



**PHOENIX** FOR ADVANCED  
LEGAL & ECONOMIC  
C E N T E R PUBLIC POLICY STUDIES  
www.phoenix-center.org

5335 Wisconsin Avenue, NW  
Suite 440  
Washington, D.C. 20015-0234  
Tel: +1 (202) 274-0235  
Fax: +1 (202) 318-4909  
[www.phoenix-center.org](http://www.phoenix-center.org)

## Press Release

Contact: Lawrence J. Spiwak  
Phone: +1 (202) 274-0235

FOR IMMEDIATE RELEASE  
Wednesday – April 25, 2018

### PHOENIX CENTER FINDS MORE EVIDENCE OF MISLEADING CLAIMS ABOUT EFFECTS OF TITLE II RECLASSIFICATION ON INVESTMENT

#### *Free Press' Claims in Congressional Testimony that Reclassification had No Effect on Comcast's CapEx Spending are False*

WASHINGTON, D.C. – Last week, the Phoenix Center released an economic analysis entitled *Reclassification and the Availability of "Broadband" Service: A Counterfactual Check on Recent Claims*, in which Phoenix Center Chief Economist Dr. George S. Ford evaluated deployment data for broadband services satisfying the Federal Communications Commission's ("FCC") 25/3 Mbps threshold for "broadband" services. Dr. Ford's analysis was prompted by recent testimony given to the U.S. Congress by Matt Wood, Policy Director of the advocacy group Free Press, in which Mr. Wood claimed that the FCC's 2015 reclassification of broadband as a common carrier "telecommunications" service under Title II of the Communications Act of 1934 did not affect the expanding availability of broadband service. Statistical analysis of FCC data, however, reveals quite clearly that the availability of 25/3 Mbps service slowed considerably following the reclassification decision of the *2015 Open Internet Order*. Indeed, the FCC's 2015 reclassification decision may reasonably be blamed for a lack of "broadband" access to about 6.5 million Americans.

In a new analysis today entitled *Comcast's Capital Spending After Reclassification: A Check on Claims*, Dr. Ford scrutinizes a claim by Mr. Wood made at that same Congressional hearing that "Comcast's total capital spending for the two years following the 2015 vote increased by 26 percent." To do so, Dr. Ford evaluates Comcast's investment behavior over the years 2004 through 2017 to see if there is any evidence either for or against the FCC's *2015 Open Internet Order*. In contrast to Mr. Wood's claims, Dr. Ford finds that Comcast's investment data provide, if anything, evidence that reclassification has been detrimental to capital spending.

As Dr. Ford demonstrates, investment growth prior to 2015 was trending positive, but in 2016 and 2017, the years following the FCC's 2015 reclassification decision, investment growth declined sharply (though still positive). While this analysis offers only a naïve view of Comcast's investment behavior, it certainly does not paint a rosy picture for the FCC's 2015 reclassification decision; capital spending growth noticeably slowed following reclassification. In addition, Dr. Ford shows Comcast's Capital Intensity Ratio was much lower after the FCC's 2010 proposal to reclassify broadband as a Title II service, a date that has been demonstrated statistically to be the initiation of the broadband industry's investment response to reclassification. Dr. Ford stresses, however, that

the effects of industry-wide regulations cannot be properly assessed by looking at the behavior of single provider.

“A careful look at investment data consistently shows reclassification attenuated the investment incentives of broadband providers, consistent with industry statements to investment analysts,” says Dr. George S. Ford, Chief Economist of the Phoenix Center. “Arguments suggesting that it is business as usual in the broadband industry have been shown to be false or based on careless analysis.”

A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 18-03, *Comcast’s Capital Spending After Reclassification: A Check on Claims*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/perspectives/Perspective18-03Final.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.*