

The Empty Well

Lawmakers keep hoping that they can collect big bucks by auctioning off wireless spectrum. They can't. By Juliana Gruenwald

Ever since Congress authorized the Federal Communications Commission in 1993 to sell frequencies on the wireless spectrum by auction, lawmakers have viewed the process as a cash cow. Most recently, Senate Majority Leader Harry Reid included the idea in his proposal to raise the debt ceiling and cut the deficit. Now it seems that the super committee, charged with finding more than \$1 trillion in deficit savings, may once again look to spectrum, using a kind of auction that rewards participants for joining. If so, panel members are going to be sorely disappointed.

Under the so-called incentive-auctions proposal, the FCC would give broadcasters and other spectrum holders a chance to surrender some of their airwaves in exchange for a still-undetermined share of proceeds from the sale. Four of the super committee's 12 members—who cite rising demand for spectrum created by smartphones, tablets, streaming video, and online games—announced their support of incentive auctions in October.

The problem is that the dollar amounts are small. The Congressional Budget Office estimates that an auction bill that the Senate Commerce Committee approved in June would generate \$24.5 billion. The president's jobs bill sent to Congress in September cited \$23.7 billion in revenue from auctions.

The government can't just add that money to the ledger, however. On one hand, estimates for the incentive auctions are difficult to calculate: It's unclear how many broadcasters or other spectrum holders can be lured into participating; it's impossible to know how much the spectrum blocks would sell for; and lawmakers and regulators haven't yet agreed on the percentage that sellers would get to take home. Jonathan Spalter, chairman of the Mobile Future coalition, said that incentive auctions "have to be designed to be as inclusive and flexible as possible to generate as much interest as possible." What's more, CBO estimates that it will cost \$1 billion to clear up usable chunks of spectrum by reassigning broadcasters to the new lineup after the auction. Broadcasters say it will cost even more than that.

On the other hand, both the Commerce panel's proposal and the administration's jobs bill are even smaller revenue-drivers than they seem, thanks to their associated costs. Under the Commerce bill, only \$6.5

billion would go to deficit reduction, CBO estimated; the spectrum segment of President Obama's jobs bill would generate just \$15.8 billion. "In the grand scheme of things, it's chump change in what they're looking to pay down in terms of the debt," National Association of Broadcasters spokesman Dennis Wharton said. (His group is open to incentive

auctions as long as broadcasters aren't punished for opting out.)

The biggest expense would come from allocating a stretch of spectrum, known as the D-block, to public-safety officials for use as a national broadband network. Under current law, this piece is slated to be auctioned to commercial bidders; reallocating it to public safety would cost \$2.75 billion. CBO also estimates that building the network would cost \$12.5 billion under the Commerce bill and \$7 billion under the president's plan.

Public-safety officials launched a last-minute lobbying blitz this week to reserve the D-block in any super-committee deal. "Our concern all along with the super committee is that they would not deal with public safety but do the incentive auctions," said Sean Kirkendall, spokesman for the Public Safety Alliance. But super-committee member Fred Upton, R-Mich., the House Energy and Commerce Committee chairman, previously opposed reallocating the D-block to public safety. So the deficit panel might leave this option out of a spectrum auction.

Still, the super committee could include other controversial proposals that raise additional revenue, such as a White House plan to generate \$4 billion from fees on wireless carriers, radio stations, and some other spectrum holders (but not TV stations). The president's jobs bill included this idea; it has been floated by both GOP and Democratic administrations but has generated little support in Congress. Broadcasters say they already pay plenty for their frequencies through licensing and other fees. Industry groups—including rivals NAB and CTIA-The Wireless Association—were worried enough about the possibility to put their differences aside and pen a joint letter to the super committee last month opposing it.

Another proposal calls for auctioning off unlicensed spectrum that the FCC has roped off for anyone to use with approved devices; it is widely used for Wi-Fi now. Although supporters say that selling this space could raise \$1 billion, critics—such as tech companies that offer Wi-Fi and others that hope to offer future innovations—dispute this number. Current and future users won't pay to use unlicensed spectrum that is now free, they say.

In the end, the super committee may decide that what looked like a spectrum cash cow amounts to little more than a glass of skim milk—thin stuff. ■

Tall order: Spectrum won't give the super committee what it needs.

