

Comments on Payments for Radio Spectrum Licenses

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In the United States, licenses to use the radio spectrum do not automatically revert to the government at the end of the license period; the licenses can be renewed with payment of only a small administrative fee. Consequently, when the Bureau of Economic Analysis (BEA) addressed the classification of radio spectrum licenses in 1994, the rent treatment was rejected because a time period is inherent in the definition of rent, whereas use of the spectrum in the U.S. is essentially permanent. Therefore, BEA believes that it correctly treats the receipts from the U.S. radio spectrum auctions as the sale of a nonproduced asset.

If a radio spectrum license is for a fixed, long period of time, as is the case for the U.K. auction discussed by the electronic discussion group (EDG), the appropriate treatment appears less clear. A license for a long period of time effectively transfers much of the benefits and risks of ownership to the leaseholder; thus, such a license appears to meet the SNA definition of an intangible nonproduced asset. On the other hand, the license also appears to meet the definition of rent: “the income receivable by the owner of...a tangible nonproduced asset in return for...putting the tangible nonproduced asset at the disposal of another institutional unit.” An advantage of treatment as rent is that the accrued costs of the license would be charged against income, rather than appearing only in the other-changes-in-assets account. In our view, the income and saving accounts would provide more relevant information to users of the national accounts if the accrued cost of the lease were reflected as a charge against current income for the license holder and as current income for the government.

Because fixed-term radio spectrum licenses appear to share the characteristics of asset ownership and rent, we think that the alternative treatment of amortization / reappearance of assets proposed by the IMF working paper, “Treatment of Mobile Phone Licenses in the National Accounts,” has merit. The alternative treatment--recognizing two nonproduced assets and creating offsetting entries for the amortization / reappearance of these assets in the allocation of primary income account--would produce more suitable measures of income and saving for the license holders and the government over the life of the license.

For licenses that are essentially permanent, such as those in the United States, the treatment as an intangible nonproduced asset should be maintained.