

**REPORT OF THE
HOUSE SUBCOMMITTEE STUDYING THE FEASIBILITY
OF TOLL-FREE TELEPHONE SERVICE WITHIN
THE COUNTY WHEREIN THE CALL ORIGINATED
TO
THE GOVERNOR
AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 31

**COMMONWEALTH OF VIRGINIA
DIVISION OF PURCHASES AND SUPPLY
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Report of the House Subcommittee Studying The

Feasibility of Toll-Free Telephone Service

Within The County Wherein The Call Originated

To

The Governor and the General Assembly of Virginia

Richmond, Virginia

January, 1979

To: Honorable John N. Dalton, Governor of Virginia

and

The General Assembly of Virginia

Introduction

The House Subcommittee Studying the Feasibility of Toll-Free Telephone Service Within the County Wherein the Call Originated was established pursuant to House Resolution No. 7 of the 1978 General Assembly.

HOUSE RESOLUTION NO. 7

Requesting the Corporations, Insurance and Banking Committee to make a study of the feasibility of toll-free telephone service within the county wherein the call originated.

WHEREAS, there are many citizens of the Commonwealth who are charged long distance tolls for calls from their home phones to other areas within the same county; and

WHEREAS, in some counties calls to the county seat result in long distance tolls for residents of the county; now, therefore, be it

RESOLVED by the House of Delegates, That the Corporations, Insurance and Banking Committee is requested to study and make a report on the feasibility of requiring toll-free telephone service for all areas of the county wherein the call originates. The Chairman of the Corporations, Insurance and Banking Committee shall designate five members of the Committee to serve on a Subcommittee to make the study, one of which shall be designated as chairman. The Subcommittee shall complete its study and make such recommendations to the full Committee as it deems necessary not later than December one, nineteen hundred seventy-eight.

All agencies of the Commonwealth shall assist the Subcommittee upon request.

Lewis W. Parker, Jr., of South Hill, a member of the Commonwealth's House of Delegates, was appointed Chairman of the Subcommittee. Also appointed to serve were Delegates C. Don Dunford of Tazewell, Alexander B. McMurtrie, Jr. of Midlothian, Thomas B. Moss, Jr. of Norfolk, and Erwin S. Solomon of Hot Springs.

C. William Cramme', III and Hugh P. Fisher, III of the Division of Legislative Services served as legal and research staff to the Subcommittee.

It should be pointed out that the State Corporation Commission conducted a thorough study of Extended Area Service in 1973-74. In its report to the Governor and the General Assembly, the Commission made the following remarks concerning this service:

"Extended Area Service (EAS) refers to calling between two or more exchanges without paying a long distance charge. EAS service is often mistakenly and incorrectly referred to as "toll-free" calling. The providing of EAS between exchanges requires the installation of additional plant and results in loss to the company of prior toll revenue. The revenue to cover the cost of installing the additional plant and to replace the lost toll revenue is recovered in principal part from the exchange subscribers who benefit from EAS. This additional needed revenue from the affected exchanges normally results in an increase in the basic, uniform charges to subscribers. If an unreasonably small number of subscribers are benefited by EAS then again the majority would be subsidizing the calling requirements of the few."

Work of the Subcommittee

During the course of its work, the Subcommittee heard testimony concerning both the advantages and the disadvantages of toll-free telephone service within the county wherein the call originates. Testimony on this subject was heard from the following organizations: The Board of Supervisors of Charlotte County, the Charlotte County Planning Commission, the Continental Telephone Company, the Virginia Independent Telephone Association, the Chesapeake and Potomac Telephone Company, and the State Corporation Commission.

The proponents of toll-free telephone service argued that the citizens of the Commonwealth should not be charged long-distance tolls for calls from their residences or businesses to other areas within their county. These proponents of toll-free telephone service expressed particular irritation at the fact that some residents are charged long-distance tolls for calls to their county seat. Moreover, they argued that it is unfair for those people residing in a particular area of a county to be able to call anywhere in the county, or possibly even well outside the county, without a toll; while others in the same county may not be able to call, without a toll, a person residing only a few miles away.

While representatives of the various telephone companies within the Commonwealth and the State Corporation Commission told the Subcommittee that their organizations have no preference whether subscribers in two or more telephone exchanges have toll-free service, those representatives addressed the disadvantages of toll-free service.

Representatives of the telephone companies and the SCC told the Subcommittee that toll-free service within the county wherein the call originates is not, at least in many situations, justified, due to the relatively small number of subscribers in an affected exchange who would benefit from such service. These representatives said that often the majority of telephone users within an exchange make no, or a relatively small number, of long-distance calls each month to other areas of the county. Therefore, they stated, the burden caused by the increased rate which would have to be applied to subscribers' monthly bills if toll-free service was instituted, would quite often more than off-set the savings resulting from toll-free service.

In other words, representatives of both the telephone companies and the State Corporation Commission held that at least in many cases, the establishment of toll-free service would mean that a large majority of an affected exchange's subscribers would subsidize a small minority of that exchange's subscribers. Furthermore, representatives of the telephone companies stated that while their companies do not oppose instituting toll-free service, studies conducted by their companies have shown that in most cases the majority of subscribers in an affected exchange oppose toll-free service if such service would result in an increase in their basic monthly charge. Those representatives emphasized that since rates must be increased when toll-free service is established in an exchange, and since in many cases the majority of subscribers in an exchange oppose toll-free service if such service would result in an increase in their basic monthly rate, the establishment of toll-free service on a county-wide basis quite often would be against the wishes of the majority of an exchange's subscribers.

During the course of its work, the Subcommittee also heard testimony concerning the fact that a committee from the Virginia Independent Telephone Association currently is conducting, in conjunction with C & P Telephone Company, an in-depth study concerning the feasibility of toll-free service, among other things. The Subcommittee was told that the study will be completed sometime during 1979. The study group was advised by both the Virginia Independent Telephone Association and by C & P that the results of the study will yield much information relating to the feasibility of toll-free service.

Recommendation

The Subcommittee recommends that the study be continued for another year, so that it may meet again if the results of the study concerning toll-free service being conducted by the telephone industry indicate that new legislation may be needed relating to that subject. A resolution to continue the study constitutes the Appendix at the end of this report.

Discussion Concerning Recommendation

The Subcommittee would point out that the available evidence to date indicates that the establishment of toll-free service between two or more exchanges often would mean that the majority of subscribers in an affected exchange would have to subsidize, through a higher monthly rate, the minority of subscribers in that exchange who would benefit substantially from toll-free service. Given this, and given that the telephone companies in the Commonwealth have said that their studies show that in most cases the majority of subscribers in an affected exchange would oppose toll-free service if instituting such a service would mean an increase in their basic monthly charge, the Subcommittee believes that a statutory change mandating toll-free service within the county wherein the call originates would be improper at this time.

Moreover, the Subcommittee believes that the results of the in-depth study being conducted jointly by the Virginia Independent Telephone Association and by C & P Telephone Company apparently will provide the necessary information on which a more informative decision concerning the feasibility of toll-free service may be made. The study group holds that if the results of that study indicate that legislative changes need to be made concerning that issue, legislation should be introduced next year, not at this time.

The Subcommittee requests that the resolution constituting the Appendix at the end of this report be approved. The suggested resolution would continue the study, but would request that the Subcommittee meet again only after the results of the telephone industry's study are made known, and only if the results of the study indicate that another Subcommittee meeting is desirable. The Subcommittee feels that it should meet again only if the results of that study might reasonably indicate that toll-free service be established for all calls to other areas of the county wherein such calls originate.

Conclusion

The Subcommittee believes that its recommendation is in the best interests of the citizens of the Commonwealth as a whole.

Respectfully submitted,

Lewis W. Parker, Jr., Chairman

C. Don Dunford

Alexander B. McMurtrie, Jr.

Thomas B. Moss, Jr.

Erwin S. Solomon

APPENDIX

HOUSE RESOLUTION NO.....

Requesting that the Corporations, Insurance and Banking Committee of the House of Delegates continue its study of the feasibility of toll-free telephone service within the county wherein the call originated.

WHEREAS, there are many citizens of the Commonwealth who are charged long distance tolls for calls from their home telephones to other areas within the same county; and

WHEREAS, in some counties calls to the county seat result in long distance tolls for residents of the county; and

WHEREAS, House Resolution No. 7 of the nineteen hundred seventy-eight General Assembly mandated that a subcommittee of the Corporations, Insurance and Banking Committee of the House of Delegates be appointed to study the subject of toll-free telephone service and make such recommendations to the full Committee as it deemed appropriate; and

WHEREAS, the Subcommittee has thoroughly studied this subject and determined that no legislative action is appropriate at the present time; and

WHEREAS, a joint study on the topic of toll-free telephone service currently is being conducted by the Commonwealth's independent telephone companies and the Chesapeake and Potomac Telephone Company; and

WHEREAS, the results and conclusions of that study may indicate that the Subcommittee should meet next year; now, therefore, be it

RESOLVED by the House of Delegates, That the Corporations, Insurance and Banking Committee's study of the feasibility of toll-free telephone service within the county wherein the call originated is continued. The Subcommittee shall meet only if the results and conclusions of the study being conducted by the telephone companies indicate that action by the Subcommittee is needed concerning the subject of toll-free telephone service within the county wherein the call originated.

The same five members of the Committee shall continue to serve on the Subcommittee.

All agencies of the Commonwealth shall assist the Subcommittee upon request.

