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## Press Release

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### NEW PHOENIX CENTER ANALYSIS SHOWS FEAR ABOUT DEREGULATED WIRE CENTER TESTS FOR IP-TRANSITION UNWARRANTED

*Phoenix Center Legal and Economic Analysis Demonstrates that Regulatory Oversight of Trials Create Precedent for "Best Practices"*

WASHINGTON, D.C. - Last fall, AT&T filed a request with the Federal Communications Commission ("FCC") to jumpstart the search for a new regulatory paradigm to facilitate the transition to IP-based services by asking the agency to establish limited wire center "trial runs of the transition to next-generation services, including the retirement of time-division multiplexed ("TDM") facilities and offerings and their replacement with IP-based alternatives." Opposition to AT&T's proposed wire center trials has been predictable, generally centering on fears that deregulatory experiments will unleash a Pandora's Box of anticompetitive behavior that the FCC will be powerless to rectify *ex ante*. In a new legal and economic analysis released today entitled *Searching for a New Regulatory Paradigm: A Comment on AT&T's Petition for Wire Center Trials*, the Phoenix Center's scholars demonstrate that the fears driving such opposition may be misplaced and, for those levying such criticisms, ill-advised.

First, given the complexity of finding an appropriate regulatory paradigm for a radically-transformed communications marketplace, the study's authors contend that a real-world and limited test of market-based outcomes with vigorous regulatory oversight will be far more illuminating than the current plan for a piecemeal and prolonged assessment of legacy regulations.

Second, the authors present an economic model which reveals that, given the heavy regulatory oversight of the trials by the FCC, participating firms are likely to be on their best behavior during these field experiments. As a result, these trials will provide significant evidence of industry "best" practices (although the practices are expected to be slightly biased against the unconstrained interests of those favoring reform), leaving a trail of precedent applicable to a more widespread implementation of regulatory reform.

Finally, the Phoenix Center's scholars point out that while the experiments will occur with a regulatory blank slate *ex ante*, this approach does not automatically imply the absence of regulation *ex post*, or the absence of regulation in the future if outcomes differ materially from those observed in the trials. That is, the deregulated wire center trials do not lead to an abrogation of FCC

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jurisdiction. As such, aggrieved parties are not without remedies and, as a result of the trials, are not without documented benchmark behaviors obtained in a setting where participants are on their “best behavior.”

“Criticism of the wire center trials has more to do with a distrust of the Federal Communications Commission than of the industry,” said study co-author and Phoenix Center President Lawrence J. Spiwak. “A lack of the trust in the regulator is just as much an indictment of the legacy regime as it is the emergence of a new regime.”

“With the FCC Chief of Staff’s recent call for a ‘nuanced, data-driven approach to determining which policies to keep, which to eliminate, and which to add or modify’ in the IP transition, supervised deregulated wire center trials are an excellent real-world mechanism to generate these data,” says study co-author and Phoenix Center Chief Economist George Ford. “As a result, wire center trials are an interesting approach and one worthy of serious consideration.”

A complete copy of the study, PHOENIX CENTER POLICY PERSPECTIVE NO. 13-01: *Searching for a New Regulatory Paradigm: A Comment on AT&T’s Petition for Wire Center Trials* may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/perspectives/Perspective13-01Final.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 telecommunications and high-tech industries.*