



**EXECUTIVE SUMMARY:
PUBLIC SAFETY OR COMMERCIAL USE?
A COST/BENEFIT FRAMEWORK FOR THE D BLOCK**

I. Paper Overview

Assignment of the 10 MHz, contiguous D Block of spectrum to public safety or commercial use requires an assessment of the relative benefits and costs of these two alternatives. Allocating the 10 MHz D Block to public safety, thereby creating a contiguous 20 MHz block of high-quality spectrum to support wireless broadband services, provides at least \$3.4 billion more in social benefits than if auctioned for commercial use, even if we ignore the benefits to public safety of the additional spectrum (which are difficult to quantify).

II. Significant Findings:

- A. *Assignment of the D Block to public safety is a unique opportunity to create a contiguous 20 MHz block of spectrum.*
 - 1. *This unique opportunity is worth \$2 to \$6 billion, which is forgone now and in the future (as auction revenues) if the D Block is assigned to commercial use.*
 - 2. *Past efforts at “public/private partnerships” for public safety spectrum have been a total failure.*
 - 3. *Adding a non-contiguous block of 10 MHz of spectrum to the public safety network in the future would cost about \$4 billion in additional deployment costs and offer inferior performance.*
- B. *At best, the D Block spectrum will generate auction revenues in the \$1 to \$3 billion range. In reality, much less.*
 - 1. *The present economic crisis may reduce auction revenues.*
 - 2. *Likely FCC auction rules – including public safety encumbrances, open platform obligations, and bidder exclusions – will substantially reduce auction revenues, perhaps below \$1 billion.*
 - 3. *Consumer gains from commercial assignment are very limited given that 10 MHz is a small addition to commercial spectrum inventory.*
- C. *An auction of the D Block adds, rather than relieves, stress to the public budget.*
 - 1. *The loss of auction revenues today is more than offset by higher public network deployment costs necessary to accommodate non-contiguous spectrum tomorrow.*
 - 2. *The auction of the D Block may lead to public safety encumbrances on future allocations of 700 MHz spectrum that would be subject to auctions. Such encumbrances have historically diminished the auction value of spectrum by 86%.*

III. Further Information

A full copy of the report, PHOENIX CENTER POLICY BULLETIN NO. 26: *Public Safety or Commercial Use? A Cost/Benefit Framework for the D Block*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/PolicyBulletin/PCPB26Final.pdf>.