TV's Spectrum Showdown
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In a deal originally made in 1996, broadcasters may soon be forced to return airwaves now used to transmit analog signals.

For nearly a decade, the nation's 1,700 TV stations have been promising to broadcast crystal-clear digital signals to viewers across the country. But somehow, rushing toward that end never seemed to be entirely in their best interest.

Those promises go back to a deal broadcasters made with the federal government under the 1996 Telecommunications Act and a follow-up congressional bill a year later. Broadcasters received free electronic airwaves -- which are technically owned by the public and controlled by the federal government -- for digital transmissions. In return, they had to give back the airwaves they now use for their old analog broadcasts, which had been doled out over several decades. But they didn't have to return it until 85% of U.S. households receive digital signals or the year 2006, whichever came later.

Now patience is running out for the broadcasters to turn in that valuable piece of the sky. The year 2006 is just around the corner, and carriers are now sending digital signals that reach 85% of households in just about all of the nation's 210 TV markets (even though not all those households have digital-ready TVs).

OPENING SALVO? What's more, with the explosion of wireless technologies -- from cell phones to newer forms of wireless broadband -- demand is growing for other uses of those airwaves. "A more rapid end to the digital TV transition is important to the economy," says Michael Calabrese, a vice-president at New America Foundation, a Washington (D.C.) think tank. Yet regulators and lawmakers have lacked the political will so far to boot the powerful broadcasters out of their analog space.

Next year, the wheels in Washington could finally start turning. The opening salvo is likely to be an informal proposal circulating from the Federal Communications Commission staff to end analog TV broadcasts by 2009. It's modeled after a similar plan by regulators in Germany to cut off all analog TV broadcasts there, cold-turkey, last August. Even if the FCC doesn't vote on the proposal this year, it could end up spurring Congress to push a version of it in 2005.

The basic idea of the FCC's Media Bureau plan is simple, though it comes with some bells and whistles. It calls for all analog TV broadcasts to end on Jan. 1, 2009. At that time, broadcasters would return their analog airwaves, also called spectrum, to Uncle Sam to be auctioned off for other uses.

CRYING FOUL. Since most Americans still won't have digital-ready TVs by then to receive those signals, FCC staffers suggest that cable and satellite companies, which deliver TV to the majority of U.S. households, could convert those signals into analog...
ones. But their customers would still count toward the number of households capable of receiving digital over-the-air signals. When 85% of U.S. households get their TV via cable or satellite, that would instantly trigger the broadcaster's spectrum giveback.

Predictably, TV station owners say that's a dirty trick. But they could get a sweetener. Broadcasters long have wanted cable companies to carry all of local TV stations' digital signals, and the FCC or lawmakers could require the cable industry to do so. Today, cable must deliver the stations' one analog, over-the-air channel. But when stations start digital broadcasts, they'll be able to create up to six channels. The cable guys say carrying that volume could crowd out some cable networks.

When lawmakers take up the digital TV issue next year, one main concern will be how to continue delivering programs to the estimated 17 million U.S. households who rely solely on over-the-air signals for their TV news and entertainment. In Germany, the government subsidized an analog-to-digital converter box for those viewers. U.S. Senate Commerce Committee Chairman John McCain (R-Ariz.) has already introduced legislation to earmark up to $1 billion from proceeds of the broadcast analog spectrum auction to subsidize the purchase of these boxes.

Clearly, the return of TV analog spectrum will be a messy deal. But it's nearing one way or another. And in an historic turn, Washington is finally stiffening its resolve to take on the final round of the digital TV transition.