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Press Release

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New Phoenix Center Study Evaluates Plan for Commercial Re-Auction of D Block

Analysis Shows that Re-Auction Would Neither Meet Revenue Expectations nor Cover Cost of Building a Public Safety Network

WASHINGTON, D.C. — In a new study released today entitled: *Re-Auction of the D Block: A Review of the Arguments*, the Phoenix Center demonstrates the problems behind the plan to re-auction the D Block for commercial purposes.

The Phoenix Center first demonstrates that a re-auction of the D Block is unlikely to generate \$3 billion in revenues as some believe. Statistical analysis of auction data indicates that a 10 MHz block of spectrum in the 700 MHz band must be *unencumbered* to produce \$3 billion in revenues. However, the FCC's *National Broadband Plan* envisions a number of significant encumbrances on the re-auction of the D Block that have reduced auction revenue in the past. The Phoenix Center finds that any expectation that auction revenues will reach \$3 billion is "too rosy".

Second, the Phoenix Center points out that the re-auction of the D Block cannot fully fund the public safety network—not even close. A nationwide public safety network is expected to cost about \$10 to \$13 billion. Even if a re-auction of the D Block did bring in \$3 billion of revenues, the Phoenix Center demonstrates that it offsets only about one quarter of the public safety network's cost. The D Block re-auction offers no other mechanism by which to generate funds for the remaining network construction and operating costs. According to the Phoenix Center, the only formal proposal put forth to fund the public safety network with auction revenue is a voluntary incentive auction for television broadcast spectrum proposal.

The Phoenix Center's report also considers the potential broader adverse market effects of a D Block re-auction. The evidence indicates that the public safety community needs a full 20 MHz of spectrum. If given only 10 MHz today as a result of a re-auction of the D Block, then the additional 10 MHz must be obtained from either future spectrum assignments or the capacity-equivalent thereof obtained via burdensome public safety use of commercial spectrum. This alternate block of spectrum will not be contiguous to the existing 10 MHz public safety block as is the D Block, which has the effect of increasing the deployment cost of the public safety network by an estimated \$4 billion relative to the D Block assignment. Filling the public safety spectrum shortage with public safety obligations on commercial providers could substantially reduce future auction revenues. Thus, the Phoenix Center notes that even under the favorable scenarios (e.g., \$3

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billion in expected revenues), the re-auction of the D Block does not appear to pass a cost-benefit test.

“We support those in government seeking ways to fix the federal budget, and spectrum auctions have proven a reliable revenue source,” says Lawrence J. Spiwak, study co-author and President of the Phoenix Center. “However, it is essential to consider the full financial effects of the allocation options to avoid being penny-wise and pound-foolish. Our analysis suggests that the American taxpayer is better served by having the D Block assigned to public safety.”

“The D Block re-auction does not come close to fully funding a public safety network,” said study co-author and Phoenix Center Chief Economist Dr. George S. Ford. “The better alternative is to move forward with voluntary incentive auctions to repurpose television broadcast spectrum.”

The complete copy of the study, PHOENIX CENTER POLICY PERSPECTIVE NO. 11-03: *Re-Auction of the D Block: A Review of the Arguments*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/perspectives/Perspective11-03Final.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 telecommunications and high-tech industries.