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Press Release

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PHOENIX CENTER ANALYZES NEW FREE PRESS REPORT SHOWING INVESTMENT DOWN SUBSTANTIALLY AFTER RECLASSIFICATION OF BROADBAND SERVICE

New Free Press Report Supports FCC Chairman Pai's Claim that Capital Spending Declined After Title II Reclassification

WASHINGTON, D.C. – The investment effects of the Federal Communications Commission's reclassification of broadband as a "common carrier" telecommunications service under Title II of the Communications Act of 1934 is hotly contested. Free Press, a vocal proponent of Internet regulation, has long contended the investment effects are minimal and possibly even positive. Last week, Free Press released a report entitled *It's Working: How the Internet Access and Online Video Markets are Thriving in the Title II Era* analyzing the capital expenditures of broadband providers from 2013 through 2016. According to Free Press, capital spending "accelerated" after reclassification.

In a new POLICY PERSPECTIVE released today entitled *Reclassification and Investment: An Analysis of Free Press' "It's Working" Report*, Phoenix Center Chief Economist Dr. George S. Ford analyzes the capital expenditure data presented in the *Free Press Report*. Correcting only for inflation, Free Press' data shows capital expenditures are down significantly in 2016, the year following the reclassification decision. Based on the claimed growth rates in the *Free Press Report*, actual capital expenditures in 2016 were nearly \$4 billion below expectations. As Dr. Ford observes, the reduction in investment "is similar to the \$3.7 to \$5.1 billion investment decline used by Chairman Pai in announcing his intent to review of the *2015 Open Internet Order*." Free Press' calculation of a strong downward shift in capital spending in 2016 is consistent with recent evidence from industry sources including CTIA and USTelecom. Dr. Ford therefore concludes, "While Free Press wishes to peddle the fairy tale of positive investment effects, in fact their *Report* demonstrates that reclassification has been a nightmare for the rest of us."

"Investment effects appear to be central to reversing the reclassification decision," said study author and Phoenix Center Chief Economist Dr. George S. Ford. "If it provides any information at all, Free Press' new *Report* adds to the growing body of evidence that capital spending is down after Title II reclassification in 2015."

A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 17-04, *Reclassification and Investment: An Analysis of Free Press' "It's Working" Report*, may be downloaded free from the Phoenix Center's web page at: <http://www.phoenix-center.org/perspectives/Perspective17-04Final.pdf>.

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