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Press Release

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PHOENIX CENTER DEMONSTRATES THAT FCC LEFT A STAGGERING \$22.5 BILLION ON THE TABLE IN RECENT AWS-3 AUCTION

FCC Decisions to Auction Unpaired Spectrum and to Adopt a "Hybrid" License Size Approach Prove Costly to U.S. Taxpayers

WASHINGTON, D.C. – To great fanfare, the Federal Communications Commission ("FCC") recently concluded its AWS-3 auction. After 341 rounds of bidding over thirteen weeks, the auction raised a staggering \$45 billion for six blocks totaling 65 MHz of high-band spectrum—the highest amount (by far) ever raised in a U.S. spectrum auction. However, in a new analysis of the AWS-3 auction results entitled *Auction 97 and the Value of Spectrum*, the Phoenix Center finds that two critical policy choices in the FCC's auction design left a staggering \$22.5 billion on the table.

The first policy choice was the FCC's decision to reject calls to auction all of the AWS-3 spectrum on an "Economic Area" ("EA") basis in favor of adopting a "hybrid" block size approach to auction the 1755-1780 and 2155-2180 MHz bands on both an EA and on a smaller "Cellular Market Area" ("CMA") basis. Based on a statistical analysis of the auction's results, the Commission's decision to adopt a "hybrid" approach reduced auction revenues by \$1.5 billion.

The second choice was the Commission's decision not to pair the 1695-1710 MHz band with complementary spectrum. The auction data show that the FCC's decision to go forward with unpaired spectrum cost the U.S. taxpayer as much as \$21 billion in lost auction revenue.

Finally, the Phoenix Center notes that while the final AWS-3 auction revenues exceeded expectations, these results should be tempered with a bit of perspective. As the study's authors note, spectrum is exceedingly scarce and the government's effort to reclaim and reassign government spectrum for commercial use is woefully behind schedule, threatening the ability of mobile carriers to adequately and affordably serve up a mobile broadband service to U.S. consumers. Accordingly, while Auction 97 is a revenue-generating success, the authors point out that those "revenues are, in part, a symptom of a dramatic policy failure to find more spectrum for commercial use."

"Unexpectedly high prices reflect demand or supply surprises," says study co-author Phoenix Center Chief Economist Dr. George S. Ford. "The AWS-3 auction signals the industry's low confidence with the government's willingness and ability to increase the supply of spectrum for commercial purposes. These surprisingly high prices reflect a 'get it while you can' mentality."

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“We must ask what could have been had the FCC listened to industry’s concerns,” says study co-author Phoenix Center President Lawrence J. Spiwak. “Raising \$45 billion is great, but leaving half that much on the table is an expensive mistake.”

A full copy of the paper, PHOENIX CENTER POLICY PERSPECTIVE NO. 15-02, *Auction 97 and the Value of Spectrum*, may be downloaded free from the Phoenix Center’s web page at: <http://www.phoenix-center.org/perspectives/Perspective15-02Final.pdf>.

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