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Press Release

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NEW PHOENIX CENTER ANALYSIS EVALUATES A “TRANSACTION WINDOW” FOR SPECTRUM REPURPOSING NEGOTIATIONS

A “Transaction Window” Addresses Undue and Costly Delay in Spectrum Repurposing

WASHINGTON, D.C. – The exponential growth in mobile broadband data consumption continues unimpeded, stretching the electromagnetic radio spectrum resource required to support that data flow to its limits. While spectrum auctions are the favored mechanism of rights assignment, identifying spectrum, clearing it, and getting it on the auction block takes, on average, a decade or more. An alternative approach is for the Federal Communications Commission to encourage, or continue to encourage, market-based solutions whereby parties negotiate directly among themselves to repurpose spectrum. While voluntary commercial negotiations are desirable, there is nonetheless a risk of “holdups” where sellers delay making an agreement in order to earn higher profits from the sale of licenses. Such delays, while privately profitable, postpone the repurposing of the spectrum to a higher-valued use and thus destroy value. These losses are a pure, unrecoverable loss to society.

In a new study released today entitled *Expediting Spectrum Repurposing Through Market Transactions*, Phoenix Center Senior Fellow Professor T. Randolph Beard and Phoenix Center Chief Economist Dr. George S. Ford present an economic model of how to design sensibly a market-based repurposing program using the concept of an expiring “transaction window.” Specifically, Drs. Beard and Ford consider a two-stage process whereby incumbent licensees are first granted a fixed period of time to sell, acquire, or repurpose their licenses. To ensure an expeditious repurposing, this transaction window expires at a known, fixed date, at which time licenses held by incumbents that are not participating in or eligible for providing the “new” service receive a compensation level established by the Commission, such as relocation to new spectrum bands where a functionally equivalent flow of services may be obtained. The motivation to act fairly and quickly during the transaction window depends on the Commission’s chosen level of compensation when the windows expires.

“The Commission is right to pursue market-based solutions for spectrum repurposing,” says study co-author and Phoenix Center Chief Economist Dr. George S. Ford. “Time is of the essence, however, and economic theory and empirical evidence suggests an expiring transaction window will expedite market transactions for spectrum licenses.”

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A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 18-08, *Expediting Spectrum Repurposing Through Market Transactions*, may be downloaded free from the Phoenix Center's web page at: <http://www.phoenix-center.org/perspectives/Perspective18-08Final.pdf>.

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