

July 1, 2003

Vol. 9, No. 126

Telecom In Brief

Study: 1996 Telecom Act Spurs \$267B In Investment

Larry Spiwak readily admits that he doesn't have a magic pill solution for everything that ails the telecom industry. However, Spiwak, president of Washington, D.C.-based think-tank **The Phoenix-Center for Advanced Legal & Economic Public Policy Studies**, does believe the argument put forth by many in the industry that the 1996 Telecom Act is a failure because it didn't spur telecom investment is ailing of itself. The organization recently published the study "The Truth About Telecommunications Investment." The report says that the Telecom Act has generated \$267 billion in additional investment since its passage.

"You have all of this sort of misinformation [about the 1996 Act and telecom investment] floating around Washington, D.C.," Spiwak told *Communications Today*. "What we would like to say is 'Here are the numbers, go and look at them yourself.' That is what we did." The study said despite recent declines in investment in the industry – caused in part by the near total collapse of facilities-based CLECs – that telecom investment remains well above historic levels. From 1980 to 1995, investment by telecom firms grew at an annual rate of 2.8 percent. After the 1996 Act, telecom investment has grown at an average annual rate of 22.3 percent, according to the study. The report, based on figures from the **U.S. Bureau of Economic Analysis**, said government data "provides no support" for the claim that the 1996 Act reduced investment by telecommunications firms.

Spiwak said a turn in the economy as well as policy-makers taking a more realistic view of the business both would help the telecom industry turn around. "The economy drives telecom investment and not the other way around," Spiwak said. "The argument that infrastructure will fuel the economy is just not true."