

WebMemo



Published by The Heritage Foundation

No. 1340
February 5, 2007

No TV Left Behind: Digital Transition Subsidies for Basement Televisions?

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Remember that old television in your basement, the one you bought when “Cheers” was the top sitcom? It might soon be eligible for federal aid to ensure that it works in the digital era. Within a few weeks, the Department of Commerce is expected to release rules for the TV subsidy program mandated by Congress in 2005. Reversing an earlier proposal, the program reportedly will allow households that subscribe to cable TV to receive federal support, at a potential cost to taxpayers of hundreds of millions of dollars.¹ This would be a mistake. Subsidizing broadcast reception for anyone makes little sense: There is no right to television. It makes even less sense to subsidize reception for cable households, whose access to programming is not threatened by the switchover to digital broadcasting. For the sake of taxpayers, the Bush Administration should decline to subsidize basement TVs.

The TV Transition. The controversy stems from the upcoming switchover of television broadcasts from the analog technology in use since the days of Milton Berle to new digital television technology. As a result of the switchover, analog television sets will cease to pick up broadcast transmissions on February 19, 2009.²

TV sets hooked up to cable or satellite services will not be affected, because they do not rely on over-the-air broadcast signals. However, other old sets will be unable to receive the new signals and will not have any TV reception unless they are connected to a special converter box.

About 15 percent of U.S. households do not have cable or satellite subscriptions and thus rely exclusively on over-the-air signals. The National Association of Broadcasters estimates that there are some 45 million analog TV sets in these households. In addition, some 28 million more broadcast-only sets are in cable or satellite households but are not hooked up to the service.³

The Subsidies Debate. Concerned that some consumers would not be able to obtain television signals after the February 2009 analog cutoff, Congress in 2005 authorized \$990 million to subsidize the cost of converter boxes—with an automatic extension up to \$1.5 billion if needed.⁴ The National Telecommunications and Information Administration (NTIA), part of the Commerce Department, was tasked with administering the program. In July of last year, it released for public comment a tentative plan.⁵ The plan sensibly proposed that eligibility be limited to the 15 percent of households without cable or satellite service. As specified by Congress, each eligible household would be eligible for up to two \$40 coupons to put toward the purchase of converter boxes, which are expected to cost \$50 to \$75.

Commerce’s proposed rules, given the constraints set out by Congress, were sensible.⁶ By lim-

This paper, in its entirety, can be found at:
www.heritage.org/research/regulation/wm1340.cfm

Produced by the Thomas A. Roe Institute
for Economic Policy Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
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iting aid to non-cable households, support would be focused on households that rely on broadcast signals, rather than those that use broadcast signals only as a backup.

The limit was also critical to keep the program under the maximum \$1.5 billion authorized. If all 17 million or so non-cable households claimed two coupons apiece, the total cost would be \$1.36 billion, bringing the total (with administrative expenses) near the \$1.5 billion maximum cost. Subsidizing extra television sets in cable households could increase this cost substantially. With an estimated 28 million over-the-air sets in cable-TV households, the additional cost could run over \$1 billion.⁷

Not surprisingly, NTIA's plan garnered significant criticism from broadcasters, equipment manufacturers, and others arguing for larger subsidies.⁸ Most significantly, in November of last year, Representative John Dingell (D-MI), then the incoming chairman of the House Commerce Committee, and 19 other Members of Congress sent a letter to the NTIA

administrator criticizing the proposed plan, saying it “disadvantages the poor, the elderly, minority groups, and those with multiple analog television sets in their home.”⁹ Specifically referring to exclusion of cable households, the letter stated that the limitation would “unfairly disenfranchise consumers with perfectly good televisions,” who deserve a “government-backed plan to hold them harmless.”

No Right to Analog TV. This argument is wrong. First, there is no federal right to analog television, nor should there be. Viewers have no more right to existing TV technology than they did to vinyl records or Beta video recorders.¹⁰ Viewers have been on notice of the transition to digital television for over a decade, and those who prepared for it should not have to subsidize those who did not.

It makes even less sense to subsidize converter boxes for households that subscribe to cable television. These households will not lose access to television programming when analog signals end. They will receive the same news and entertainment as

1. “Kneuer: NTIA Will Meet ‘Tight’ Deadline For Awarding Interoperability Grants,” *Telecommunications Reports*, January 16, 2007.
2. See James L. Gattuso, “Handouts and Takings: Congress and Digital Television,” Heritage Foundation *WebMemo* No. 884, October 14, 2005, at www.heritage.org/Research/Regulation/wm884.cfm.
3. “Devil’s in the Digital Details,” Associated Press, January 16, 2007, at hd.broadcastnewsroom.com/articles/viewarticle.jsp?id=97216.
4. For background on the debate leading up to Congress’s decision, see James L. Gattuso, “Another Bridge to Nowhere? The Senate’s \$3 Billion Subsidy for Aged Television Sets,” Heritage Foundation *WebMemo* No. 891, October 24, 2005, at www.heritage.org/Research/Regulation/wm891.cfm.
5. National Telecommunications and Information Administration, “Request for Comment and Notice of Proposed Rules to Implement and Administer a Coupon Program for Digital-to-Analog Converter Boxes,” *Federal Register*, Vol. 71, No. 142 (July 25, 2006), p. 42,067.
6. See James Gattuso, “Cash for Rabbit Ears: Feds Propose Rules for TV Subsidy,” *Techliberation.org*, July 26, 2006, at www.techliberation.com/archives/040282.php.
7. Of course, fewer coupons will likely be claimed because not all households have two TVs and many households will opt not to claim the coupons. Many more will have digital television sets by the deadline. Disconcertingly, no one knows what the final figure would be. Such programs often end up costing well above—not below—expectations.
8. Electronics retailers also argued that they should be directly compensated for accepting converter box coupons at their stores. The “investments, expenses, and risks,” they maintained, should not be placed “solely on the backs of retail vendors who consent to participate in this program.” In other words, retail stores want to be *paid* for the inconvenience of a program that will cause millions of consumers to buy goods from them. See James Gattuso, “DTV Subsidies: Not So Invisible Hands Reach for More,” *Techliberation.org*, September 28, 2006, at www.techliberation.com/archives/040761.php.
9. Letter from Representative John D. Dingell, et. al., to John M.R. Kneuer, Administrator of the National Telecommunications and Information Administration, November 15, 2006.
10. The digital transitions in these fields were not triggered by a federal cut-off date. The cut-off date was imposed pursuant to an agreement by broadcasters to return their old analog frequencies in exchange for new frequencies on which to broadcast in digital formats. This does not impair any rights held by viewers.

before, without a change. The only difference is that their extra televisions—those in the basement or kitchen and not connected to cable—will need a converter. But this hardly constitutes “disenfranchisement.” And it hardly justifies a \$40 taxpayer-funded subsidy—an amount which may exceed the value of the television itself.

The Administration got the answer right in its draft proposal. It should tune out the static it has received since and decline to subsidize basement televisions.

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