

October 2006 NANP Exhaust Analysis

Introduction

NANPA projects the exhaust of the NANP based upon the utilization and forecast data submitted by carriers via the NRUF process. The following assumptions were used in this exhaust analysis.

October 2006 NANP Exhaust Projection Assumptions

The following is a list of assumptions used in the development of the October 2006 NANP exhaust projection prepared by NANPA. These are the same assumptions used in the April 2006 study.

1. The NANP exhaust study uses as its basis the CO code demand, which includes carrier and Pooling Administrator forecasts, historical CO code assignments and other NPA-specific information, calculated for each respective NPA. The monthly CO code demand as calculated in the NPA exhaust analysis is straight-lined to determine demand outside the five-year time frame included in NRUF submissions.
2. For NPAs in rationing, NANPA compared the actual CO code demand over the past year(s) with the rationed amount. In addition, NANPA compared the forecasted CO code demand provided by service providers and/or the Pooling Administrator to the rationed amount. This analysis revealed only a few instances where over the next 20 years the NPA exhaust date based upon rationing would differ significantly from the NPA exhaust date based upon a non-rationed amount. As a result, the NANP exhaust analysis made no specific assumption to address rationed NPAs.
3. A new NPA code will be required when the number of assigned and unavailable CO codes reaches 800 NXXs.
4. It is assumed that each new NPA will require the same number of unassignable codes as the current NPA has. It appears that most of the unassignable codes in the existing NPAs are duplicated in the new NPA. There are also times when additional codes in the new NPA are marked unassignable.
5. No assumptions were made with regard to the relief method implemented (i.e., NPA split vs. overlay). However, it was assumed that the selected relief method did not require the duplication or protection of NXX codes above those identified in number 4 above.
6. The CO code demand for an exhausting NPA will be continued after relief. By doing so, the demand for both the existing and new NPA codes will be taken into account for the geographic area covered by the original NPA.
7. The total quantity of available NPA codes will be 685 NPAs. This figure is derived as follows: 800 NPAs less NPAs reserved for NANP expansion (80), N11 codes (8), 555 and 950 NPAs (2), toll-free NPAs (13)¹ and non-geographic NPAs (12)².

¹ NPAs 855, 844, 833, 822, 880, 881, 882, 883, 884, 885, 886, 887 and 889

² These include the 6 codes reserved for future PCS expansion (522, 533, 544, 566, 577, 588) and 6 of the codes reserved for Canada (622, 633, 644, 655, 677, 688).

8. To account for the variability of demand, a sensitivity analysis was performed to the CO code demand (i.e., demand will be increased and decreased by increments of 10%) to understand the impact on NANP exhaust.

Results based on Assumptions

As recognized in previous NANP exhaust analyses, the model is sensitive to the yearly CO code demand rate. Using the monthly CO code demand for each NPA as calculated in the October 2006 NPA Exhaust Analysis, and straight-lining this demand beyond the five-year time frame included in NRUF submissions, creates an average yearly demand rate of nearly 7,500 CO codes/year. This yearly demand rate was compared with demand rates in 2002 through 2006 (annualized).

Year	Annual Gross CO Code Demand	Annual Net CO Code Demand
2002	7,200	3,600
2003	3,200	1,400
2004	3,100	2,100
2005	3,300	2,300
2006 (annualized)	4,100	3,400

In order to provide a NANP exhaust analysis more reflective of the current industry trend in terms of yearly CO code demand, NANPA selected a base case of 6,500 average annual CO code demand.³ This represents approximately a 15% reduction in the annual demand created using the October 2006 NPA Exhaust Analysis. Although this number is higher than the gross CO code demand in previous years, it accounts for any possible increase in CO code demand that may occur over the remaining years of the NANP life. Further, as expected, the quantity of returned codes is decreasing and annual net demand is coming in line with gross demand as carriers only obtain resources when truly needed.

Model Based on Projected Demand

Using an average CO code demand rate of 6,500 codes assigned per year, the projected NANP exhaust date is beyond 2036, assuming the quantity of NPAs available is 685⁴.

Sensitivity Analysis

Due to the results of the base model, the only sensitivity analysis performed was an increase in the average annual CO code demand on the results. For comparison purposes, NANPA performed a sensitivity analysis using 7,500 annual CO code demand, which represented the gross demand as calculated from the October 2006 NPA Exhaust Analysis. This resulted in a projected exhaust of 2036.

³ The April and October 2005 Exhaust Analysis as well as the April 2006 NANP study base model used an average demand rate of 6,500 codes.

⁴ The base model for the previous three NANP Exhaust studies (Apr05, Oct05 and Apr06) projected an exhaust date beyond 2035.