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Press Release

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FOR IMMEDIATE RELEASE
Monday – September 16, 2019

PHOENIX CENTER OUTLINES APPLICATION OF COST-BENEFIT ANALYSIS FOR MARKET TRANSACTIONS IN SPECTRUM

Formal cost-benefit calculation is largely unnecessary for market transactions in spectrum; the exchange satisfies a regulatory cost-benefit test

WASHINGTON, D.C. – Radio spectrum—the invisible fuel that powers Americans’ mobile phones—is often bought and sold between private parties, though each transaction requires the Federal Communications Commission’s approval. In reviewing such transactions, some interested parties may submit evidence on the cost-and-benefits of the proposed exchange, especially now that Chairman Ajit Pai has called for the widespread application of cost-benefit analysis to the Commission’s decisions.

In a new paper released today entitled *Cost-Benefit Analysis at the FCC: A Look at the 900 MHz Band*, Phoenix Center Chief Economist Dr. George S. Ford demonstrates that while cost-benefit analysis has its place in regulatory decision-making, such cost-benefit tests are normally not conducted for market transactions in spectrum, and for good reason: a regulatory cost-benefit test is satisfied by the repurposing itself, absent significant third-party effects or antitrust concerns. As a case study, Dr. Ford looks at the current proposal to convert a 3x3 band of 900 MHz spectrum allocated to narrowband uses to a broadband license. While many parties support the Commission’s plan and hope to use the new broadband license to improve their communications services, some incumbents resisting the change claim the repurposing of the band flunks a cost-benefit test. Dr. Ford demonstrates the logical defects of such cost-benefit tests in this instance.

“Even in complex and relevant settings such as mandatory relocation of incumbents, the actions of the prospective buyer confirm the exchange is surplus creating,” says Phoenix Center Chief Economist Dr. George S. Ford. “When all relocation costs of an incumbent moving to new spectrum are covered by the new licensee, if the transaction occurs then it can be assumed that the benefits exceed the costs.”

A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 19-04, *Cost-Benefit Analysis at the FCC: A Look at the 900 MHz Band*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/perspectives/Perspective19-04Final.pdf>.

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