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Press Release

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NEW PHOENIX CENTER ECONOMIC ANALYSIS FINDS ABNORMALLY LARGE DECLINES IN TELECOM NETWORK INVESTMENT IN 2016

In 2016, capital spending in broadband networks is \$5 billion below expectations; capital spending in wireless industry is about \$6 billion below expectations, a decline of 20%

WASHINGTON, D.C. – Capital spending in the telecommunications sector is down significantly in 2016, a year after the FCC’s controversial *2015 Open Internet Order*. While the decline in capital spending has been recognized by numerous parties, the data has not been subject to statistical analysis. In a new economic analysis released today entitled *Reclassification and Investment: A Statistical Look at the 2016 Data*, Phoenix Center Chief Economist Dr. George S. Ford applies some basic statistical tests to determine whether the large reductions in capital spending for 2016 are abnormal or broadly consistent with historical changes.

Dr. Ford demonstrates that whether one uses investment data constructed by USTelecom or CTIA, the reductions in capital spending for 2016 are large and inconsistent with the normal variation in historical spending levels. For the USTelecom data, Dr. Ford finds that capital spending in broadband networks is \$5 billion below expectations. This figure is almost identical to that cited by Chairman Ajit Pai (about \$5 billion) when announcing his plan to revisit the *2015 Open Internet Order*. For the CTIA data, Dr. Ford finds that capital spending in the wireless industry is about \$6 billion below expectations, a decline of 20%.

“These shockingly large reductions in capital spending are consistent with the claim that the *2015 Open Internet Order* reduces investment incentives,” says Phoenix Center Chief Economist and study author Dr. George S. Ford. “The evidence clearly shows something is afoot in the broadband business.”

A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 17-08, *Reclassification and Investment: A Statistical Look at the 2016 Data*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/perspectives/Perspective17-08Final.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.