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Press Release

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NEW PHOENIX CENTER ECONOMIC ANALYSIS SHOWS THAT MOBILE WIRELESS INDUSTRY HAS PROPER INCENTIVES TO BLOCK UNWANTED SPAM TEXT MESSAGES

Classifying SMS and MMS Messaging as a Title II "Telecommunications Service" Will Impede Industry's Ability to Protect Consumers

WASHINGTON, D.C. – At present, the mobile wireless industry protects consumers from unwanted text spam messages by forcing bulk marketers to obtain a five or six digit "short code" from the industry's intermediary, CTIA. In an effort to shut down the wireless industry's anti-spam efforts, cloud-based communications provider Twilio is asking the Federal Communications Commission ("FCC") to declare that text messaging services are common carrier "telecommunications services" under Title II of the Communications Act. In a new economic analysis released today entitled *Proper Incentives? The Economics of Spam Management by the Mobile Wireless Industry*, Phoenix Center Chief Economist Dr. George Ford and Phoenix Center Senior Fellow Professor Michael Stern inquire whether Twilio's claim about the anti-consumer incentives of mobile carriers with regard to spam control is correct. As detailed in their study, the answer is "no."

Using formal economic theory to focus on consumer value, Drs. Ford and Stern show, in fact, that the interests of the industry and the consumer are aligned. As such, mobile wireless carriers should be expected to act in ways that protect the interest of consumers. As the interests of the consumer and the carriers are aligned and the mobile wireless industry has proven to be a very efficient manager of spam controls, regulatory intervention is unnecessary and value reducing. However, should the FCC grant Twilio's petition, Drs. Ford and Stern show that the impact of decimating the value of carrier-provided SMS from even a relatively small amount of spam and cybercrime would reduce mobile wireless demand, thus potentially leading to higher industry concentration.

"The wireless industry has done an outstanding job of maintaining the integrity and usefulness of its texting service," says study co-author and Phoenix Center Chief Economist Dr. George S. Ford "Twilio's petition appears to be a short-sighted effort to boost its profits by sabotaging the mobile wireless industry and its consumers. The FCC shouldn't take Twilio's petition seriously, but that doesn't mean the Commission won't."

"No one has articulated a problem the FCC needs to solve," says study co-author and Phoenix Center Senior Fellow Professor Michael Stern. "Nevertheless, given this Commission's regulatory proclivities, we'll have to see whether the FCC will stand up for consumers or side with spammers."

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A full copy of the paper, PHOENIX CENTER POLICY PERSPECTIVE NO. 16-05, *Proper Incentives? The Economics of Spam Management by the Mobile Wireless Industry*, may be downloaded free from the Phoenix Center's web page at: http://www.phoenix-center.org/perspectives/Perspective16-05Final.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.