

Questions for the Record from Chairman John Thune
To
Dr. Thomas Lenard

Question 1. Dr. Lenard, in your testimony, you argue that government agencies do not operate in a market context, and therefore their goal is not to maximize profits. Please explain incentives that can be provided to agencies to maximize efficient use of agency spectrum while allowing agencies to fulfill their statutory obligations.

Answer. The key is to have a mechanism that requires government agencies to internalize the costs of the spectrum they use. My testimony suggests a mechanism based on the General Services Administration (GSA) model – a Government Spectrum Ownership Corporation (GSOC) that would take possession of all government-held spectrum and lease it to agencies at rental rates based on estimates of the relevant opportunity costs. In this way, agencies would have appropriate incentives to economize on the spectrum they use. Surplus spectrum could then be sold or leased to the private sector.

Question 2. Dr. Lenard, do you support permitting agencies to lease their excess spectrum to the private sector? What considerations might there be if this idea is pursued by Congress?

Answer. Yes, this would be one way of inducing agencies to internalize the costs of the spectrum they use and incentivizing them to release more spectrum into the private sector. For this to be successful, agencies should be able to keep the lease payments and Congress (and the executive) should refrain from instituting offsetting budget cuts.