

Before the  
Federal Communications Commission  
Washington, D.C. 20554

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In the Matter of	)	
	)	
Southwestern Bell Telephone Company	)	
Petitions for Limited Modification of LATA	)	
Boundary to Provide Expanded Local	)	File No. NSD-L-99-85
Calling Service (ELCS)	)	

**MEMORANDUM OPINION AND ORDER**

**Adopted:** January 28, 2000

**Released:** January 31, 2000

By the Chief, Network Services Division, Common Carrier Bureau:

**I. INTRODUCTION**

1. On October 14, 1999, Southwestern Bell Telephone Company, Inc. (SWBT), pursuant to Section 3(25) of the Communications Act of 1934, as amended,<sup>1</sup> filed three petitions to provide two-way, flat-rated, non-optional expanded local calling service (ELCS) between various exchanges in Texas.<sup>2</sup> SWBT's petitions request limited modifications of local access and transport area (LATA) boundaries.<sup>3</sup> The petitions were placed on public notice,<sup>4</sup> and no comments or reply comments were filed. For the reasons stated below, we grant SWBT's requests.

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<sup>1</sup> See 47 U.S.C. § 153(25).

<sup>2</sup> See Appendix A.

<sup>3</sup> Section 3(25) of the Act defines LATAs as those areas established prior to enactment of the 1996 Act by a Bell Operating Company (BOC) such that no exchange area includes points within more than "one metropolitan statistical area, consolidated metropolitan statistical area, or State, except as expressly permitted under the AT&T Consent Decree"; or established or modified by a BOC after such date of enactment and approved by the Commission.

<sup>4</sup> See Public Notice, "Comment Sought on Southwestern Bell Telephone Company's Requests for Limited Modification of LATA Boundaries in Texas to provide ELCS Between Various Exchanges", rel. Nov. 4, 1999.

## II. BACKGROUND

2. Requests for new ELCS routes are generally initiated by local subscribers. IntraLATA ELCS routes can be ordered by the state commission.<sup>5</sup> For interLATA routes, prior to the Telecommunications Act of 1996 (1996 Act),<sup>6</sup> the Bell Operating Companies (BOCs) were required to secure state approval and then obtain a waiver from the United States District Court for the District of Columbia (District Court).<sup>7</sup> In the years between the Consent Decree<sup>8</sup> and the 1996 Act, the District Court received more than a hundred requests for Consent Decree waivers to permit new interLATA ELCS routes.<sup>9</sup> Because of the large number of requests involved and because most of the requests were non-controversial, the District Court developed a streamlined process for handling such requests.<sup>10</sup>

3. Under the streamlined process developed by the District Court, the BOC submitted its waiver request to the Department of Justice (Department). The Department reviewed the request and then submitted the request, along with the Department's recommendation, to the District Court. In evaluating ELCS requests, the Department and the District Court considered the number of customers or access lines involved<sup>11</sup> as well as whether a sufficiently strong community of interest between the exchanges justified granting a waiver of the Consent Decree.<sup>12</sup> A community of interest could be demonstrated by such evidence as: (1) poll results showing that customers in the affected exchange were willing to pay higher rates to be included in an expanded local calling area;<sup>13</sup> (2) usage data demonstrating a high level of calling between the exchanges; and (3) narrative statements

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<sup>5</sup> *United States v. Western Electric Company, Inc.*, 569 F. Supp. 990, 995 (D.D.C. 1983). "The distance at which a local call becomes a long distance toll call has been, and will continue to be, determined exclusively by the various state regulatory bodies." *Id.*

<sup>6</sup> Pub. L. No. 104-104, 110 Stat. 56 (1996).

<sup>7</sup> *United States v. Western Electric*, 569 F. Supp. at 995.

<sup>8</sup> The Consent Decree required AT&T to divest its ownership of the BOCs. *United States v. American Telephone and Telegraph Co.*, 552 F. Supp. 131 (D.D.C. 1982), *aff'd sub nom. Maryland v. United States*, 460 U.S. 1001 (1983).

<sup>9</sup> Petitions for Limited Modification of LATA Boundaries to Provide Expanded Local Calling Service (ELCS) at Various Locations, *Memorandum Opinion and Order*, 12 FCC Rcd 10646, 10648 (*July 1997 Order*).

<sup>10</sup> *See United States v. Western Electric Company, Inc.*, No. 82-0192 (D.D.C. Feb. 6, 1984); *United States v. Western Electric Company, Inc.*, No. 82-0192 (D.D.C. Mar. 15, 1984).

<sup>11</sup> *See United States v. Western Electric Company, Inc.*, No. 82-0192, slip op. at 3 n.8 (D.D.C. July 19, 1984) (hereinafter *July 1984 Order*).

<sup>12</sup> *See, e.g., United States v. Western Electric Company, Inc.*, No. 82-0192 slip op. at 2, 3 n.3 (D.D.C. Jan. 31, 1985) (hereinafter *Jan. 1985 Order*); *United States v. Western Electric Company, Inc.*, No. 82-0192 (D.D.C. Dec. 3, 1993); *United States v. Western Electric Company, Inc.*, No. 82-0192 (D.D.C. Dec. 17, 1993).

<sup>13</sup> *See July 1984 Order* at 2 n.5.

describing how the two exchanges were part of one community and how the lack of

local calling between the exchanges caused problems for community residents.<sup>14</sup> In addition, the Department and the District Court gave deference to the state's community of interest finding. The District Court also considered the competitive effects of granting a proposed ELCS waiver.<sup>15</sup>

4. Matters previously subject to the Consent Decree are now governed by the Act.<sup>16</sup> Under section 3(25)(B) of the Act, BOCs may modify LATA boundaries, if such modifications are approved by the Commission.<sup>17</sup> On July 15, 1997, the Commission released a decision granting 23 requests for limited boundary modification to permit ELCS.<sup>18</sup> Although calls between the ELCS exchanges would now be treated as intraLATA, each ELCS exchange would remain assigned to the same LATA for purposes of classifying all other calls.<sup>19</sup> The Commission stated that it would grant requests for such limited modifications only where a petitioning BOC showed that the ELCS was a flat-rated, non-optional service, a significant community of interest existed among the affected exchanges, and grant of the requested waiver would not have any anticompetitive effects.<sup>20</sup> The Commission stated further that a carrier would be deemed to have made a prima facie case supporting grant of the proposed modification if the ELCS petition: (1) has been approved by the state commission; (2) proposes only traditional local service (i.e., flat-rated, non-optional ELCS); (3) indicates that the state commission found a sufficient community of interest to warrant such service; (4) documents this community of interest through such evidence as poll results, usage data, and descriptions of the communities involved; and (5) involves a limited number of customers or

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<sup>14</sup> See *Jan. 1985 Order* at 2-3 & n.3.

<sup>15</sup> See *July 1984 Order* at 3; *Jan. 1985 Order* at 2-3; *United States v. Western Electric Company, Inc.*, No. 82-0192, slip op. at 2 (D.D.C. May 18, 1993) (hereinafter *May 1993 Order*). The District Court granted waivers for more than a hundred flat-rated, non-optional ELCS plans that allow the provision of traditional local telephone service between nearby exchanges. See, e.g., *Western Electric*, 569 F. Supp. at 1002 n.54; *July 1984 Order* at 3; *January 1985 Order* at 4. Under such plans, subscribers pay no extra charge for calls beyond their established monthly service charge (the plan involves a flat-rated charge), and all subscribers in the exchange are included in the plan (the plan is non-optional).

<sup>16</sup> Section 601(a)(1) of the 1996 Act states that "[a]ny conduct or activity that was, before the date of enactment of this Act, subject to any restriction or obligation imposed by the AT&T Consent Decree shall, on and after such date, be subject to the restrictions and obligations imposed by the Communications Act of 1934 as amended by this Act and shall not be subject to the restrictions and obligations imposed by such Consent Decree." On April 11, 1996, the D.C. District Court issued an order terminating the AT&T Consent Decree and dismissing all pending motions under the Consent Decree as moot, effective February 8, 1996. See *United States v. Western Electric Company, Inc.*, No. 82-0192, 1996 WL 255904 (D.D.C. Apr. 11, 1996).

<sup>17</sup> See 47 U.S.C. § 153(25)(B).

<sup>18</sup> *July 1997 Order*, 12 FCC Rcd at 10646

<sup>19</sup> If an exchange were assigned to another LATA for all purposes, any existing local calling routes between that exchange and the original LATA would be lost because such traffic would now be interLATA and could no longer be carried by the BOC. Instead, the traffic would generally be carried by an interexchange carrier charging long distance toll rates.

<sup>20</sup> *July 1997 Order*, 12 FCC Rcd at 10649-50.

access lines.<sup>21</sup>

### III. DISCUSSION

5. The petitions propose to establish two-way, flat-rated, non-optional ELCS, and are accompanied by: (1) a statement that only traditional local service is proposed; (2) an order issued by the Public Utility Commission of Texas indicating that the commission found a sufficient community of interest to warrant such service; (3) results from subscriber polls documenting a community of interest;<sup>22</sup> (4) a statement of the number of access lines involved;<sup>23</sup> and (5) the rate increases that will result. The petitions do not provide usage data in the form of an average number of calls per access line per month between the respective exchanges, nor do the petitions provide the percentage of subscribers making such calls. The brief descriptions of the community of interest reveal that many community services (such as the county seat, doctors, and hospitals) are located in a nearby community in the adjacent LATA, and that making interLATA toll calls for such services generates significant expenses for these callers.

6. As we noted in the *July 1997 Order*, granting an ELCS petition removes the proposed route from the competitive interexchange market, and some LATA modifications could reduce the BOCs' incentive to open their own markets to competition pursuant to section 271 of the Act.<sup>24</sup> Our focus, however, is on the number of access lines in the exchange to be added to the local calling area. Consequently, adding, for example, the 1,231 access lines in the Alba exchange to the 82,310 access lines in the Tyler exchange should pose no competitive concerns. Given the small number of access lines and the small volume of traffic involved for the proposed ELCS areas in this petition, as well as the types of service to be offered (e.g., flat-rated, non-optional local service), it is highly unlikely that provision of ELCS service would reduce SWBT's motivation to open its own market to competition. Because of to the limited amount of traffic and the type of service involved, the

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<sup>21</sup> *Id.* at 10659. The Commission also delegated authority to act on petitions to modify LATA boundaries to the Common Carrier Bureau. *Id.* at para 10657-58. On August 6, 1997, the Commission released a decision granting requests to modify LATA boundaries to permit three independent telephone company (ITC) exchanges in Texas to change LATA association for purposes of improving service to subscribers. The Commission stated that a carrier will be deemed to have made a prima facie case supporting grant of a proposed association change if the petition: (1) states that the association change is necessary because of planned upgrades to the ITC's network or service that will require routing traffic through a different BOC LATA; (2) involves a limited number of access lines; and (3) includes a statement from the affected BOC(s) requesting a LATA modification, pursuant to section 3(25) of the Act, to permit the change in association. Petitions for LATA Association Changes by Independent Telephone Companies, *Memorandum Opinion and Order*, 12 FCC Rcd 11769 (1977) (*August 1997 Order*).

<sup>22</sup> Poll results reflect the percentage of customers who returned ballots in favor of ELCS: 82.76 percent of Flatonia customers favor ELCS to LaGrange; 83.24 percent of Flatonia customers favor ELCS to Schulenberg; 75.47 percent of Flatonia customers favor ELCS to Weimar; 78.62 percent of Alba customers favor ELCS to Tyler; 88.53 percent of Stamford customers favor ELCS to Haskell; and 71.66 percent of Stamford customers favor ELCS to Munday-Goree.

<sup>23</sup> See Appendix A.

<sup>24</sup> See U.S.C. § 271(b)(1).

Division finds that the proposed LATA modifications will not have a significant

anticompetitive effect on the interexchange market or on SWBT's incentive to open its own market to competition. We conclude that the information in the petition satisfies the criteria established in the *July 1997 Order*.

7. We conclude that, in this request, the need for the proposed ELCS routes outweigh the risk of potential anticompetitive effects. Granting SWBT's petitions serves the public interest by permitting a minor LATA modification where such modification is necessary to meet the needs of local subscribers and will not have any significant effect on competition. Accordingly, we approve SWBT's petitions for limited LATA modifications in order to provide flat-rated, two-way, non-optional ELCS. The LATAs are modified solely for the limited purpose of allowing SWBT to provide flat-rated, two-way, non-optional local calling service between the specific exchanges or geographic areas identified in the requests. The LATAs are not modified to permit the BOC to offer any other type of service, including calls that originate or terminate outside the specified areas. Thus, flat-rated, two-way, non-optional ELCS between the specified exchanges will be treated as intraLATA, and the provisions of the Act governing intraLATA service will apply.<sup>25</sup> Other types of service between the specified exchanges will remain interLATA, and the provisions of the Act governing interLATA service will apply.

## VI. CONCLUSION AND ORDERING CLAUSES

8. Accordingly, IT IS ORDERED, pursuant to sections 3(25) and 4(i) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 153(25), 154(i), and authority delegated by Sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, that the requests of Southwestern Bell Telephone Company, Inc. for LATA modifications for the limited purpose of providing flat-rated, two-way, non-optional ELCS at specific locations, identified in File No. NSD-L-99-85, ARE APPROVED. These LATA boundaries are modified solely for the purpose of providing flat-rated, two-way, non-optional ELCS between points in the specific exchanges or geographic areas indicated in the request. The LATA boundaries for all other services shall remain unchanged.

9. IT IS FURTHER ORDERED that pursuant to section 416(a) of the Act, 47 U.S.C. § 416(a), the Secretary SHALL SERVE a copy of this order upon the petitioner, Southwestern Bell Telephone Company, Inc.

FEDERAL COMMUNICATIONS COMMISSION

L. Charles Keller  
Chief, Network Services Division

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<sup>25</sup> The BOC may provide ELCS service without meeting the section 271 requirements, *see* 47 U.S.C. § 271(a), and a separate affiliate is not required, *see* 47 U.S.C. § 272(a)(2)(B).



APPENDIX A

EXCHANGES AND CARRIERS

EXCHANGES AND ACCESS LINES

Flatonia of SWBT; LaGrange, Schulenburg, and Weimar of Contel/GTE Southwest, Inc.	Flatonia -- 1,535 access lines LaGrange -- 3,716 access lines Schulenburg -- 1,836 access lines Weimar -- 1,461 access lines
Stamford of SWBT; Haskell and Munday-Goree of Contel/GTE Southwest, Inc.	Stamford -- 2,433 access lines Haskell – 2,193 access lines Goree – 1,184 access lines Munday-
Alba of Contel/GTE Southwest; Tyler of SWBT	Alba – 1,231 access lines Tyler – 82,310 access lines