

FEB 14 2005



0000015553

31EX

ECONOMIC IMPACT STATEMENT
PER A.R.S. SECTION 41-1055

DOCKETED BY	
1.	BY DESCRIPTION

The proposed rules provide a framework for consumer protections against the unauthorized, unintended, or unknowing dissemination of Customer Proprietary Network Information made available and collected by telecommunications carriers by virtue of the customer-carrier relationship. Customer Proprietary Network Information includes, but is not limited to private account information, whom customers call, when they call, where they call, and how long they call.

2. NEED

Currently, the federal rules governing CPNI rely on implied consent for dissemination of CPNI to affiliates, joint-venture partners, and independent contractors providing communications-related services (i.e. the opt-out method). The Commission does not believe that these rules adequately achieve the goal of ensuring that customer approval to use or disseminate CPNI is both knowing and informed.

3. AFFECTED CLASSES OF PERSONS

Persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rulemaking include the following:

1. Consumers of telecommunications services throughout the State of Arizona.
2. Telecommunications companies in the State of Arizona.
 - a. Interexchange carriers
 - b. Local exchange carriers
 - c. Wireless Carriers

4. RULE IMPACT ON AFFECTED CLASSES OF PERSONS

- a. COST-BENEFIT ANALYSIS ON TELECOMMUNICATIONS COMPANIES IN THE STATE OF ARIZONA

As a result of the proposed rulemaking, telecommunications carriers would incur: 1) costs of stricter notification requirements, 2) costs of annual reminders to customers of their CPNI elections, 3) costs of confirming a customer's opt-in approval, 4) costs of obtaining verification of opt-out approval, and 5) costs of compliance with Arizona-specific CPNI rules.

Rules regarding written CPNI notification require that telecommunications carriers either mail the notice separately or include it as a bill insert in a specially marked envelope. Carriers may face either the cost of additional postage or of a separately printed envelope. Carriers must also provide the CPNI notice in both English and Spanish for those customers who have not previously specified a preferred language. To satisfy this requirement, carriers face the cost of either providing two separate CPNI notices or one notice

AZ CORP COMMISSION
DOCUMENT CONTROL

2005 FEB 14 P 4 24

RECEIVED

with text in both Spanish and English. In addition, the company must present written notice in a minimum of 12-point type. To the extent that a carrier has operations in states outside of Arizona, that carrier may face additional costs of providing Arizona-specific CPNI notices to satisfy stricter notification requirements for Arizona.

The proposed rulemaking requires telecommunications carriers to remind customers of their CPNI election annually. Carriers must also issue a written confirmation each time they receive opt-in approval from a customer. Annual reminders and written confirmations must be mailed separately. Carriers would incur costs associated with issuing recurring reminders of CPNI status and written confirmations of opt-in approvals.

Under the proposed rulemaking, verification of a customer's opt-out approval must be obtained by the telecommunications carrier. Verification may be obtained by written, oral, or electronic means. In general, carriers will face incremental labor costs associated with obtaining verification, and depending on the method used, potentially materials and postage expenses as well.

To the extent that telecommunications carriers have operations outside of Arizona, those carriers will incur additional labor, operations, and information technology expenses to comply with the Arizona-specific CPNI rulemaking.

As a result of clearer CPNI notification and informed consent, carriers will benefit from fewer consumer complaints and increased goodwill. Customers will make knowing and informed decisions as to the release of their CPNI. This informed and knowing approval may lead to more efficient marketing efforts for those entities with whom the CPNI is shared upon approval. By knowingly granting approval for a company to use or disseminate his or her CPNI, a customer is expressing receptiveness to learning more about other services provided by the carrier, its affiliates, joint-venture partners, or independent contractors that provide telecommunications-related services.

b. COSTS AND BENEFITS TO PRIVATE PERSONS AND CONSUMERS WHO ARE DIRECTLY AFFECTED BY THE PROPOSED RULEMAKING

The proposed rulemaking does not impose any specific dollar cost on consumers of telecommunications services. However, companies may attempt to pass through some or all of the costs incurred as a result of the rulemaking.

The proposed rulemaking is intended to provide important safeguards to ensure that customers are routinely informed of their rights with respect to Customer Proprietary Network Information and that the decision to release this private information is both knowing and informed. Benefits to customers include greater

protection of their privacy, greater understanding of their rights, and more control over the release of their CPNI.

c. PROBABLE IMPACTS ON EMPLOYMENT THE STATE OF ARIZONA

Telecommunications carriers may face additional labor requirements as a result of the proposed rulemaking which may lead to an increase in employment opportunities in the telecommunications industry in the state of Arizona. However, since many telecommunications carriers operate in multiple states and have centralized administrative offices, the impact on employment could occur outside of Arizona.

To the extent that the proposed rulemaking results in less customers granting approval for the release of CPNI, affiliates, joint-venture partners, and independent contractors of telecommunications carriers with whom CPNI may be shared upon approval could experience a decline in the ability to use CPNI to market telecommunications-related services. This could potentially lead to a decline in the labor requirements of these affiliates, joint-venture partners, and independent contractors of telecommunications carriers.

5. COSTS AND BENEFITS TO THE AGENCY

Costs of the proposed rulemaking include costs related to new tasks at the Commission. For example, the Commission will need to: 1) respond to and review informal complaints by consumers related to CPNI notices, use, or misuse, 2) make recommendations related to informal complaints, 3) review company CPNI notices, 4) review company records related to subscriber's opt-out and opt-in status with respect to CPNI, 5) review company records related to subscriber verification of opt-out approval, 6) monitor compliance, 7) enforce penalties or impose sanctions, and 8) coordinate enforcement efforts with the Arizona Attorney General.

Benefits of the proposed rulemaking may include a decrease in consumer inquiries and/or complaints related to CPNI received at the Commission. Stricter notification requirements regarding consumers' rights with respect to CPNI are intended to mitigate potential confusion. Secondly, the proposed rulemaking is intended to reduce the instances of unauthorized, unintended, or unknowing dissemination of Customer Proprietary Network Information. As a result, the Commission expects to receive fewer consumer complaints concerning these issues.

Benefits of the proposed rulemaking to the Arizona Attorney General are an increased level of coordination of efforts aimed at prosecution of unauthorized use or dissemination of CPNI.

6. COSTS AND BENEFITS TO POLITICAL SUBDIVISIONS

Implementation of the proposed rules should result in no increased costs to political subdivisions. However, to the extent that these political subdivisions contain consumers of telecommunications services, they may benefit from greater protection of their privacy.

7. PROBABLE EFFECT ON STATE REVENUES

The proposed rulemaking may result in an increase in state revenues if penalties are imposed on telecommunications companies for misconduct with respect to CPNI.

8. LESS COSTLY OR INTRUSIVE METHODS AVAILABLE

The purpose of the proposed rulemaking is to provide important safeguards to ensure that customers are routinely informed of their rights with respect to Customer Proprietary Network Information and that the decision to release this private information is both knowing and informed. A less intrusive and potentially less costly alternative means to deal with CPNI is to simply adopt the Federal Communications Commission's rules (47 CFR § 64.2001 through 2009). However, because the FCC's rules rely on implied consent, (i.e. the opt-out method) the Commission does not believe that these rules adequately achieve the goal of ensuring that customer approval to use or disseminate CPNI is both knowing and informed.

9. ALTERNATIVE METHODS CONSIDERED

The Commission considered stricter rules with respect to opt-in approval, notification procedures, monthly reminders to customers regarding their CPNI elections, and other aspects of the rules. The proposed rulemaking is deemed to be the least intrusive and least costly alternative of achieving the whole purpose of the proposed rulemaking.

STATEMENT OF EFFECT ON SMALL BUSINESS

1. SMALL BUSINESSES SUBJECT TO THE RULES

Businesses subject to the proposed rulemaking are small, intermediate, and large telecommunications providers. Affiliates, joint-venture partners, and independent contractors of telecommunications providers with whom CPNI can be shared may be affected as well. While few telecommunications providers subject to this rule are small businesses as defined by A.R.S. § 41-1001.19, affiliates, joint-venture partners, or independent contractors may be small businesses. To the extent that the proposed rulemaking results in fewer customers granting approval for the release of CPNI than under current FCC rules, these companies may experience a decline in the ability to use CPNI to market telecommunications-related services. However, one purpose of the proposed rulemaking is to ensure that customer approval to use or disseminate CPNI is knowing and intentional. Customers that grant such approval may be more receptive to the telecommunications-related services marketed by such entities, thus creating a more efficient marketing process.

2. ADMINISTRATIVE AND OTHER COSTS REQUIRED FOR COMPLIANCE WITH THIS PROPOSED RULEMAKING

For those telecommunications carriers that are considered to be small businesses as defined by A.R.S. § 41-1001.19, these small businesses would incur: 1) costs associated with stricter notification requirements, 2) costs associated with annual reminders to customers of their CPNI election, 3) costs associated with confirming customers' opt-in approval, 4) costs associated with obtaining verification of opt-out approval, and 5) costs of compliance with Arizona-specific CPNI rules.

3. DESCRIPTION OF THE METHODS USED TO REDUCE THE IMPACT ON SMALL BUSINESSES

The Commission has tried to reduce the impact on small business by creating proposed rules which are deemed to be the least intrusive and least costly means of achieving the whole purpose of the proposed rulemaking.

4. FEASIBILITY AND LEGALITY OF METHODS IN THREE (3) ABOVE

Not applicable.