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**Avoiding a Train Wreck:
Giving Government a Market Incentive to Vacate Spectrum**

by

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A train wreck is fast approaching. Mobile broadband needs much more spectrum than is currently allocated, which the Obama Administration has long recognized. Suitable spectrum is often occupied by government users that lack incentives to use their spectrum efficiently. And the prospects for government sharing with commercial users are at best uncertain. Finding more government spectrum for reallocation to commercial use is moving into the difficult-choices phase. Thus, the Administration's spectrum vision and the reality of government inertia are going to collide if nothing is done to improve future outcomes.

A recent [report](#) published by the Brattle Group estimates that by 2019 the United States will need to reallocate an additional 350 MHz of spectrum for high power dedicated mobile broadband use. The report notes that the Federal Communications Commission (FCC) is lagging in addressing its 2010 prediction that there would be a 300 MHz deficit of spectrum for mobile broadband use by 2014. CTIA's recent [white paper](#) demonstrates that reallocation of spectrum takes a long time, thus reinforcing the need for urgent attention to this issue.

It is time for a bold new approach to avoid such a train wreck: provide government with a market-oriented incentive to become more efficient and vacate occupied spectrum. Providing government incentive to vacate spectrum was an approach roundly supported at a recent

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Senate Commerce Committee hearing on spectrum, although the panelists were rather a bit vague on details.

It is true that Congress and the President could simply order government to vacate occupied spectrum. However, institutional and political forces, as well as budgetary battles, always seem to get in the way. And the original Obama Administration goal of allocating 500 MHz of spectrum for mobile broadband is now outdated and behind the current demand for mobile spectrum, as I addressed [here](#), in part because of its shift in focus to government-commercial spectrum sharing.

The 2012 so-called [PCAST Report](#), issued by a presidential council of experts, outlines two ways of providing government agencies an incentive to become more efficient spectrum users. First, it proposes to establish a market-oriented “spectrum currency” that can establish the dollar value of the spectrum used, and then allow the government agency to trade this hypothetical currency for real budget dollars that can be used to become more efficient. Second, it proposes to retool existing relocation funds to include funds for research and acquiring new technologies.

Senator Marco Rubio (R-FL), along with Republican co-sponsors, has introduced [The Wireless Innovation Act of 2015](#). That proposed legislation would require reallocation of government spectrum, and it includes an incentive to encourage government agencies to give up spectrum by allowing government entities to retain up to one percent of auction proceeds for research into future technology upgrades.

Others [have identified](#) a number of methods of producing government efficiency incentives, including establishing a superhighway that gives government users priority, and giving agencies the right to sell or lease spectrum, or establish spectrum user fees.

Although many of these ideas are interesting, they are untried and each has drawbacks.

One approach has been too little discussed, until recently: creating a government incentive auction patterned on the now-advanced broadcaster incentive auction. FCC Commissioner Jessica Rosenworcel [suggested](#), among multiple options, that Congress authorize a government spectrum auction along the lines of the first incentive auction that will be conducted early next year, in which over-the-air broadcasters will volunteer to vacate their spectrum in exchange for part of the proceeds from an auction to repurpose that spectrum to mobile broadband use. If the broadcaster incentive auction is viable for repurposing spectrum to the best and highest use, then why can't the same procedure be used to vacate government spectrum? I can think of some reasons an opponent might advance against this proposal, but there are good answers to these concerns.

1. Government didn't pay for the spectrum so why should an agency profit from its sale?

Answer: This fairness argument has already been discarded for the broadcast spectrum incentive auction: broadcasters never paid for their spectrum either. The unfairness

disadvantage is arguably outweighed by the benefit of achieving the important public interest goals of reallocating spectrum more promptly and dampening existing government resistance.

2. The mechanism would prevent congressional control over budgets.

Answer: I agree that Congress should define permissible budget expenditures. Therefore, any government incentive auction authorization could contain budgetary parameters. But the authorization should remain flexible. Adele Morris at the Brookings Institution [has argued](#) persuasively that obtaining prompt reallocation may produce a greater social good than the government interest in maintaining budget control.

3. It is too difficult and costly for government to vacate spectrum.

Answer: Past experience has proven that this argument is false. And some government relocation estimates appear bloated. With appropriate market-like financial incentives, and NTIA guidance, agencies can be expected to become efficient more quickly than under the current procedures.

4. There is no current legal mechanism for a government spectrum incentive auction.

Answer: True. Congress must pass a new law to authorize a government spectrum incentive auction. The proposal represents sound policy that would benefit consumers, taxpayers, and the nation's economy and, therefore, should be adopted.

5. Sharing is cheaper and easier to accomplish.

Answer: This may be true, but allowing government users to have the option of offering a sharing solution, either with other government entities or private users, with attendant lower monetary values, could be incorporated into the incentive auction. Sharing options are currently part of the broadcaster incentive auction. The profit motive should quickly sort out whether sharing or vacating spectrum is in the best interest of agency.

Commissioner Rosenworcel's suggestion should be seriously considered and pursued, but Congress needs to ensure that the incentives are truly market oriented so that a proper incentive is established. The time for becoming more serious about finding new mobile broadband spectrum is now. The low hanging fruit of spectrum available for reallocation has already been picked, and now we are down to the harder choices.

Using a bold new approach may help overcome the existing inertia regarding the repurposing of government-assigned spectrum and help achieve the Obama Administration's spectrum vision more rapidly and effectively than current efforts. A possible "failure" would be no worse than the inevitable train wreck that is rapidly approaching using the current approach.

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