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Press Release

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PHOENIX CENTER DEBUNKS CONSUMER FEDERATION OF AMERICA'S CLAIM THAT SLASHING SPECIAL ACCESS PRICES BY 50% WILL ADD \$30 BILLION IN ECONOMIC OUTPUT ANNUALLY TO THE U.S. ECONOMY

Conceptual Underpinning of CFA Special Access Claim is Logically Inconsistent and Leads to Ridiculous Policy Prescriptions

WASHINGTON, D.C. – Recently, the Consumer Federation of America (“CFA”) released a report entitled *The Special Problem of Special Access*, written by CFA’s research director Mark Cooper. In this report, Dr. Cooper claims that slashing special access prices by 50% will add \$30 billion in economic output annually to the U.S. economy, or \$150 billion over five years. Not surprisingly, Dr. Cooper’s figure has been heavily cited by those encouraging the Federal Communications Commission (“FCC”) to expand regulatory control over special access services, services that may be “deregulated” in metropolitan areas where certain competitive thresholds are satisfied. After reviewing the economics underlying the CFA’s calculations, Phoenix Center Economist Dr. George Ford finds that there are both significant conceptual and technical problems with the CFA’s analysis.

Dr. Ford’s detailed critique of CFA’s claims is outlined in a new paper released today entitled *Cost or Benefit? A Review of the Consumer Federation of America’s Report on Regulating Special Access Services*. As Dr. Ford exhaustively demonstrates, the conceptual underpinning of CFA’s analysis is logically inconsistent and leads to ridiculous policy prescriptions. In fact, as Dr. Ford also demonstrates, making relatively minor but valid adjustments to CFA’s assumptions turns an alleged multi-billion-dollar benefit from a special access price reduction into a multi-billion-dollar bust for the U.S. economy.

“If you expect your research to influence policies that could impact billions of dollars of investment, you should put in the effort to do the work properly,” said study author Phoenix Center Chief Economist Dr. George Ford. “CFA’s claim is based on a method that is internally inconsistent, economically unsound, and computationally flimsy.”

A full copy of the paper, PHOENIX CENTER POLICY PERSPECTIVE NO. 16-04, *Cost or Benefit? A Review of the Consumer Federation of America’s Report on Regulating Special Access Services*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/perspectives/Perspective16-04Final.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.