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New economy policy forum

Abolish television

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This is second article in a fortnightly series, the New economy policy forum, in which four leading US academics debate the regulatory and legal issues generated by - and also shaping - the high-tech industries. Click here to learn more about the contributors, or here for a more detailed explanation of how the forum will work.

To say the transition from analogue to digital television mapped out by the US Federal Communications Commission is a little behind schedule is like noting that President Gorbachev's perestroika has hit a few bumps in the road. The plan is for all TV broadcast signals to be digital by the end of 2006, a deadline that in the words of Senator John McCain was a "joke from the beginning". The National Association of Broadcasters predicts that, under current rules, the transition will occur between 2020 and 2025 - and this is a self-servingly optimistic forecast.

The comparison with perestroika is not gratuitous. Managing radio technologies from a central control booth is Soviet-style planning. Foisting digital technology on the market is a high-wire act requiring perfect balance among three industry segments: TV stations, which must offer digital signals; consumers, who must buy digital TV receivers; and programmers, who must create compelling digital content.

There are so many chickens and eggs in this enterprise you'd think agricultural subsidies were the root of the problem. Consumers see no point in investing upwards of $600 extra for digital off-air reception; just 150,000 units - against the thirty million analogue TV sets sold annually - had left the shops by last summer. With no one watching, TV stations resist converting signals. While all 1,500 TV stations were mandated to broadcast digital programmes (in addition to their analogue ones) by May 1 2002, just 20 per cent made the "deadline".

As consumers and stations desert, programmers go AWOL. When regulators started the process in 1987, the rationale for a new generation of TV technology - and free licences - was High Definition (HDTV). But the market demand for prettier pictures on small home monitors has always been fuzzy. Today, the standard TV station business plan is to use the bandwidth sucked up by HD to multiplex five or six programs of standard clarity. The FCC quietly amended rules to permit this just before awarding licences in 1997. Now, broadcast HDTV is deader than Elvis, as broadcasters anticipate that consumers simply want more video selection.

Paradoxically, digital television is thriving just across the entertainment street. At the end of 2001, 35 million US households subscribed to digital cable or digital satellite TV; 70 million households are forecast to tune in by 2006. Subscribers eagerly pay $50 or $60 a month to escape "free" off-air TV. Digital signals are processed for analogue TV sets inside the set-top box. Pictures are a bit crisper than broadcast fare, and programme menus offer 100 channels or more.

The deeper point is that the exodus from off-air TV nears completion. Over 85 per cent of US households now get television via cables or dishes; by 2005, fewer than ten million (of just above 100 million) households will be without such connections. Extending multi-channel networks to scoop up these techno-stragglers would cost pennies - less than $3 billion in total. People would

still get local TV signals, but they'd be delivered by cable or satellite. The great majority of viewers have already converted, with cries of pain heard only during the panic of emergency searches for the remote control.

Sweeping the TV band clean would create colossal social value. First, it would save consumers from the law broadcasters are putting pressure on Congress to pass. This would mandate that TV set buyers be forced to pay for a digital off-air receiver they will never use. Retaining the option to go digital via cable and satellite converter boxes would save up to $150 billion - a mere pittance, however, compared with gains to be made from liberating the TV waves.

While the average viewer sees only seven stations, the FCC devotes 67 channels for off-air TV everywhere in America. At 6 MHz per channel, total bandwidth is 402 MHz, easily more than twice that used for mobile phones, and the TV frequencies are better behaved and more functional. To allow robust extension of wireless networks and development of broadband - including strong rivalry for high-speed internet access via DSL or cable modems - the bandwidth locked up for TV (between 1939 and 1953!) should be opened for business. Existing TV licensees should be free to offer communications people want to buy. New rivals should be given access to unoccupied channels. The consumer benefits aggregate to hundreds of billions of dollars.

Nicolas Negroponte famously opined that while we were born into a world in which our phone calls were made over wires and our TV shows beamed through the air, we would die in a world in which this had been reversed. The digital moment has now come: toss the Negroponte switch. Countries further down the path to universal subscription TV - Belgium is now surpassing 96 per cent cable penetration - may well take the lead. Eliminating the wasteful duplication of off-air TV enforced by regulation would be popular with consumers and unlock exciting new opportunities for wireless entrepreneurs.

The conventional wisdom is that reform is unthinkable where broadcasters, the clout-wielding behemoths of the electronic press, roam. But companies such as Intel and Cisco fume that emerging networks are stymied by lack of radio spectrum, while broadcast networks and even some station owners see their dwindling slice of an increasingly competitive video marketplace as less and less worth protecting. Given the right to turn TV channels into useful wireless services, some would do so. Instead of condemning yet another generation to spectrum squandering, we ought to let them.

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