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## **We Don't Want Our DTV**

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**By Thomas W. Hazlett**

Lost in the tragic events of Sept. 11 was an inadvertent experiment in radio spectrum policy: Virtually every New York City television station was knocked off the air.

Emergency workers issued an urgent call to replace downed communications. But there was no need to get broadcast TV back; local residents watching cable or satellite feeds were unaware of disruption. Internet access was a different matter. As many as 1,000 rescue workers needed wireless access to e-mail and the Web as they searched the wreckage and, later, death-certificate databases. The Ricochet network -- silent since Aug. 8 with the bankruptcy of owner Metricom -- was "relied" to provide a wireless local area network. Telephone links destroyed in the terrorist attack were re-established.

The episode underscores the baffling irrelevance of U.S. regulatory efforts to protect obsolete technologies (broadcast TV), while blocking intensely needed new systems (wireless networks). Exhibit A in this retro scheme is the government's plan to introduce "Digital TV."

The plan was born in 1987, when the TV broadcasters -- fearing that cellular and public-safety users would lay claim to unused frequencies -- proposed that all 67 channels of the TV band be saved for the coming attraction known as "high definition TV." It was bait-and-switch: Once the intruders were repelled, the Federal Communications Commission relaxed the HDTV mandate. Digital TV broadcasters can provide HDTV programs, but are not required to.

The 1996 Telecommunications Act endorsed the FCC's transition plan: all stations get a second TV license to be used for digital TV; all commercial stations broadcast in digital format by May 1, 2002; and analog signals go dark, with stations handing back original licenses, by Dec. 31, 2006. The law delayed the fade-out of analog broadcasting wherever fewer than 85% of TV viewers cannot receive digital TV broadcasts. Many analysts believe that this tripwire will stretch the transition for years.

Almost no one is buying off-air digital TV receivers. HDTV or "HDTV-ready" sets are being sold (even as more than 90% of 2001 U.S. sales were plain old analog televisions), but customers are using them to tune into DVDs, satellite or cable programs that don't require decoding off-air signals. Fewer than 300,000 such decoders were shipped to dealers from 1998 through April 2002, meaning that just 0.25% of homes are equipped to receive broadcast DTV. Eighty-five percent penetration by 2006?

Today, the FCC considers a congressional proposal to revive this policy corpse by mandating that new TV sets include integrated DTV receivers. The cost estimate: \$250 per set. That scores the annual DTV tax at about \$7.5 billion which, fortunately, will be reduced by consumers who simply refuse to buy new sets. (The Consumer Electronics Association, which normally loves expensive technology, opposes the mandate.)

The great news is that this public policy balance sheet is easy to analyze -- the costs are XXXL while the benefits are Barbie-sized. At year-end 2001, there were 105.44 million TV households, of which 94.81 million subscribed to a "multi-channel video provider." In other words, just 10% of households are now without subscription TV. For the 90% tuned to cable or satellite, digital TV is here today. Through the magic of the set-top converter box, plain old analog (or new high-definition) TVs display sharp digital pictures to 35 million subscribers, a figure expected to more than double by 2006. The unregulated analog-to-digital transition thrives.

The government's transition plan is a shambles. On May 1, 77% of commercial broadcast stations failed to meet the "deadline" for offering digital programming. Without off-air viewers, why bother? Regulators should understand what broadcasters know. Those few households depending on off-air TV for video reception can hook up to cable or satellite for less than \$300 each. America's last 10 million nonsubscribers can connect for under \$3 billion.

That is far less than the annual decoder "tax" regulators propose. But it clears the way to eliminate the overwhelming social outlay which is the opportunity DTV prevents: productive use of the TV band's 402 megahertz (67 channels, 6 MHz each) spectrum will expand and improve mobile telephones, create competitive broadband networks, and unleash an array of innovative services via bandwidth more than twice as generous as the cellular and personal-communications-services bands combined. The wireless cornucopia not enjoyed costs consumers hundreds of billions of dollars.

Calls to stiffen government oversight, or to yank licenses, merely bolt gridlock in place. The superior strategy is to allow TV stations to abandon digital TV broadcasts, offering wireless services people actually demand in their place. Unoccupied TV channels should be awarded at auction to speed the spectrum into productive use. Broadband networks would lift off to challenge cable modems and digital subscriber lines. Soon, high-speed Internet access could become ubiquitous, achieving critical mass and delivering substantial social benefits.

Able to purchase spectrum access rights, companies could deliver a robust new generation of TV, including streaming technologies, video on demand and -- most ironically -- a reincarnation of broadcast DTV as a spectrum-friendly information service.

*Mr. Hazlett, a senior fellow at the Manhattan Institute, is a former FCC chief economist.*

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