

## Small Business Economic Impact Statement

WUTC Docket No. UT-010558

Re: Regulatory Review of WAC 480-120-083

August 28, 2001

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**Background:** WAC 480-120-083 relates to the cessation of telecommunications services. The rule has been adopted on an emergency basis, and Staff is proposing to adopt the rule permanently, with some modifications. The proposed rule changes could cause telephone companies to incur additional costs; therefore, the Commission prepared a Small Business Economic Impact Statement (SBEIS).

**Summary of the Proposed Changes:** The proposed changes to the emergency rule have been broadened to include cessation of all telecommunications services. In addition, the rule now addresses requirements regarding notices – who receives the notice of cessation of service, and what should be included in the notice.

**Purpose and Process:** RCW 19.85.040 requires that the economic impacts of proposed rules on small businesses be compared with the economic impacts on the largest businesses, those which comprise the top 10 percent of the affected industry. RCW 19.85.020 defines small businesses as those that have 50 or fewer employees.

On July 27, 2001, Commission Staff sent out a *Small Business Economic Impact Statement questionnaire* (Attachment A) and a *notice to file written comments* to all telecommunications companies registered in the State.

The SBEIS questionnaire and Notice to file written comments was sent to all telecommunications companies. The Commission received 33 responses (Attachment B), 12 of the responses came from small businesses.

- ▶ 5 businesses would experience no impact
- ▶ 6 businesses were not able to identify any impact
- ▶ 11 businesses would experience an impact
  - 7 of which are large businesses
  - 4 of which are small businesses – 2 of these are not currently providing service in Washington
- ▶ 3 businesses indicated the SBEIS was not applicable

<b>Cost of Compliance:</b>	The driving cost elements associated with the proposed rule are identical for both large and small businesses – notification to customers, making billing changes, filing a tariff or price list, miscellaneous expenses, and legal fees.
<b>Comparison of Costs:</b>	<p>A per employee cost comparison between small and large businesses does indicate a disproportionate cost impact on small businesses – the per employee cost for small businesses ranges from \$5 to \$270, compared to \$.29 to \$155 per employee for large businesses. However, the simple average cost is less for small businesses than it is for large businesses – \$1,644 versus \$5,309, respectively.</p> <p>A cost-versus-revenue analysis was also done. Of the four small businesses that indicated a cost impact, only one reported intrastate revenue for the year ending December 31, 2000; whereas the remaining three indicated either no revenue or that they have not yet begun providing service in Washington. Estimated weighted average cost per dollar of revenue was approximately three cents for large businesses and less than a cent for small businesses.</p>
<b>Lost sales or Revenue:</b>	Only two large businesses indicated that they may lose sales and revenue, but they were unable to attribute a cost – the remark on the questionnaire was, “not clear.”
<b>Impact of Proposed Changes:</b>	A common cost impact on small businesses is the cost to notify customers of their impending cessation of service. However, it is in the public interest that customers be given ample notice of the cessation of their telecommunications service in order to change providers and avoid any break in service – whether or not the service is used to maintain access to emergency services, or is relied upon for the customer’s livelihood. The public will be better served by this proposed rule.
<b>Conclusion:</b>	The study also concludes that the imposed costs are not unreasonably expensive, and mitigation is not appropriate. Staff is of the opinion that the rule is in the public interest, and the Commission should consider moving toward adoption of the proposed rule.