



PHOENIX FOR ADVANCED
LEGAL & ECONOMIC
C E N T E R PUBLIC POLICY STUDIES
www.phoenix-center.org

5335 Wisconsin Avenue, NW
Suite 440
Washington, D.C. 20015-0234
Tel: +1 (202) 274-0235
Fax: +1 (202) 318-4909
www.phoenix-center.org

Press Release

Contact: Lawrence J. Spiwak
Phone: +1 (202) 274-0235

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Phoenix Center Says Economics Prescribe Allocation of D Block to Public Safety Rather Than Using Spectrum for Commercial Purposes

Allocation to Public Safety Could Produce at least \$3.4 Billion More in Social Benefits than from Commercial Use and Provide Greater Deficit Reduction

WASHINGTON, D.C. – In a new study released today, the Phoenix Center finds that assigning the 10 MHz of contiguous 700 MHz spectrum, the D Block, to public safety could provide at least \$3.4 billion more in social benefits than the auction of this spectrum for commercial use as favored by FCC Chairman Julius Genachowski. As the Phoenix Center explains, much of this difference is attributable to the unique opportunity to create a contiguous 20 MHz block of prime spectrum for use by public safety, and to the fact that this opportunity exists only for the public safety community.

The study argues that with the Obama Administration's promise of freeing up an additional 500 MHz of spectrum for commercial use over the next five years, there would be only a relatively small impact of a temporary, incremental increase of 10 MHz of spectrum on market outcomes. The study also suggests that the loss of auction revenues today is more than offset by higher auction revenues and lower public safety network deployment costs tomorrow. Thus, the auction adds, rather than relieves, stress to the public budget.

In the study, the Phoenix Center also estimates that if policymakers chose not to give public safety the D Block and instead opt to require future allocations of 700 MHz spectrum to support the encroachment of public safety users during episodes of resource scarcity, then such encumbrances could materially diminish the auction value of such spectrum by as much as 86%.

"As we approach the ten-year anniversary of September 11, the fact that we do not yet have a modern, interoperable nationwide public safety network is disappointing," said Phoenix Center President and study co-author Lawrence J. Spiwak. "As the D Block represents a very unique opportunity to provide the public safety community with a contiguous block of high-quality spectrum—and, in so doing, substantially reducing the costs of deploying a robust network—giving the D Block to public safety is economically rational."

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“Allocation of the D Block should not be based on knee jerk reactions favoring either public safety or commercial use,” said the Center’s Chief Economist, Dr. George S. Ford. “Rather, the assignment of rights should be based on the principle of greatest relative value. Our analysis suggests that the D Block is more valuable in the hands of public safety, and by a wide margin. Moreover, allocation of the D Block to public safety shrinks the deficit by more than an auction, since an auction today considerably reduces future auction revenues and substantially increases the deployment cost of the public safety network, which must be funded by government expenditures.”

A copy of 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>.

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 telecommunications and high-tech industries.

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