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Press Release

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NEW PHOENIX CENTER STUDY FINDS THAT DESPITE INFLATION BROADBAND PRICES ARE FALLING OVER TIME

Previously unregulated broadband industry prices stand in stark contrast to pricing found in rate-regulated industries and the federal postal service

WASHINGTON, D.C. — The Federal Communications Commission recently voted to subject the Internet, once again, to legacy public utility telecommunications regulation originally designed for the old Ma Bell monopoly. While the FCC's new rules do not push so far as to regulate retail rates (though they do regulate wholesale termination rates), the FCC's rules open the door to potential retail rate regulation of broadband services by the states. A sensible question to ask is what should consumers expect from a broadband market subject to these more aggressive sorts of public utility regulation or complete government ownership of broadband networks? As price inflation is at the forefront of consumer concerns today, a first step would be to compare retail prices between the previously unregulated broadband industry and the rate-regulated natural gas and electric industries along with the federal postal service.

In a new analysis released today entitled *Getting Aggressive with Broadband Regulation,* Phoenix Center Chief Economist Dr. George S. Ford does just that, and his findings are significant.

Dr. Ford uses the average selling price producers receive for their output as measured by the Producer Price Index ("PPI") to measure price. For broadband services, the PPI measures residential fixed broadband prices and mobile telephone service. The PPIs for the rate regulated utilities are for residential distribution service, and the PPIs for the U.S. Postal Service are for standard class mail (stamps) and Priority Mail services. Price data are collected over the period March 2016 through February 2024, four years before and after the Covid Pandemic of 2020 (March 2020), an event that disrupted supply-chains and triggered massive federal government spending, that latter adding fuel on the inflationary fire caused by the supply chain problems.

Before and after the start of the Covid Pandemic, Dr. Ford finds that the core PPI rose and electricity distribution prices rose 14%, natural gas distribution prices rose 30%, and postal prices rose 17% (stamps) and 23% (Priority Mail). For broadband services, residential broadband prices fell 6% and mobile services fell 3%. After the Covid Pandemic, relative to the prices in the regulated energy sectors and for postal services, on average residential broadband prices fell 22% and mobile prices fell 20%, a difference sustained even when accounting for costs differences among sectors. Had broadband prices followed these regulated and nationalized sectors, a $60 broadband service before the pandemic would be about $73 today.

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"The regulation and nationalization of broadband service is no cure for allegations of high broadband prices, which are, in fact, falling over time unlike the prices of rate-regulated and nationalized services," said study author Phoenix Center Chief Economist Dr. George S. Ford. "Broadband services should be left to competitive market forces, a policy which has served consumers well during the recent economic turmoil."

A full copy of **@lawandeconomics In Brief 24-01,** ***Getting Aggressive with Broadband Regulation***, may be downloaded free from the Phoenix Center's web page at: https://www.phoenix-center.org/InBrief/InBrief24-01Final.pdf.

The Phoenix Center is a non-profit 501(c)(3) organization that studies broad public-policy issues related to governance, social and economic conditions, with a particular emphasis on the law and economics of the digital age.