Social Value and Spectrum: A new report

Following publication by the UK Government of a new report about spectrum allocation, LSE Associate Professor and Director of the Media Policy Project, Damian Tambini, explains the background to the report and what it is aiming to do.

The UK Government recently published *Incorporating Social Value into Spectrum Allocation Decisions*. I was one of the authors of the report, which was drafted in part during a seminar series hosted by the LSE Media Policy Project. As we prepare for a conference discussing the report's implications for the future of the airwaves, it is a good moment to reflect on what the report is trying to achieve, and how it might impact government policy.

The origin of the work was the UK Government's Spectrum Strategy, which announced in 2014 that the Government "will develop a consistent methodology for assessing the full value of spectrum to the UK. To help us in this work we will invite a panel of experts to advise on options." The Strategy also stated that "we intend to move towards a comprehensive system for valuing spectrum that keeps economic value as its bedrock, but extends this to take a range of social costs and benefits into proper account."

This is by no means a new problem and we are not announcing a new paradigm. The recommendations of the report are a pragmatic compromise based on the current state of development of theory and research.

Context: history of spectrum policy

The classic essay on spectrum by former LSE economist Ronald Coase was published in 1959. Coase was the pioneer of calls for market allocation of spectrum, in part as an antidote to what he regarded as messy politics and lobbying at the Federal Communications Commission.

The problem for Coase's vision of a fully marketised approach is that spectrum, as a scarce public resource, delivers services that provide public as well as private benefits. (In economic terms, social benefits or externalities). So debate about value and social benefits of these services is necessary in a democracy. Policymakers make decisions about the allocation of spectrum in the public interest, taking into account externalities and wider social impacts. Broadcasters in particular have been given frequencies in return for the social (cultural, democratic, educational) benefits they deliver.

The problem with such decisions as currently made is that there is no unified agreed procedure for approaching them, or evaluating competing claims to social value.

The attraction of market mechanisms, and valuation procedures that mimic them, is that they offer a means of adjudicating these decisions in a fair way that measures and represents the public interest. As I found out in a 56 country study about digital media, capture and corruption in spectrum allocation, together with an inability to assess claims of 'public benefit', remain huge problems across the world, and public benefits are often a long way down the list of decision criteria.

Spectrum today

This problem is becoming more urgent due to increasing demand for spectrum from a wide range of users and pressing questions about the future of the 700MHZ band and of the bands currently used for Digital Terrestrial TV. In 2006, Ofcom carried out research that examined how consumer data and deliberative research might be effective as a means of assessing competing claims of potential uses of spectrum released as a result of switching off analogue TV. Our report builds on that earlier research, assuming that decisions about spectrum use will involve assessing competing claims about social value between current and potential uses.

The approach of the report

We approached the problem from first principles, examining how different research approaches could be used to examine likely social benefits of frequency allocation. This was undertaken on the basis that market mechanisms and economic valuations might fail to give sufficient weight to the social value of the potential uses of spectrum, therefore resulting in potential market failure.

We found that the research tools available (such as deliberative research and various 'stated preference' surveys, as well as trendy 'Subjective Wellbeing' approaches) are useful in identifying potential sources of social value. But as currently designed, the tools are not able to deliver a single formula or valuation of the social value of spectrum uses, and the best that can currently be offered is a procedure for decision support. The main objective in institutional design in this area should be to improve the quality of research, and (secondary) objectives would be to ensure transparency and public involvement in the process, whilst retaining efficiency in the research process.

The procedure, explained at length in the report, is as follows:

1. Detailed problem specification

2. Translation of the options and trade-offs into everyday language

3. Develop an initial estimate of likely impact on the economic use value of the relevant spectrum-using services (optional)

4. Publication of a consultation document

5. Deliberative research (DR) study

6. Stated preference (SP) study using the results of the DR to develop valid questions

7. (If suitable data are available), subjective wellbeing (SWB) analysis to complement the SP results, possibly in combination with further DR to help interpret the relevance and validity of the results

8. Integrated summary of the results, without trying to reduce them to a single financial number

9. Recommendation or top-line summary of the options and trade-offs.

Viewed from the point of view of the wider social and political sciences, the tools of cost-benefit analysis do have limitations, and ministers and other decision-makers should be aware of these. The appendices to the report cite the work of Amartya Sen and Cass Sunstein, theorists who question some of the fundamental assumptions of this kind of cost-benefit analysis in government and show how different approaches – for example those that stress rights to certain communication goods – are at odds with some market-oriented methods.

What next?

My personal view is that it would be useful to run a trial application of this procedure, and assess the quality and consistency of the decision support it provides. In the longer term, the UK Government will hopefully see the report as a blueprint for longer term thinking into how Ofcom, DCMS and the full range of Government Departments involved approach spectrum assignment and allocation.

There are also potential international applications of the procedure. As a joint report by the Body of European Regulators for Electronic Communications and the Radio Spectrum Policy Group shows, the same problem has been raised in multiple countries around the European Union (EU). As the European Commission pushes for harmonisation in spectrum management across the EU, they may want to investigate the application of this model outside the UK.

At the very least, we might hope that such a procedure could contribute to improving decision-making about spectrum allocation in the UK, open this notoriously technical and opaque area of policy to more effective public scrutiny. In time this new procedure could set a global example for the improvement of transparency, rationality and evidence in communications policymaking.

This blog gives the views of the author and does not represent the position of the LSE Media Policy Project blog, nor of the London School of Economics and Political Science.

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