



PHOENIX FOR ADVANCED
C E N T E R LEGAL & ECONOMIC
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

FOR IMMEDIATE RELEASE
Tuesday, October 21, 2014

PHOENIX CENTER REFUTES CLAIM THAT THERE IS NO "SPECTRUM EXHAUST"

Both Congress and the Federal Communications Commission are Correct in their Efforts to Increase Amount of Licensed Spectrum Allocated for Mobile Broadband

WASHINGTON, D.C. – By most accounts, the current supply of licensed commercial spectrum is insufficient to meet the exponentially-growing demand for mobile data services. Forecasts of future bandwidth demand paint a dire picture for the ability of carriers to satisfy demand, signaling a future of costly remediation efforts and higher prices. As a result, governments across the globe are searching for ways to expand the amount of spectrum dedicated to the provision of mobile data by reallocating spectrum across uses. That said, there are always naysayers who question the urgency of the spectrum shortage by challenging the forecasts of mobile data demand and their use by policymakers to signal a looming crisis.

In a new study released today entitled *Have We Got it All Wrong? Forecasting Mobile Data Use and Spectrum Exhaust*, Phoenix Center Chief Economist Dr. George S. Ford takes on one such claim by Aalok Mehta from the Office of Management and Budget and J. Armand Musey of Goldin Associates and finds Mehta and Musey's arguments severely wanting.

Among other problems, Dr. Ford demonstrates that Mehta and Musey's claim that demand forecasts over-estimate actual traffic largely misses the point. While Mehta and Musey are correct that there are always alternatives to procuring "more spectrum" as a way to offset capacity shortages, Dr. Ford points out that it is exactly these alternatives that policymakers are attempting to avoid – including, primarily, higher prices for mobile services.

Dr. Ford also demonstrates that the FCC's prediction of a spectrum shortage is unaffected by Mehta and Musey's concerns – more spectrum is needed for commercial data services and soon.

Finally, Dr. Ford shows that Mehta and Musey's claim of a zero-sum game in spectrum assignment is "preposterous." As Dr. Ford easily demonstrates, the "social value of 10 MHz in one use need not be the same as in another, and the goal of spectrum allocation and assignment is to maximize the social value of the scarce resource."

"By choosing price as the primary way to protect against capacity shortages, wireless carriers can always make sure that demand and supply are equilibrated. But, policymakers generally view higher prices as the problem, not the solution," said study author and Phoenix Center Chief

~ more ~

Economist Dr. George S. Ford. "In the same way life-saving surgery and death are substitutes, we normally don't treat the two as equals, yet Mehta and Musey would have us do so."

A full copy of the paper, PHOENIX CENTER POLICY PERSPECTIVE NO. 14-06: *Have We Got it All Wrong? Forecasting Mobile Data Use and Spectrum Exhaust*, may be downloaded free from the Phoenix Center's web page at: <http://www.phoenix-center.org/perspectives/Perspective14-06Final.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 the digital age.