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Press Release

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Phoenix Center Provides Economic Framework for Rational Allocation of Spectrum

*Consumers are Better off with More Quality Competition from New Advanced Broadband Services
Made Possible Only with Big Blocks of Spectrum*

WASHINGTON, D.C. - In a new study released today entitled *A Policy Framework for Spectrum Allocation in Mobile Communications*, the Phoenix Center finds that limiting the amount of additional spectrum available to larger competitors would have little, if any, impact on price, but would likely reduce the quality of advanced mobile services provided to consumers in the future. As such, the Phoenix Center concludes that the imposition of incumbent-exclusion rules such as spectrum caps on future transactions or auctions are not likely to be welfare enhancing.

The Phoenix Center comes to its conclusion based upon four primary factors:

- First, an incumbent-exclusion rule is not “pro-entry,” but instead seeks to select one form (price cutting) of entry over another (quality improving);
- Second, given the existing number of firms in the U.S. market, the potential for sizeable competitive price effects from additional firms is low;
- Third, the economic benefits of advanced wireless services are likely to be very high; and
- Finally, access to spectrum resources does not necessarily convey financial success, as spectrum is but one of many inputs necessary to provide service. In other words, the notion that “more spectrum automatically equals more firms” simply is not true.

“As mobile use expands exponentially, the choices policymakers make today will have irrevocable ramifications tomorrow,” said Phoenix Center President and study co-author Lawrence J. Spiwak. “Considering the economic realities of the mobile market, we believe incumbent-exclusion rules, such as spectrum caps, are more likely to harm consumers than help them.”

“Wireless firms can provide more innovative and higher quality services when they have more spectrum to work with,” said Phoenix explains Dr. George Ford, study co-author and Chief Economist of the Phoenix Center. “Chopping spectrum into smaller blocks to artificially create the

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veneer of 'more' competition is a recipe for lower quality service without any clear benefit to consumers."

PHOENIX CENTER POLICY PAPER NO. 42: *A Policy Framework for Spectrum Allocation in Mobile Communications*, may be downloaded free from the Phoenix Center's web page at: <http://www.phoenix-center.org/pcpp/PCPP42Final.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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