



A letter to the new FCC chair, Mr. Julius Genachowski

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By Thomas Hazlett

Note: On June 25, the Senate confirmed US President Barack Obama's choice to be chairman of the Federal Communications Commission, Julius Genachowski.

Dear Mr. Julius Genachowski,

Welcome to Washington. Now that you're chairing a very powerful agency, you'll hear a great many schemes to fatten this interest group or that company. Turn a deaf ear, my friend. Except now. This one will enrich the US economy, 300m wireless customers, and me.

But it will make you famous. It would be the most innovative and intelligent reform by any federal official since Alfred Kahn deregulated the airline industry. That entrepreneurial policy move saves US consumers \$20bn per year.

Here's a plan that will return consumers at least twice that.

First, the FCC gives me \$3bn. No – don't stop reading. Here's what I'll give you in return: 208 MHz (35 channels) of TV Band spectrum – prime, pristine bandwidth free and clear of broadcasters and wireless microphones (which, while small in number, are causing a messy food fight in this band). You can allocate it to low-power unlicensed devices like home networking devices, or package it up and sell it to mobile networks new and old. In last year's auction the FCC sold 52 MHz for \$19.6bn. If this block – four times the bandwidth – is made available to competitive wireless carriers, the \$40-60bn in federal receipts is just the tip of a melting iceberg. Consumer gains would be at least \$50bn annually. This is huge.

Second, the FCC lets me keep the rest of the TV band, 86 MHz (14 channels). That's a lot for just one person, but I promise not to hog it. In fact, I will sell it to the highest bidders. That will bring me \$15bn or more.

I need that money for a fix-up project: I'm going to upgrade the TV Band by removing the TV broadcasters – they're just cluttering it up! Funny thing is, the stations don't care about broadcasting their signals anymore, either. That's expensive and wastes fossil-fuel generated electricity. Bad for the environment and it pollutes the most beautiful radio spectrum on God's Green Earth.

The stations know that the viewers long ago fled to cable and satellite, but broadcasting maintains their "must carry" rights. According to a 1992 law, the station gets free carriage on local cable systems if it blasts out radio waves, even if no one is watching those over-the-air signals. Silly system, wouldn't you say? I'm going to end it by simply paying cable systems and satellite operators to carry all the TV stations. That extinguishes the litter from over-the-air broadcasting, making the New TV Band – yours and mine – clean, uncluttered and ready to host a wealth of cool new wireless networks and applications.

I won't need any of TARP money to do this. Cable and satellite operators love free programming, so I'm going to go one better – I'll pay them to offer all TV stations, free to viewers. (That's with the money from my own private spectrum auction.) Here's some advice: don't get between the

broadcasters and my payout window. In fact, I'm thinking of saving the money and doing this myself. If I buy EchoStar, one of two satellite TV systems, for \$10 billion (a 25 per cent premium on their current share price), I can broadcast all the TV signals across the whole country for free using satellite TV spectrum already deployed.

Homes without cable or satellite? That's what I need the \$3bn for. There are only about 10 million U.S. households that watch TV but don't subscribe for service. Yet, if their off-air video fix disappeared, I know you'd hear about it. Got you covered! For just \$3bn, I promise to stick a free satellite dish on their roof or plug a local cable connection into their TV, and deliver all those households their "broadcast TV" at no charge.

So, let's tally it all up. You give me \$3bn. The American public gets an extra 294 MHz in productive use – far more than, in total, than employed by today's cellular carriers. Consumer benefits of at least \$50bn annually, and a US Treasury windfall of \$40-60bn. Mobile phone service prices will fall and wireless techno-wizardry will expand; data networks, engorged with vast new spectrum capacity, rocket into a new era of technological innovation. The US will be the envy of the wireless world.

You'll be applauded as a policy visionary, and I'll be paying more taxes under the new Obama budget than any gazillionaire should be expected to pay.

On second thought, you can keep the \$3bn. I'll do this deal for free. All I want is a fraction of the spectrum the government is wasting. What's not to like?

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