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Members of the Panel,

Thank you for the opportunity to submit comments regarding the importance of maintaining an open spectrum auction. The House Committee on Energy and Commerce has correctly recognized that the Communications Act, the foundation of U.S. regulatory policy toward the communication and technology sectors, is outdated.

The over-arching problem of the current Communications Act is the arbitrary industry silos the Act creates. These regulatory silos “pre-determine” too much of the competitive process, imposing unnecessary costs and operating restrictions on some parts of the industry that are not applicable to all parts of the industry.

The Committee’s commitment to address the problems of the Communications Act is correct. However, in addressing the current flaws of the Act, it is important to recognize that disparate treatment of different parts of the industry is part of the current regulatory environment’s problem. As a consequence, it is imperative that the reform process does not repeat these mistakes. In particular, current suggestions to restrict who can participate in the upcoming spectrum auction, or how potential bidders can participate in the auction process, should be rejected.

Efficient use of the nation’s broadband infrastructure is creating tremendous benefits to the U.S. economy. According to the CTIA, the U.S. wireless industry created 1.6 million new jobs between 2007 and 2011 – a time when overall private sector jobs fell by 5.3 million jobs.¹ Faster, more reliable, broadband service also plays an important role raising workers’ productivity and increasing consumers’ enjoyment of their leisure time. An efficient auction process enhances these benefits by ensuring that the spectrum is allocated to its highest valued users.

An open auction process empowers potential users to express how much they value the spectrum based on how much money they are willing to bid for the right to use the spectrum. It is through this process that we discover the spectrum’s value to society. While current estimates value the broadcast spectrum at \$36 billion, its actual value might be much higher (or much lower). Until the potential users of the spectrum are allowed to compete with one another through an open and fair auction process, we will not know the answer to this question. Placing arbitrary restrictions on who can participate in the spectrum auction diminishes the ability of the auction to allocate the spectrum to its most highly valued uses. Consequently, this crucial economic asset will be under-utilized, negatively impacting the welfare of consumers and the economy’s rate of growth.

The other purpose of holding the auction is the revenues raised. The previous spectrum auction in 2008 raised \$19 billion – not a trivial amount. Imposing restrictions on who can participate in the spectrum auction will reduce the amount of revenue the Treasury will raise. As any economics 101 student should know, if demand falls when supply is fixed, then market prices decline. Applying this simple logic to the spectrum auction, restrictions on who can bid for the spectrum (the demanders in this market) given a fixed supply of spectrum being auctioned off (the supply in this market) will lead to less revenue raised by the FCC, not more as some proponents are erroneously claiming.

¹ CTIA – The Wireless Association, “Letter to Federal Communications Commission” (GN Docket No. 09-51, WT Docket No. 13-135), November 13, 2013.

In light of these considerations, I would urge the Committee to reject any proposals to impose arbitrary restrictions on who can participate in the auction or how they can participate. The Committee should recognize that the broadband spectrum is an incredibly valuable economic asset, and that this asset will be employed by its most effective users only if the auction process is open, fair, and allows all potential users to compete.

Thank you for your time and consideration of my comments.

Sincerely,

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