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Press Release

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NEW PHOENIX CENTER STUDY FINDS THAT GOVERNMENT SHOULD TRANSFER MANAGEMENT OF SPECTRUM TO THE PRIVATE SECTOR

Any Proposal Which Contemplates Leasing of Government-Managed Spectrum May Be Presumed to Include "Too Little" Auctioning of Exclusive Licenses

WASHINGTON, D.C. – Today, the Federal Government has assignments for about half of what is considered to be “beachfront” spectrum. However, most agree Government agencies, and the Government as a whole, use and manage spectrum resources inefficiently. In a new study released today entitled *Market Mechanisms and the Efficient Use and Management of Scarce Spectrum Resources*, the Phoenix Center examines the difficult yet key question of how policymakers can improve Federal Government use and management of scarce spectrum resources so as to possibly free up and repurpose some spectrum for commercial use. After review, the Phoenix Center concludes that if the goal of spectrum use and management is economic efficiency, then policymakers should expand the private sector’s management of the nation’s scarce spectrum resources.

To begin, the Phoenix Center evaluates whether or not several proposed “ghost market” solutions to the efficiency problem will be effective. These proposals range from a General Services Administration-type model to the recent spectrum sharing proposal by the President’s Council of Advisors on Science and Technology. While the Phoenix Center finds that these particular proposals may not ultimately lead to significant or long-term improvements in government spectrum efficiency, the Center concludes that a robust movement toward a more market-oriented approach is essential for efficiency.

Next, the Phoenix Center turns to the Federal Government’s management of spectrum. The Center finds that even when the Government is assumed to act rationally, Government management of spectrum resources is not desirable beyond some minimum level. Accordingly, the Phoenix Center demonstrates that any proposal that contemplates leasing of Government-managed spectrum to the private sector may be presumed to include “too little” auctioning of government spectrum to the private sector in the form of exclusive licenses.

“The Government’s own research admits that the public sector neither uses nor manages spectrum efficiently and has no incentive to do so,” says study co-author and Phoenix Center Chief Economist Dr. George S. Ford. “If the Government is demonstrably incapable of managing

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spectrum resources with efficiency in mind – and most agree that this is historically the case – then it should not manage spectrum.”

“Efficiency in spectrum management is far more important than efficiency in spectrum use,” says study co-author and Phoenix Center Senior Fellow Professor Randy Beard. “The fact that the Pentagon pays \$750 for a hammer does not mean a consumer can’t purchase one for \$10 at the local hardware store. In contrast, if the Government is an inefficient manager of spectrum, then the consequences of its inefficiency are realized across the entire spectrum ecosystem.”

“Like Aesop’s parable about the frog and the scorpion, expecting the Federal Government to change its nature is futile,” said study co-author and Phoenix Center President Lawrence J. Spiwak. “As such, the best solution to the Government’s inefficiency in spectrum use and management is neither ‘more’ government nor a ‘more efficient’ government, but the expansion of private-sector management of the nation’s scarce spectrum resources.”

PHOENIX CENTER POLICY PAPER NO. 46: *Market Mechanisms and the Efficient Use and Management of Scarce Spectrum Resources*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/pcpp/PCPP46Final.pdf>.

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