



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

Press Release

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

FOR IMMEDIATE RELEASE
Monday – July 20, 2020

NEW PHOENIX CENTER ANALYSIS EXPOSES FLAWS IN OPEN TECHNOLOGY INSTITUTE'S "2020 COST OF CONNECTIVITY REPORT"

*Analysis of OTI survey data shows higher prices in markets with a municipal broadband
network*

WASHINGTON, D.C. — With Congress poised to spend as much as \$100 billion on broadband deployment and adoption as part of the next COVID relief package, a renewed effort to push municipal broadband to the forefront of the broadband policy debate is afoot. In support of this effort, last week the Open Technology Institute at the New America Foundation issued a report entitled *Cost of Connectivity 2020* which purports to show that municipal broadband networks “offer the fastest, most affordable” broadband services and that “locally-owned networks yield significant cost savings for consumers.” Supporters of municipal broadband praised OTI’s analysis.

In a new POLICY PERSPECTIVE released today entitled *The Open Technology Institute’s Cost of Connectivity 2020 Report: A Critical Review*, Phoenix Center Chief Economist Dr. George S. Ford takes a close look at the *OTI Report* and its data and finds severe problems with OTI’s analysis. As Dr. Ford demonstrates, the *OTI Report’s* data, once corrected for errors, do not support the claim that government-run networks charge lower prices. Nor should they. The law of one price from economic theory states that within a single market the quality-adjusted prices for rivals should be equal. As Dr. Ford notes, the “proper question is not whether prices among firms in a single market differ, but rather whether average prices differ in markets that have a municipal provider.” Using OTI’s survey data, Dr. Ford find that average prices are about 13% higher in cities with a municipal provider relative to those markets without a government-run network.

“As with all prior claims that municipal broadband providers charge lower prices than private providers, there are fatal flaws in OTI’s analysis,” says study author and Phoenix Center Chief Economist Dr. George S. Ford. “Within a single city, prices are the same for municipal and private providers, as theory prescribes. But, relative to cities without a government-run network, broadband prices are higher in cities with a municipal provider.”

A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 20-06, *The Open Technology Institute’s Cost of Connectivity 2020 Report: A Critical Review*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/perspectives/Perspective20-06Final.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.