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Commentary

Broadband Bombshell

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The future of the Internet is mobile. Therefore it is not surprising that a main goal of the Federal Communications Commission's long-awaited National Broadband Plan is to increase the availability of electromagnetic spectrum--"the oxygen of mobile broadband service," as FCC Chairman Genachowski put it in a recent speech. What is surprising is that the FCC's current recommendation focuses on broadcasters and gives short shrift to what is potentially the largest source of additional spectrum--which is now occupied by the federal government.

The fundamental problem is the absence of markets for most spectrum--a legacy of an 80-year-old command-and-control regime. Roughly 550 MHz of spectrum is currently allocated by the market and available for mobile broadband. But a far greater amount, an estimated 75% of the spectrum, remains locked up. This includes about 300 MHz that is still allocated to broadcast TV (now used by less than 10% of Americans), about 150 MHz allocated to mobile satellite service (MSS) (which has a subscriber base of only about 1 million), and over 1,500 MHz of the most valuable airwaves under government control.

While we might argue for a different approach, we congratulate the FCC for recommending freeing up spectrum from both the broadcast (120MHz) and the MSS bands (90MHz). However, the plan includes a mere 20 MHz from the federal government. The FCC, and the administration more generally, needs to make freeing up a significant amount of federal spectrum much more of a priority.

Although some of the federal spectrum is used for extremely high-value purposes (such as national defense and public safety), there are strong suspicions that some--perhaps much--federally held spectrum is not being used efficiently. But no one really knows, because there is no comprehensive study that addresses the benefits and opportunity costs of federal allocations and usage.

All of the well-known problems of inefficiency in government--the absence of a market, the difficulties of creating the appropriate incentives--apply in spades to government holdings of spectrum. Historical allocations mean that agencies currently incur no costs for continuing to hold spectrum bands, even if that spectrum is underutilized or not being used at all.

Because agencies will not readily give up their allotments, freeing up government spectrum will require a concerted effort on the part of the administration and Congress. In a recent report for the Technology Policy Institute, we made the following specific recommendations:

The administration should immediately task the National Academy of Sciences with making an inventory of current federal allocations and usage, estimating the value in alternative uses of the various spectrum bands and identifying areas of surplus or underusage that could be auctioned.

This effort could complement the spectrum bills currently under consideration in Congress. The administration should then convene a high-level federal task force, including the heads of Office of Management and Budget, the Department of Commerce and the FCC, to make specific recommendations, based on the NAS study, for spectrum bands that should be auctioned.

Over the longer run, to provide better incentives for government agencies to economize on spectrum, we recommend the creation of a Government Spectrum Ownership Corp., based on the model of the U.S. General Services Administration, which the federal government uses for its real estate needs. The Government Spectrum Ownership Corp. should take possession of all federally held spectrum and grant annual leases with options to renew to the existing spectrum-holding agencies. The corporation should charge market-oriented rents for the spectrum (like the GSA does for real estate), and return the revenues to the Treasury. Federal agencies would thereby start facing incentives to consider the opportunity costs of the spectrum that they occupy.

If the FCC can find more spectrum for mobile broadband, it can increase broadband deployment, produce hundreds of billions of dollars worth of benefits for consumers, and, at the same time, earn tens of billions for the federal Treasury. If the FCC is unsuccessful, new services will become available later in the U.S. than elsewhere, prices for wireless services will be higher, and most importantly, U.S. leadership in technology will be threatened. Policy makers need to make finding additional spectrum for wireless a major priority.

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