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Press Release

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BERKMAN GETS IT BACKWARDS - ITS OWN MODEL SAYS "OPEN ACCESS" FAILS

Phoenix Center Says Flawed Study Undermines FCC Bid for "Data-Driven Decisionmaking"

WASHINGTON, D.C. - The Phoenix Center released today a new PHOENIX CENTER PERSPECTIVE examining a recent study by the Berkman Center for Internet and Society and finds it wanting. The Berkman Study was specifically requested by the Federal Communications Commission to "conduct an independent expert review of existing literature and studies about broadband deployment and usage throughout the world." According to Phoenix Center Chief Economist Dr. George S. Ford, because the Berkman Center incorrectly interprets the findings of its own model to draw the wrong conclusions about the impact of so-called "open access" policies on broadband consumption, the Berkman Study is so flawed that it cannot be relied upon to formulate public policy.

Dr. Ford demonstrates, using standard econometric techniques, that the "Berkman Study first improperly estimates its econometric model and then incorrectly interprets the results from it. The error in the interpretation is significant. While the [Berkman] Study's authors verbally conclude that open access policies stimulate increased consumption of broadband, the econometric model they rely upon shows the opposite - open access *reduces* the consumption of broadband."

Dr. Ford said his goal was to determine whether Berkman's statistical analysis could withstand professional scrutiny and be relied upon by policymakers. "Regrettably, the answer is no," he concludes. He said he would leave the merits of whether the FCC should reinstitute an aggressive infrastructure unbundling regime under current market conditions to other commentators. The FCC's deadline for public comment on the Berkman study is Monday, November 16th.

"The Berkman Study's authors are befuddled by their own modeling effort. Accordingly, policymakers would be remiss to accord the Berkman Study any probative weight, particularly with regard to the positive or negative effects of unbundling policies under current market conditions," says Dr. Ford.

Dr. Ford notes, for example, that Berkman's analysis includes a downward sloping supply curve that implies the network operators provide less broadband when prices rise. "Intuitively, this results makes little sense, violates the law of supply and muddles interpretation," he says.

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“The economic and econometric analysis used in the Berkman Study to support its ‘most significant finding’ that unbundling improves broadband consumption is embarrassingly bad. The analysis is so convoluted that even the Study’s authors cannot understand the results. The Berkman Study claims that ‘open access’ stimulates broadband consumption, but the correct interpretation of its own evidence is that unbundling reduces broadband consumption,” concludes Dr. Ford. As such, “given the multitude of technical flaws” in the Berkman Study, “how much credibility the FCC accords the Berkman Study in the end will provide a clear bellwether of the Commission’s commitment to the intellectual rigor it purports to want.”

PHOENIX CENTER PERSPECTIVE 09-05: *Whoops! Berkman Study Shows “Open Access” Reduces Broadband Consumption*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/perspectives/Perspective09-05Final.pdf>.

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