitations but rather of limitations imposed by current industry practices. The market can operate in a very pure way to determine the socially most valuable use spectrum resources. The only calculation is the price that society is willing to pay for alternative uses of the resource. By contrast, numbering resources theoretically are as unlimited in supply as numbers themselves are infinite. The perceived limitations in the supply of numbering resources are a consequence of current industry practice and of the social costs of changing the assignment of numbers or the method by which numbers are assigned. There are any number of ways in which the supply of available numbers may be increased -- by increasing the number of digits in the NANP or by altering the association of area codes or NXX codes with particular geographic regions, to give just two examples. Each of the methods for increasing the supply of numbers has different consequences for different stakeholders. A solution that minimizes costs for incumbent carriers might impose higher costs on new entrants. A solution that minimizes costs for the telecommunications

industry might result in higher costs for consumers of telecommunications services. A solution that works for wireline carriers might be unworkable for wireless carriers. And a solution that works well in California might have unintended consequences for the residents of South Dakota.

Finally, the market for PCS spectrum was created in a completely different historical context than would any market for the use of numbering resources. The PCS spectrum market started with a blank page, while telephone numbers have been in use for the better part of a century. In that time, a set of expectations for how numbers are used and what numbers mean have been developed both by carriers and by customers. Different market opportunities exist where there aren't any historical or existing expectations and the marketplace is established with a "clean" sheet than would exist if a market for telephone numbers were established.

Ideally, a market for numbering resources should act not only to encourage carriers to be efficient in their use of numbers in the narrow sense of limiting the number of NXXs or blocks of numbers that they reserve to their own use, but also more broadly. Any market should provide correct incentives to change those practices or technology that result in the inefficient use by the industry as a whole of numbering resources, while also accounting for the social costs imposed by alternative mechanisms for increasing the supply of numbering resources. For example, current industry practice requires the use of a separate NXX for each rate area in an area code. Many industry segments are reluctant to change this practice, as reducing the number of rate centers could have an adverse impact on toll and access revenues for some carriers. But it is this practice that is perhaps the greatest contributor to NPA exhaust in some areas of the country. Unless the market

mechanism established for the use of numbering resources creates a nexus between revenues derived from maintaining a large number of rate areas and the cost of practices that result in an inefficient use of numbers, the Commission's objective in proposing the establishment of a market for numbering resources may not be realized. It is not clear that simply charging for the use of numbers would create such a nexus.

At the very least, any market-based solution to the problem of allocating numbering resources must be compatible with other policy goals articulated by the Commission, such as encouraging the development of competitive markets for telecommunications services and promoting universal service. As an overriding general principle, the establishment of a market for numbering resources should be competitively neutral among carriers. Any market mechanism that would create barriers to competitive entry in local exchange markets, or which would favor one carrier or another as a function of that carrier's size or market penetration would not only fail to accomplish the Commission's goals in establishing the number resources market, but also would frustrate the larger policy goal of creating a competitive marketplace for all telecommunications services.

### **B. Competitive Neutrality**

Any market-based allocation mechanism must operate in a competitively neutral fashion, and should not create a barrier to entry for new service providers. The Commission rightly noted the concern that establishing a price of numbers under a system where numbers were assigned to carriers in blocks of 10,000 numbers could create a substantial barrier to entry, but voiced the opinion that the implementation of

thousands-block pooling will reduce the quantity of numbers that new entrants will require to enter a market.<sup>4</sup>

The Commission should recognize that, while the implementation of thousands-block pooling may reduce the quantity of numbers required for new entrants to establish a presence in the market, it will not eliminate entirely the potential barriers to entry imposed by the creation of a pricing mechanism for numbering resources. Any “lumpiness” in the method of allocating numbers to carriers will create disadvantages for smaller carriers, with the degree of disadvantage varying inversely with the size of the carrier and directly with the size of the “lumps.” This competitive disadvantage imposed by this “lumpiness” also will vary according to the size of the market involved, with a greater disadvantage imposed in smaller markets. An example may serve to illustrate the point.

Consider a medium-sized exchange area comprised of ten rate areas and a total universe of 100,000 lines. For the purposes of this example, assume that each rate area in the exchange contains the same number of lines, or 10,000 lines each. Finally, assume that four carriers serve the exchange, with Carrier A having an 80% market penetration, Carrier B having a 10% market penetration, Carrier C having a 7% market penetration, and Carrier D having a 3% market penetration. Assuming that thousands-block pooling is implemented for this exchange, the minimum quantity of numbers required for Carrier A to serve the exchange is 80,000 (8,000 in each rate area), for Carrier B, 10,000, for Carrier C, 10,000 (Carrier C must have a minimum block of 1,000 numbers in each rate area), and for Carrier D, 10,000. Given the market share of each carrier, both Carrier A

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<sup>4</sup> *Pooling Order* at para. 251.

and Carrier B will have no “surplus” numbers, because they each have more than 1,000 lines in each rate center (and, in this example, the number of lines for each carrier is an exact multiple of 1,000).<sup>5</sup> Carrier C will have 3,000 surplus numbers (because it has only 700 lines in each rate area), and Carrier D will have 7,000 surplus numbers (because it has only 300 lines in each rate area). This example illustrates the point that, where the number of lines served by any carrier falls below the minimum number lines in the number allocation scheme, the carrier will have some volume of surplus numbers that will occur regardless of the carrier’s relative efficiency in using numbering resources, simply as a consequence of the carrier’s size.

Where the number of lines served by each carrier is greater than the minimum number of lines in the number allocation scheme, the absolute number of excess numbers will vary according to the relationship between each carrier’s number of lines and some multiple of the quantity of numbers in each “lump” of the number allocation scheme. As a second example, assume that each rate area in the hypothetical exchange contains an odd number of lines, say, 42,000 (all other assumptions remain the same). In this case, the results are not strictly correlated with the size of the carrier, but are more related to the closeness of the fit between the number of lines served by each carrier and the quantity of numbers in the thousands-block pooling scheme. Carrier A has 4,000 surplus numbers, Carrier B has 8,000 surplus numbers, Carrier C has only 600 surplus numbers (because the quantity of numbers allocated to it, 30,000, is very close to the 29,400 lines it actually serves), and Carrier D has 7,400 surplus numbers (Carrier D is still below the threshold of 1,000 lines in each rate area). While the competitive disadvantage imposed

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<sup>5</sup> Surplus numbers are numbers that a carrier must have in its inventory because of the number assignment

by a system that would charge for numbers is not quite so obvious in this example, it is still present – note that the 8,000 surplus numbers for Carrier B is 19% of the total lines served by Carrier B, while the 4,000 surplus numbers for Carrier A is only slightly more than one percent of the total lines served by Carrier A. Of more interest in terms of the incentives to carriers to conserve numbering resources, this example demonstrates that the relationship between the quantity of surplus numbers and carrier efficiency in using numbering resources is tenuous at best. In this example, each carrier has allocated to it only the minimum quantity of numbering resources required to provide service in each rate area – none is using numbering resources in an inefficient manner. Yet the effects of charging carriers a per-number charge would clearly not be competitively neutral. Assuming a competitive market for end user services, carriers with more surplus numbers, or a higher percentage of surplus numbers, would have no opportunity to recover the costs associated with the surplus number charges.

As a final example, assume that the number of lines in each rate area varies, as they would in the real world. For this example, the number of lines in each rate area is graduated from 45,000 in the largest rate center to 2,000 in the smallest rate area. While there is some variability in the number of surplus numbers for each carrier resulting from the phenomenon demonstrated in the previous example, this example further demonstrates that the imposition of a charge for numbers may have the effect of discouraging smaller carriers from serving smaller rate areas. While Carriers C and D exceed the assignment block of 1,000 numbers in the larger rate areas, they are substantially below the assignment block in the smaller rate areas, with the result that for

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practice, but does not actually require to serve customers.

the smaller rate areas the number of surplus is many times the number of lines served by the smaller carriers in the smaller rate areas. If any substantial charge is imposed numbers, a significant competitive disadvantage could result for smaller carriers in smaller rate areas, potentially limiting the extent of competition in this exchange.

While it is certain that the effects observed here would be much worse if the minimum allocation of numbers were 10,000 rather than 1,000, the Commission should conclude from these examples that a significant competitive disadvantage may result for smaller carriers from any pricing mechanism where numbering resources are assigned in a “lumpy” fashion.

### **C. Rate Center Consolidation and Charges for Numbering Resources**

Historically, NXX codes have fulfilled the dual functions of *routing* and *rating* of telephone calls. The NXX code, in combination with the area code, uniquely identified a particular central office switch, and could be used by both local and long distance carriers to determine to which switch a telephone call should be routed. The geographical association of the NPA-NXX combination also permitted carriers to determine the distance between the originating and terminating point of the call and to bill the customer making the call a rate related to the distance over which the call was carried.

As the network evolves in a multi-carrier environment, and as network technology advances, the close association of NXX codes with central office switches is becoming increasingly unnecessary. With the implementation of local number portability, numbers within a single NXX code now may be routed to more than one carrier and thus to more than one central office switch. And while distance was in the past a significant cost driver

in the telecommunications network and distance-based charges for telephone calls therefore necessary, the widespread deployment of fiber optic technology for transmission of calls has virtually eliminated distance as a cost driver. As a consequence, most long-distance and wireless carriers have introduced a postalized rate structure, i.e., based solely on call duration, for long distance calling.

Nevertheless, under current industry practice, a separate NXX is required for each carrier for each rate area. This results in the stranding of thousands of telephone numbers in each rate area for at least two reasons; 1) rate areas that have a small number of lines in service must nevertheless use an entire NXX code, and 2) each carrier serving each rate area must use an entire NXX code, regardless of the number of lines served by that carrier. The Commission's decision to implement thousands-block pooling is designed to address the second source of inefficiency in the assignment of numbering resources. If the Commission's proposal to implement a market-based mechanism for the assignment of numbering resources is adopted, a primary objective of the mechanism should be to provide incentives to reduce the inefficiencies resulting from the needless maintenance of rate areas with small numbers of lines. Pooling is simply not designed to address this problem.

As the cost of transport has declined in recent years, the incumbent LECs have been consolidating central office switches, replacing switches in smaller communities with remote switch modules, and serving larger and larger areas with a single central office switch. While this has eliminated the need for separate NXX codes in many communities to perform the *routing* function of the NXX code, separate NXX codes nevertheless have been preserved in order to maintain the *rating* function of the NXX

code. If rate areas had been consolidated at the same time that central office switches were consolidated, a significant source of inefficiency in the use of numbering resources would have been eliminated. However, the desire to preserve toll revenues created a powerful incentive to maintain the separate rate areas. Even though the distance-sensitivity of telecommunications costs has become largely a fiction,<sup>6</sup> the combination of two rate centers into one would, in many cases, convert what had been a toll call into a local call.

Any proposal to establish a market-based mechanism for the assignment of numbering resources should provide incentives to consolidate rate areas and thus to reclaim numbers that currently are stranded in the interest of preserving toll revenues. This will require that the market mechanism be implemented for all telephone numbers, not just for those in areas where competition between multiple local carriers has developed. It also may be necessary for the Commission or state regulators to constrain the ability of the incumbent LECs to recover charges for the inefficient use of numbering resources in increased charges to consumers in those areas where competition does not constrain the ability of LECs to increase prices.

#### **D. The Geographic Dimension of Scarcity**

Any mechanism to establish a price for the use of numbering resources must take account of the differences in number utilization in different geographic regions of the country. Under existing practices, the quantity of potentially available numbers varies dramatically in different areas of the country.

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<sup>6</sup> Indeed, where a community is served by a remote switching module, intraoffice calls may actually be carried the same distance as interoffice calls.

If a uniform per-number charge were to be established, the potential exists for disproportionate effects on carriers and customers in more rural, sparsely populated areas of the country compared to the more urban, densely populated areas. In some ways, such a disproportionate impact may be justified. Viewed in one way, the surplus of numbering resources in rural areas occurs at the expense of customers in more urban areas. If numbers were geographically portable, carriers and customers in the rural areas would have to consider whether the value to them of having an area code uniquely identifying their state or an NXX uniquely identifying their town was greater than the value of their numbers in other areas of the country where numbering resources are scarce, as reflected in the charge for the use of numbering resources.

If, however, a policy or business judgment is made that numbers cannot be geographically portable, or that the practice of limiting the geographic scope of area codes to a single state should be continued, then it may be appropriate to treat rural areas differently from urban areas with respect to charges for the use of numbering resources. In this instance, numbers would continue to be abundant in rural areas, and thus would have a lower value in the market, much as spectrum for PCS service has a lower value in rural area than in urban areas.

#### **E. Establishing the level of charges for the use of numbering resources**

In the case of spectrum for PCS services, the Commission awarded the spectrum licenses initially following a public auction that served the function of establishing an initial value for the PCS licenses. Thereafter, the market has determined the value of the spectrum via the price of the securities of companies who possess PCS licenses. While a similar mechanism would be desirable to establish the value of numbering resources, it is

difficult to envision how such a mechanism could be established. As noted earlier, telephone numbers are, under Commission policy, portable among carriers within a given rate area. As such, a carrier cannot depend upon the continued use of numbers that it would purchase in an auction or on the open market. If the carrier should lose a customer to whom a number has been assigned, it also loses the number to the carrier winning the customer's business. By contrast, the PCS license has value independent of the value of the business operating the license. If a PCS operator manages its business badly, the license still will maintain value to a business that thinks it could manage the license better. The lack of permanence in the case of numbering resources would make it difficult for businesses to place a value upon the resource.

A bidding process for numbering resources likely would favor the incumbent LECs, who can draw on larger resources than can smaller CLECs. An auction of numbering resources would present a prime opportunity for the incumbent LEC to raise the costs of its rivals, knowing that if it is successful in limiting or eliminating competitors, it will have the opportunity to recover the higher cost it has incurred for numbering resources from a captive customer base.

For these reasons, the establishment of a true market for numbering resources is unlikely, and the creation of an incentive to conserve numbering resources would require the establishment of a price by the Commission or by individual state commissions. In establishing such a price, the regulatory authority must carefully balance the need to create a sufficiently strong incentive to carriers to conserve numbering resources with the need to avoid placing too great a burden on telecommunications prices. Any costs imposed upon the carriers ultimately will be borne by consumers, and excessive charges

not only would impose a dead-weight loss on society, but also would have secondary economic effects to the extent that use of telecommunications services would be depressed.

#### **F. Revenue Offsets**

The Commission has requested comment on whether the revenue derived from a mechanism establishing a price for the use of numbering resources could be used to offset other payments made by carriers, such as contributions to the universal service and TRS programs, without distorting the relative levels of contribution made by carriers that use numbering resources (such as ILECs, CLECs, and wireless carriers) and carriers that do not use numbering resources (such as interexchange carriers).<sup>7</sup> There are two components to this issue: 1) in what manner such an offset should be implemented for carriers that pay a price for the use of numbering resources, and 2) how to ensure that the offset does not distort the relative level of contributions by various industry segments.

The offset cannot be implemented in such a way that any payments by carriers for the use of numbering resources are simply subtracted from each carrier's obligation to contribute to the universal service and TRS programs. This would eliminate any incentive to conserve numbering resources, because a reduction in payments for numbering resources due to number conservation measures undertaken by a carrier would simply result in an increase in that carrier's obligation under the universal service and TRS programs. The incentive could only be preserved if the total amount collected for the use of numbering resources were used to reduce the total obligation of the local exchange segment of the industry, applied as a uniform reduction to all carriers. Only under this

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<sup>7</sup> *Pooling Order* at para. 251.

condition could a reduction in each carrier's payments for the use of numbering resources actually result in cost savings to the carrier.

Currently, contributions to the universal service and TRS programs are made on the basis of a carrier's total telecommunications revenue. As such, there is no need for carriers to distinguish between revenues derived from different telecommunications services. Implementation of a payment system that would credit only the support obligation of one segment of the industry, thus preserving the relative contributions of each segment, would necessarily require that each carrier that engages both in local exchange service (which is subject to charges for use of numbering resources) and in long distance service or other telecommunications services that do not use numbering resource, report revenue for each industry segment separately. Because the portion of the universal service and TRS obligation derived from the local exchange segment of the revenue would be eligible for credits derived from numbering resource charges, carriers engaged in multiple lines of business would have a strong incentive to classify a larger portion of their revenues as local. This in turn would create a need for auditing and verification of the methods by which carriers separate revenue between lines of business, adding greatly to the administrative expense of the program.

### **G. Conclusion**

While the Commission's proposal to establish a market mechanism for the assignment of numbering resources has some superficial appeal, the difficulties in implementing such a mechanism appear to make it impracticable. In particular, the "lumpiness" present even in the assignment of numbers in blocks of one thousand

necessarily will disadvantage carriers with very small market share, and at best provides only a weak link between the use of numbering resources and the cost that would be imposed by a market-based mechanism. Unlike the assignment of electromagnetic spectrum, for which a true market has been established, the need for number portability and the impracticality of bidding for numbering resources make the establishment of a true market for the use of telephone numbers unlikely.

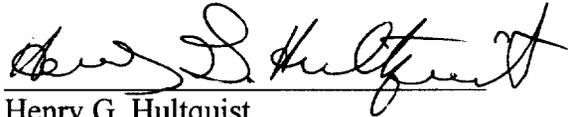
#### **IV. Recovery of Shared Industry and Direct Carrier-Specific Costs**

WorldCom reiterates that recovery by ILECs of number pooling costs in interstate access charges is not competitively neutral and would distort the market for interstate access services. The only non-distorting form of cost recovery for ILECs is in end user charges. The Commission must, however, determine the timing and level of charges that it will allow.

At this time it is impossible to quantify the exact cost savings associated with pooling in comparison to current practices that result in more frequent area code changes. The efficacy of pooling depends upon a number of factors that can vary substantially. These include: the number of rate areas in an NPA, the number of carriers participating in pooling, the number of carriers not participating in pooling, and the remaining expected life of the NPA without pooling. Moreover, neither WorldCom nor anyone else knows what pooling will cost to implement. For example, the costs of downloading pooled blocks from the NPAC system are unknown. Nor is there reliable information on what the cost of the national administrator will be. It is clear that implementation of pooling

can forestall exhaust, but without more experience with pooling and information on the significant variables, WorldCom cannot estimate the net savings from pooling.

Respectfully submitted,  
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May 19, 2000

## CERTIFICATE OF SERVICE

I, Vivian Lee, do hereby certify that copies of the foregoing Comments of WorldCom, Inc. In the Matter of Numbering Resource Optimization Further Notice of Proposed Rulemaking were sent via first class mail, postage paid, to the following on this 19th day of May 2000.

Jeannie Grimes\*  
Common Carrier Bureau  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

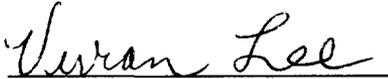
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