RESIDENT’S MESSAGE

2018 again proved to be another extremely productive and prolific year for the Phoenix Center.

As detailed later in this ANNUAL REPORT, the Phoenix Center issued twelve (12) scholarly papers in 2018. We are also extremely proud to report that Phoenix Center scholars had nine (9) of our papers published, or accepted for publication, in academic journals. Finally, Phoenix Center staff authored fifteen (15) op-eds in various media outlets.

The Phoenix Center also had an active amicus brief practice in 2018. First, the Phoenix Center filed an amicus brief before the Supreme Court of the United States in support of petitioners for writ of certiorari in SNR Wireless LicenseCo, LLC and Northstar Wireless, LLC, et al. v. Federal Communications Commission. We also filed an amicus brief before the Court of Appeals for the D.C. Circuit in support of Respondents in Mozilla Corp., et al. v. Federal Communications Commission.

Once again, our efforts have not gone unnoticed. For example, Phoenix Center Chief Economist Dr. George Ford remains in the top 1% of authors downloaded on the Social Science Research Network, and I am not far behind in the top 1.4%. More importantly, the Phoenix Center’s webpage again received nearly 1.5 million hits in 2018.

We also tried to contribute to the broader policy community. For example, I was again proud to serve as the co-chair of Federal Communications Bar Association’s committee to oversee the FEDERAL COMMUNICATIONS LAW JOURNAL, and I was equally proud to serve on the Executive Committee of Federalist Society’s Telecom Practice Committee. I was also invited to join the “Cybersecurity and Privacy Reflection Group” organized within the Horizon2020 AEGIS Project sponsored by the European Union.

George also did his part. For example, George continued to serve on the Federal Communications Commission’s Removing State and Local Regulatory Barriers BDAC Working Group. In addition, George had a paper accepted at Telecommunications Research Policy Conference and was asked to present this paper both at main conference and at “TPRC on the Hill.”

We are again honored to report that we were able to make a significant contribution to the policy debate in 2018. For example, our research was a central citation in the FCC’s Business Data Services Order which was upheld by 8th Circuit in Citizens Telecommunications v. FCC. And, perhaps most significantly, because our empirical research provided the primary citations in the Restoring Internet Freedom Order upon which the FCC relied to demonstrate that the costs of Title II reclassification outweighed the benefits, the validity of our research is a central point on appeal in Mozilla v. FCC. Finally, we were again cited in the FCC’s Declaratory Ruling that text messages are better classified as an information service under Title I.

Finally, the Phoenix Center again put on several fantastic programs of its own this year. First, we held our Seventh Annual Rooftop Policy Roundtable Discussion, where we had with a keynote presentation by FCC Commissioner Brendan Carr and an excellent interactive conversation about privacy policy over drinks and cigars. Finally, we held our Eighteenth Annual U.S. Telecoms Symposium with a keynote by FCC Commissioner Michael O’Rielly to another standing-room only crowd.

Once again, not a bad year…

— Lawrence J. Spiwak, President
PHOENIX CENTER PUBLICATIONS

The Phoenix Center continued to publish a prodigious amount of scholarly research in 2018. As always, all of the Phoenix Center’s research is available free on the Phoenix Center’s web page and on the Social Science Research Network.

PHOENIX CENTER POLICY PAPER SERIES

The Phoenix Center’s POLICY PAPER SERIES seeks to provide an in-depth analysis of the current regulatory and political paradigms, as well as to provide constructive and well-reasoned solutions to the problems of the day. In 2018, the Phoenix Center issued the following POLICY PAPER:


PHOENIX CENTER POLICY BULLETIN SERIES

The Phoenix Center’s POLICY BULLETIN SERIES is designed to provide a forum for responding to discrete policy issues in a shorter format than our PHOENIX CENTER POLICY PAPER SERIES. The Phoenix Center published the following POLICY BULLETIN in 2018:


PHOENIX CENTER POLICY PERSPECTIVES

The Phoenix Center’s POLICY PERSPECTIVES SERIES is designed to provide a forum for its individual staff members to express their personal views on current policy developments. The Phoenix Center published the following POLICY PERSPECTIVES in 2018:


- PHOENIX CENTER POLICY PERSPECTIVE NO. 18-09: Infrastructure Investment After Title II (November 1, 2018).


ACADEMIC PUBLICATIONS

In 2018, the Phoenix Center had nine (9) of its papers published, or accepted for publication, in academic journals:
PHOENIX CENTER PUBLICATIONS

- Safe Harbors and the Evolution of Online Platform Markets: An Economic Analysis, 36 CARDozo ARTS & ENTERTAINMENT LAW JOURNAL 309 (originally released as PHOENIX CENTER POLICY BULLETIN NO. 41).
- Safe Harbors and the Evolution of Music Retailing, forthcoming INTELLECTUAL PROPERTY JOURNAL (originally released as PHOENIX CENTER POLICY BULLETIN NO. 41).
- Promotional Effects and the Determination of Royalty Rates for Music, forthcoming, JOURNAL OF MEDIA ECONOMICS (originally released as PHOENIX CENTER POLICY BULLETIN No. 39).

OP-EDS:

The Phoenix Center had the following op-eds published in 2018:

- Haste and Consequence in Regulation: The Cautionary Tale of Ligado Networks, BLOOMBERG LAW (March 6, 2018).
- Chuck Schumer Finally Speaks the Truth About Net Neutrality, INSIDESOURCES (May 16, 2018).
- Insight: Is Antitrust Still the “Magna Carta” of Free Enterprise? BLOOMBERG LAW (June 4, 2018).
PHOENIX CENTER PUBLICATIONS


- **Putting “Fair” Back in “Fair Use”**, FEDERALIST SOCIETY BLOG (June 26, 2018).

- **Sometimes “No” is the Right Answer for Market Transactions**, FEDERALIST SOCIETY BLOG (July 17, 2018).

- **The FCC Deserves Credit for its Efforts to Eliminate Outdated Satellite Regulations**, FEDERALIST SOCIETY BLOG (December 17, 2018).

**AMICUS BRIEFS:**


- Phoenix Center files amicus brief before the D.C. Circuit in support of Respondents in Mozilla Corp., et al. v. Federal Communications Commission (filed November 27, 2018).

**REGULATORY COMMENTS:**


**SIGNIFICANT CITATIONS:**

- Phoenix Center Chief Economist Dr. George Ford’s research was a central citation in the FCC’s 2017 Business Data Services Order, which was upheld by 8th Circuit in Citizens Telecommunications v. FCC, 901 F.3d 991 (2018).

- Phoenix Center Chief Economist Dr. George Ford’s counterfactual empirical research provided the primary citations in the Restoring Internet Freedom Order upon which the FCC relied to demonstrate that the costs of Title II reclassification outweighed the benefits. The validity of this research is a central point of appeal in Mozilla v. FCC.


- Phoenix Center Chief Economist Dr. George Ford cited in In the Matter of International Comparison Requirements Pursuant to the Broadband Data Improvement Act, SIXTH INTERNATIONAL BROADBAND DATA REPORT, 33 FCC Rcd. 978 (rel. February 2, 2018).
CONTRIBUTING TO THE PUBLIC DIALECTIC

2018 provided fertile soil for those interested in policy research. In this section, we highlight some (but not all) of what we at the Phoenix Center found to be the interesting policy issues of 2018 and where we believe we added constructively to the debate.

Network Neutrality

Once again, net neutrality featured heavily in the debate in 2018. And, once again, the Phoenix Center’s substantive research played a major role in the discussion.

To begin, we are very appreciative that the Federal Communications Commission recognized the value of our work in this area. Among other references to our work, Phoenix Center Chief Economist Dr. George Ford’s research provided the primary economic evidence upon which the FCC relied to find that the costs of reclassification outweighed the benefits in the Restoring Internet Freedom Order. (Since the RIFO was issued, George’s work was subsequently published in a refereed academic journal.) As a result, the veracity of, and the Commission’s reliance upon, George’s research became a focal point on appeal in Mozilla v. FCC before the D.C. Circuit Court of Appeals. To help the court better understand the economics of the case (and George’s work in particular), the Phoenix Center filed an amicus brief in support of Respondents.

But simply because the Commission issued its RIFO did not mean the debate over net neutrality went away. As a result, the Phoenix Center issued several follow-up studies on the investment effects of reclassification in 2018. Moreover, as some in Congress sought to pass a resolution of disapproval under the Congressional Review Act to strike down the RIFO, we authored several op-eds to explain complex the legal consequences of such a strategy. Finally, Phoenix Center President Larry Spiwak had a law published in the FEDERAL COMMUNICATIONS LAW JOURNAL entitled USTelecom and its Aftermath where he discusses the precedential implications of failing to challenge the FCC’s implementation of Title II in the 2015 Open Internet Order.

Spectrum Repurposing

For many years, policymakers have sought to develop mechanisms to repurpose spectrum from low to high-value uses. In 2018, the Phoenix Center again offered some contributions to this important task.

For example, we authored a paper presenting an economic model of how to design sensibly a market-based repurposing program using the concept of an expiring “transaction window.” Specifically, we considered a two-stage process whereby incumbent licensees are first granted a fixed period of time to sell, acquire, or repurpose their licenses. To ensure an expeditious repurposing, this transaction window expires at a known, fixed date, at which time licenses held by incumbents that are not participating in or eligible for providing the “new” service receive a compensation level established by the Commission, such as relocation to new spectrum bands where a functionally equivalent flow of services may be obtained. The motivation to act fairly and quickly during the transaction window depends on the Commission’s chosen level of compensation when the windows expires.

Building on this research, we also authored a paper which presented an economic model of holdouts and extended that model to consider a sensible solution to the holdout problem. This solution involves the compensation of incumbent licensees with a new spectrum license, in the same or
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otherwise compatible band, that permits an equivalent level of service, with all relocation costs paid by the innovator. Such a program sends a clear signal that holdouts will not be tolerated, thereby encouraging market transactions early in the repurposing process.

Finally, citing to our earlier work about spectrum repurposing in the presence of an interference externality, we also authored several op-eds in outlets such as BLOOMBERG LAW and the FEDERALIST SOCIETY BLOG to highlight the real-world implications of our research.

Broadband Deployment

As always, the issue of broadband deployment continued to be a big issue in the telecom debate in 2018. To this end, the Phoenix Center authored several studies in this area (one of which was published in a refereed academic journal). We were delighted that one of these papers was accepted for presentation at both the Telecommunications Policy Research Conference and “TPRC on the Hill.”

Mergers and Acquisitions

Analysis of telecom industry mergers—and the process by which they are adjudicated by the government—has long been a popular research topic at the Phoenix Center, and 2018 was no exception. For example, while the Phoenix Center takes no official position on industry mergers, we authored several papers demonstrating that the proposed merger of T-Mobile and Sprint could potentially raise prices and restrict output, though the merger’s impacts are admittedly uncertain.

In addition, the economic theory contained in POLICY PAPER NO. 49, Eroding the Rule of Law: Regulation as Cooperative Bargaining at the FCC, was accepted for publication in the refereed academic journal MANAGERIAL ECONOMICS as Regulating, Joint Bargaining, and the Demise of Precedent.

Municipal Broadband

Municipal broadband again featured heavily in the Phoenix Center’s research agenda in 2018. Among other activities, the Phoenix Center authored several studies and op-eds demonstrating the naked cross-subsidization of municipal broadband networks from captive electric utility ratepayers. Moreover, Phoenix Center Chief Economist George Ford testified before the Alabama House of Representatives on a proposed municipal broadband bill.

We also demonstrated that a study by the the Berkman Klein Center at Harvard University that purported to show that municipal systems typically charge lower prices for broadband services to be defective and incomplete. Among other problems, we pointed to the improper design of the survey methodology in the Berkman Report, which uses price as a determinant for sample selection and fails to collect prices on identical services. However, as the prices for unlike services are often unlike, if price comparisons are made for like services within a market, rather than across markets, then competition ensures that, over time, prices will be nearly equal by the law of one price. Given that the Berkman Report provided no conceptual framework for understanding and comparing prices, not much can be said about the comparison of prices across unlike services, or like services for that matter. Rather than look at two-year old data, we gathered a sample of current prices for similar service and finds that, if anything, private providers offer lower prices than do municipal systems. In fact, adjusting for the sizable differences in service levels reported in the Berkman Report, statistical tests indicate that the prices
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between municipal and private providers are equal, as economic theory predicts.

Privacy

The issue of digital privacy took on growing prominence in the debate in 2018. Attempting to contribute positively to the discussion, not only did we author several op-eds on the topic, but we also dedicated the entire theme of our Annual Rooftop Policy Roundtable and a full panel at our Annual Symposium to the topic. In addition, Phoenix Center President Larry Spiwak was invited to join the “Cybersecurity and Privacy Reflection Group” organized within the Horizon2020 AEGIS Project sponsored by the European Union. Given the growing awareness of the issue in policy circles, we fully expect to do significant research about digital privacy in 2019.

Antitrust Policy

Over the last year, there has been an all-out assault on the consumer welfare standard used in antitrust jurisprudence. To defend this important standard, the Phoenix Center authored several op-eds on the topic, and Phoenix Center President Lawrence Spiwak was asked to present his views on the topic at a major investor conference in New York City.

Moreover, in 2018, the Federal Trade Commission undertook a comprehensive review of antitrust policy, and the Phoenix Center submitted three different sets of comments to present our research to the Commission. We were delighted that the Commission found our work useful, with senior FTC staff asking us to come in to the Agency to brief them on our research.

Due Process

In 2018, the Phoenix Center again focused on the need for regulatory agencies to protect the due process of the entities they regulate. Most notably, having just been admitted to the Bar of the Supreme Court of the United States, Phoenix Center President Larry Spiwak filed an amicus brief before the Court in support of Petitioners for writ of certiorari in SNR Wireless LicenseCo, LLC and Northstar Wireless, LLC, et al. v. Federal Communications Commission.

Similarly, as noted above, Larry had a law review published by the FEDERAL COMMUNICATIONS LAW JOURNAL entitled USTelecom and its Aftermath where he details how the FCC’s 2015 Open Internet Rules raised significant Fifth Amendment issues by setting a regulated price of “zero” without the due process protections of a tariff.

Intellectual Property

Intellectual Property continues to be one of the fastest growing areas of the Phoenix Center’s research agenda. In 2018, we covered a wide range of intellectual property topics with some very innovative research. Once again, our primary areas of intellectual property research focused the “fair use” doctrine and the “safe harbor” provisions of the Digital Millennium Copyright Act. In particular, Phoenix Center Chief Economist Dr. George Ford published, or had accepted for publication, no less than five (5) papers in academic journals examining these topics in detail (all of which are listed in the preceding section).

In addition to original research, we continued our efforts to provide “public peer review” of studies submitted in the copyright debate. For example, Phoenix Center Chief Economist Dr. George Ford
subjected a serial report published by the Computer & Communications Industry Association (“CCIA”) entitled *Fair Use in the U.S. Economy: 2017* to critical review. What prompted George’s interest in the study was CCIA’s eye-popping claim that fair use is responsible for a whopping 16% of total U.S. Gross Domestic Product. After review, George found that CCIA produced a “comically-out sized effect” by requiring policymakers to believe that entire industries like computer manufacturing, computer and printer repair, architectural and legal services, newspapers, the movie industry, among others, “would not exist” without liberal fair use.

Additionally, George conducted some empirical analysis to see whether the adoption of the liberal U.S.-style fair use policies by South Korea and Singapore affected economic outcomes. Certainly, if broad fair use provisions are responsible for 16% of GDP as *CCIA’s Report* concludes, then the adoption of perhaps the most liberal of fair use policies should be readily detected in increased GDP. Yet, George found no such beneficial effect. In fact, the evidence suggests that, if anything, economic growth slowed in these countries after incorporating U.S.-style fair use into their copyright laws.

**Aggregates**

Natural aggregates—including crushed stone, sand and gravel—are a basic raw material used for residential, business, and government construction projects, as well as in agriculture, and chemical and metallurgical processes. Still, the environmental and economic consequences of quarry operations receive considerable attention, often in the form of adversarial “not in my backyard” (or “NIMBY”) campaigns. A key complaint is that quarries reduce home values.

To check the veracity of this claim, the Phoenix Center conducted an economic inquiry to analyze the relationship between home prices and quarry operations and find no compelling statistical evidence that either the anticipation of, or the ongoing operation of, rock quarries negatively impacts home prices. We also scrutinized an earlier and oft-cited study on the relationship between home prices and quarry operations and find severe defects in that analysis.

**OTHER ACTIVITIES:**

- Phoenix Center President Larry Spiwak continues co-chair of Federal Communications Bar Association’s committee to oversee the *FEDERAL COMMUNICATIONS LAW JOURNAL*.

- Phoenix Center President Larry Spiwak serves on the Executive Committee of Federalist Society’s Telecom Practice Committee.

- Phoenix Center Chief Economist Dr. George Ford served on the Federal Communications Commission’s Removing State and Local Regulatory Barriers BDAC Working Group.

**Conclusion**

As policy debates have become increasingly politicized over the years, we still believe (perhaps over-optimistically) that, in the end, substance matters. The policy choices we face are hard, and they should be treated with the respect and analytical rigor they deserve. Hopefully, the Phoenix Center has contributed positively towards restoring some of this analytical rigor to the dialectic.
CONFERENCES AND SYMPOSIUM

Rooftop Policy Roundtable

This June, the Phoenix Center held our Seventh Annual Rooftop Policy Roundtable Discussion where we facilitated a set of interactive conversations on the roof of the University Club to a standing-room only crowd over drinks and cigars. This year’s theme was digital privacy, an issue that certainly came to the fore in 2018.

To start the event, we were privileged to be joined by FCC Commissioner Brendan Carr for a keynote discussion, after which we had a broader discussion with a panel of experts including Daniel Caprio – Co-Founder and Chairman, The Providence Group; Michelle De Mooy – Director of the Privacy & Data Project, Center for Democracy & Technology; Gerry Stegmaier – Partner, Reed Smith; and Jeff Brueggeman – Vice President Global Public Policy, AT&T.

Phoenix Center Annual Telecoms Symposium

On December 4, 2018, the Phoenix Center held its Eighteenth Annual U.S. Telecoms Symposium to another standing-room crowd. Once again, the discussions were both informative and lively.

The Symposium began with a panel entitled Developing Effective Mechanisms to Repurpose Spectrum from Low- to High-Value Uses. Joining us for this discussion were Morgan O’Brien – Chief Executive Officer, PDVWireless; Hank Hultquist – Vice President-Federal Regulatory, AT&T; Peter Tenhula – Acting Associate Administrator, Office of Spectrum Management, NTIA; and Dr. Giulia McHenry – Deputy Chief, Office of Strategic Planning and Policy Analysis, Federal Communications Commission; and Chief of FCC Office of Economics and Analytics; and former Chief Economist, NTIA.

Building on the success of our Rooftop Policy Roundtable, our next panel was entitled Privacy (Redux). Joining us again on this panel were Daniel Caprio – Co-Founder and Chairman, The Providence Group; Shane Tews – Visiting Fellow, American Enterprise Institute; Gerry Stegmaier – Partner, Reed Smith; and Jeff Brueggeman – Vice President Global Public Policy, AT&T.

And as no Phoenix Center Symposium of late would be complete without a discussion of the net neutrality debate, with final briefs just filed prior to—and oral arguments scheduled under two months away from—our Symposium, our last panel was entitled Previewing Oral Arguments in Mozilla v. FCC. Joining us for this discussion were Maureen Ohlhausen – Former Acting Chair, Federal Trade Commission; Bryan Tramont – Managing Partner, Wilkinson Barker Knauer; Angela E. Giancarlo – Partner, Mayer Brown; and Matthew Brill – Partner, Latham and Watkins.

Per tradition, our Symposium ended with the presentation of the Phoenix Center’s Annual Jerry B. Duvall Public Service Award. The Duvall Award does not seek to recognize the recipient’s personal politics; instead, the Duvall Award is intended to recognize the policymaker who most demonstrated the “political courage in, and contribution of analytical rigor to, the United States telecoms policy debate.” This year, it was our privilege to bestow our Duvall Award upon FCC Commissioner Michael O’Rielly. Given Commissioner O’Rielly’s long career in public service, we could think of nobody who epitomized this standard more in 2018.
YEAR IN PICTURES

What is Broadband?
(a) 25/3 Mbps
(b) 10/1 Mbps

PHOENIX CENTER 2018 ANNUAL REPORT
MISSION STATEMENT

The Phoenix Center for Advanced Legal & Economic Public Policy Studies is a non-profit 501(c)(3) educational and research 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.

Founded in 1998, the Phoenix Center’s mission is to provide independent assessments of the economic and material implications of regulatory and economic policy in the U.S. and abroad.

The Phoenix Center achieves this goal by providing an honest and credible voice in the public dialectic by supporting objective, solutions-based academic research to the forefront that is unencumbered by political hyperbole or agendas and is instead well grounded in fact, law and economic theory.

Long-Term Goals:

(1) The Phoenix Center’s seeks to remind stakeholders that it is crucial to avoid political hyperbole and instead approach public policy with the analytical rigor and solemnity it deserves.

(2) The Phoenix Center seeks to promote public confidence in the democratic process, government’s institutions and in the free enterprise system.

(3) The Phoenix Center seeks to foster an environment where citizens can openly and vigorously debate today about what kind of a world they want to live in tomorrow.

The “ideal of democracy rests on the belief that the view which will direct government emerges from an independent and spontaneous process. It requires, therefore, the existence of a large sphere independent of majority control in which the opinions of the individuals are formed.”

— Friedrich von Hayek

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