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## Press Release

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### NEW PHOENIX CENTER ANALYSIS DETAILS SOLUTION TO DELAYS IN VALUABLE SPECTRUM REPURPOSING

#### *Mandatory Relocation of Incumbents Eliminates Holdouts and Encourages Market Transactions*

WASHINGTON, D.C. – Market activity to address spectrum shortages for commercial mobile wireless broadband services have met with some success. In recent years, the Federal Communications Commission (“FCC”) has proven willing to allow private transactions to move spectrum among users so that the scarce resource is in the hands of those that value it the most. In those instances where large blocks of spectrum are held by a single licensee, the market works well.

But when a buyer must accumulate many licenses from a diverse set of licensees to cobble together sufficient spectrum to offer broadband services, the problem of the “holdout” arises. As has long-been recognized, holdouts can foreclose socially-valuable aggregations of property and thus constitute a form of market failure. Repurposing spectrum for broadband uses—the most common driver today for repurposing efforts—not only offers private benefits to new users but also involves a social premium from expanded broadband deployment and adoption. Thus, the cost of holdouts may be sizable and solving the problem is of great social concern.

In a new analysis released today entitled *Addressing Holdouts in the Repurposing of Spectrum for Broadband Services*, Phoenix Center Chief Economist Dr. George S. Ford and Phoenix Center Senior Fellow Professor Michael Stern present a simple economic model of holdouts and extend that model to consider a sensible solution to the holdout problem. This solution involves the compensation of incumbent licensees with a new spectrum license, in the same or otherwise compatible band, that permits an equivalent level of service, with all relocation costs paid by the innovator. Such a program sends a clear signal that holdouts will not be tolerated, thereby encouraging market transactions early in the repurposing process.

“The issue of holdouts is a well-known problem in property aggregation, both generally and with respect to spectrum repurposing,” says study co-author Phoenix Center Chief Economist Dr. George S. Ford. “If incumbents can be accommodated by re-tuning their networks to new frequencies, then the FCC should make clear early in its process that this solution is more a presumption than an option. Doing so will discourage holdouts and encourage good faith negotiations for the market-driven repurposing of spectrum for broadband uses.”

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A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 18-10, *Addressing Holdouts in the Repurposing of Spectrum for Broadband Services*, may be downloaded free from the Phoenix Center's web page at: <http://www.phoenix-center.org/perspectives/Perspective18-10Final.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.*