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Press Release

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NEW PHOENIX CENTER STUDY DEMONSTRATES THAT FCC'S SPECIAL ACCESS DATA REQUEST IS A "ROAD TO NOWHERE" FOR PRO-REGULATORY ADVOCATES

FCC's Special Access Data Will Likely Show that Price Regulation is Unnecessary in Many Geographic Areas

WASHINGTON, D.C. – In the face of severe political pressure, four years ago the Federal Communications Commission reversed a bi-partisan effort to deregulate high capacity ("Special Access") services and launched a massive data collection effort to refresh the record. In a new analysis released today entitled *The Road to Nowhere: Regulatory Implications of the FCC's Special Access Data Request*, Phoenix Center Chief Economist Dr. George S. Ford demonstrates, using standard economic techniques, that the FCC's data collection effort will not provide the proverbial "silver bullet" proponents of increased price regulation are looking for. Quite to the contrary, Dr. Ford explains that the FCC's Special Access data will likely show that regulation is unnecessary in many geographic markets and already adequate, if not too strict, in others. Dr. Ford contends that these data, or any legitimate analysis of them, do not permit the Commission to make any claims about the extent of market power and the need for more regulation of Special Access services, though the data may be used to get a feel of the extent of competition for such services a few years ago.

As Dr. Ford explains, competitive entry is not a random event; it is profit driven. In areas without entry, the presumption is that costs are so high entry is unprofitable. Thus, an absence of competition does not permit the Agency to conclude anything about the just and reasonableness of prices or the presence or absence of market power. There is also reason to believe that where entry does not occur, the regulation may be "too tight." Dr. Ford contends that in areas with competitive entry, the FCC should back off its regulation and let the market work. In fact, given the Commission's narrow definition of the relevant geographic market, Dr. Ford shows that price regulation is merely a costly transfer of profits from the seller to the buyer.

While Dr. Ford commends the Commission for recognizing it lacked the data necessary to evaluate Special Access services and for attempting to remedy that shortfall, Dr. Ford points out that the Commission should have first developed a solid theoretical foundation for its analysis before it went off blindly into the collection of data. Dr. Ford therefore concludes that "while the Commission has gone to great lengths over the last several years to reverse its bi-partisan decision to grant pricing flexibility for Special Access services, I suspect it will be disappointed that its data collection efforts were, once more, a road to nowhere."

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“The FCC’s Special Access data can’t deliver what the Agency hoped it would. Data on little more than the number of competitors and prices can’t be used to determine whether or not rates are cost-based,” said Dr. George S. Ford, Chief Economist of the Phoenix Center. “I do suspect the data contains some surprises, including the widespread presence of competition and that the FCC’s deregulatory triggers, while perhaps defective in some ways, pointed in the right direction.”

A full copy of the paper, PHOENIX CENTER POLICY PERSPECTIVE NO. 16-02, *The Road to Nowhere: Regulatory Implications of the FCC’s Special Access Data Request*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/perspectives/Perspective16-02Final.pdf>.

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