How about ringing up a profit on those valuable area codes?

By Terrence L. Barnich

owning a phone, fax, pager or modem with a 708 area code could make you a little richer if the government and the phone company would just get out of the way. That's because Ameritech is quickly running out of seven-digit phone numbers, especially in the 708 area, and has applied to the Illinois Commerce Commission to introduce a third area code to Chicago—630.

The ICC, after apparently rejecting the two plans on the table, has voted to take a fresh look at how to introduce the 630 code. Here's an idea for Illinois' "economic regulators": Let people sell their 708 codes for (say) $300.

No doubt it seems radical at first to think a customer could sell his phone number. In fact, until very recently, very few people even thought about phone numbers having economic value. That's in part due to years of "thinking the phone number belonged" to the phone company. But they don't. The phone numbers belong to the public, as beneficiaries of a finite resource. The phone company has been designated by the government to administer their assignment as a kind of trustee.

This arrangement served us all very well while there were enough numbers to go around. But we're facing the consequence of exhausting numbers now and that requires rethinking the fundamentals of number administration.

The failure to reach an accommodation on new number assignments could result, we are told, in Communist country-style number rationing with long waits for phone service. But our regulators won't let this happen. The memory of the fate of the former Eastern Bloc rationing Cars is still vivid and on top of that, Chicagoans are not as patient as Bucharestians.

The problem for Ameritech is arithmetic. It is a fact that the proliferation of cellular phones, faxes, pagers and multiple phone lines for personal computers has all but exhausted the seven-digit combinations unique to 708 and 312 users. So, unless something is done to expand the number of new numbers available to Ameritech, the new 630 area code will, like the old 708, suffer severe rationing.

Ameritech's original proposal was to assign all current and future wireless services to the new non-geographic area code, a plan that would have cost about $600 million over the next 12 years. That is, Ameritech would have to assign new numbers to the entire city of Chicago, including the suburbs.

Instead, the new 630 code would start with 22,000 numbers reserved for wireless services, with the rest of the area code devoted to fixed-line customers. Ameritech's plan also included 10,000 numbers reserved for new companies that might want to enter Chicago's phone business. Ameritech would have had to invest $200 million to develop the new code, which it could then sell to competitors.

Ameritech would also sell a number of other valuable features to customers who bought new numbers in the 630 area code. For example, Ameritech would sell the "right" to use a phone number that is already in use (e.g., 1-800-ILLINOIS) to the highest bidder. The "winner" would then use that number to advertise their business.

Consequently, the ICC seemed poised to approve a compromise plan in which 630 would "overlap" both the 708 and the 312 areas and be assigned to all new users as new area code numbers were added. Under this plan, customers in the 708 area would have the option of assigning their old numbers to new users in the 630 area code.

But the introduction of non-geographic, 10 digit dialing, an arguably confusing new arrangement, would be much more successful if done on a voluntary basis. And what better way to call for an army of volunteers than to offer them the opportunity to cash in on it.

This is a method that has worked well for the airlines. When a flight has been oversold, the ticket agent asks for volunteers to exchange their license to ride on that plane for a license to ride on the next plane in exchange for an airline voucher good for the purchase of another ticket. Sure, someone's travel is inconvenient, but he gets to decide that for himself and he gets paid to boot. Why can't Ameritech act like the airlines and facilitate the exchange of number licenses?

Perhaps one way it could work: Holders of 708 numbers willing to sell their number for a 630 number could dial up Ameritech as the numbers dwindle and file an electronic application that would immediately place them in the auction process, including the price at which they were willing to sell. Those wishing to purchase a 708 number would also register with Ameritech at the price they were willing to pay. Ameritech could then, for a nominal fee, match buyer and seller. Ameritech, or others, like commodity traders for example, could even view this as a possible revenue source, buying numbers itself and speculateing on a rising market.

The further advantages of creating a free market in phone numbers over the kind of government-as-nanny plans on the table at the ICC are highlighted by some possible refinements to the example above. For example, let's say a cash-strapped school district or government body has hundreds or even thousands of Ameritech lines. That institution might be willing to trade its block of numbers for a sizable lump-sum payment.

Apart from those who simply oppose change in any form, the resistance to this plan has, at its core, the resentment Americans increasingly feel over the technique of government. It isn't necessarily the "what" of the 630 plan but the "how" that gets people steamed.

Let the ICC borrow a page from both Vice President Al Gore's "reinventing government" initiative and Speaker Newt Gingrich's "Contract With America," and seek to make government more efficient and user-friendly by solving this public problem with the use of private incentives.

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