

**Media Institute**  
**Gary Shapiro**  
**The DTV Transition and Other Cool Things**  
**February 28, 2008**

Good afternoon. Thank you to our good friends at the Media Institute for the opportunity to speak to one of the most important of Washington groups – the fellowship that protects the First Amendment.

I support the Media Institute because I believe the First Amendment is the cornerstone of our democracy. CEA represents the technology makers, the companies that come up with new ways to receive communications, entertainment and education. With every innovation it seems there is a new challenge to the First Amendment. They are often cleverly couched to protect children, privacy, tax revenue from gambling, government confidentiality or the needs of copyright owners. But I cannot identify when the right to innovate and the First Amendment are in conflict – if anything they are often aligned against interest groups which claim superior rights. But to me the Media Institute is a voice, a reminder and a force for good in our nation holding the line for all of us that the First Amendment is a Constitutional right and it trumps many of these other interests. I thank the Media Institute for making our nation better as its legal soldiers guard both our heritage and our future.

This is especially important now as we are in the end of the beginning of the digital revolution. This revolution will define our era. A thousand years from now historians that study us will be less impressed with our politics and more focused on the technology which transformed how we communicate, how we learn and how we live almost every facet of our life.

Digital is transforming the world and to me it is the First Amendment with its focus on the ability to share and receive disparate views which frames the legal environment for our national success.

Think about how digital technology has shaped our economic success. Digital started with computers and soon fostered great American companies like Apple, Dell, Google, Intel, IBM, Microsoft, TI and Yahoo. The compact disc became an overnight hit and today digital radio, MP3 and streaming audio provide new platforms for artists and performers. And while some old players did not quickly adjust to the new competition, new performers and bands have seen the opportunity and the world of music choice for the consumer has never been better.

In the video world, we began looking and planning for high definition television in the 1980s thinking the system would be analog. Our own Dick Wiley volunteered thousands of hours and chaired an FCC advisory group composed of all affected interests and pushed them towards consensus on a huge range of issues necessary for us to transition to high definition television. Yet, the first few years while we devised the criteria by which we would test the dozens of proponents it was all analog. After the testing began, General Instrument introduced a digital system and soon others followed. In a highly charged competitive environment, Dick was wise enough to understand that the technological paradigm had shifted and encouraged everyone to allow this new system to be tested, albeit after deadlines had been set. I was then part of the leadership of the Advanced Television Test Center and I was Dick's ally – this was big – digital was changing the world and we couldn't stick with the rules just because they were there. That decision along with hundreds of others – agreed to by competing industries, competing

companies, with millions at stake – made a difference in our future. Dick, I want to thank you in front of everyone here – all should know that your appeal to the greater good – our future – our digital destiny changed the course of history. So when Japan jumped out first and declared it had HDTV and sold analog sets – later it had to recall the sets, and start over. Luckily, we did not follow their path, instead we made the right decisions. Many wanted only standard definition television thinking no one would want something better. Dick and I were blood brothers insisting with several others that we go all the way to HDTV. Europe made the mistake of embracing lesser formats, and also had to shift course.

I realize digital television and this transition are nothing new to many of you in this room. Many of you have covered it, made policy on it or invested resources, corporate and personal, in it.

So perhaps like me, you can look back with pride for what we have done. Our nation has the best standard in the world.

CEA fought for a hard deadline to cut off analog and we got what we asked for. So I think we have an obligation to make this work. Our goal is a simple one – no American should be left without television service one year from now because they were unaware of their options.

We are doing well. By the end of 2007, more than 50 percent of American households owned a digital television. We expect to sell another 32 million DTVs this year.

I am proud that the NAB and NCTA and others are our partners in an unprecedented joint education effort on the transition including the options under the converter box coupon program. This is our Y2K in many ways – lots of preparation and ultimately lots of unnecessary anxiety. On February 18, 2009, we will all wonder what the fuss was about. We will hear about some isolated and unfortunate cases – but if a few Americans go without television service for a day or two – the Republic will survive. Let's put this in context: in 2007 2.2 million American homes were put in foreclosure. I submit that losing your home is a bit worse than losing TV service for a few days and I will bet anyone that our numbers will be a fraction of the 2007 foreclosures.

Our industry and government partnerships on consumer education have proven to be a success. We are certainly doing everything we can to bring that number to zero. We helped found the DTV Transition Coalition which has brought together over 200 diverse groups, all with the mission to educate consumers. The coalition website for consumers hosted over 225,000 consumer visitors last month.

Each day that passes more consumers know about the transition. In 2006, only 41% of consumers were familiar with the transition. By the end of 2007, that number jumped 80%. Broadcasters, cable and satellite continue to run ads, retailers have stopped selling analog and everyone has linked arms with clear and specific consumer education goals – we are saturating the country. I especially want to commend the FCC for getting us this far, the NTIA for doing such a great job running the converter box coupon program and Congress for their 20 years of leadership on this issue. At every step of the way, powerful interests urged them to stop, to slow down, to do it differently. Congress realized that a full high-definition broadcast system was in America's interest, and they refused to be diverted from that goal. I am sure there will be snags but this is a fantastic cooperative effort towards a worthy national goal.

Just this month coupons from this generous government program begin reaching consumers. And consumers with coupons have many options. Today, manufacturers offer over 40 different certified converter boxes available at more than 16,000 certified retail outlets.

It's also the good that comes out of this – a phenomenal amount of spectrum available for new services, public safety and to return billions to the US treasury. It's not just that sports and movies and almost everything looks better digitally and looks fantastic in HDTV. It's not just the 5.1 channel sound of HDTV which makes being at home as immersive an experience as being in a theater. Win. Win. Win.

I have been accused of being Pollyannaish. I don't view myself that way. I am realistic. I just believe that life is about change and about how we deal with the changing situation we are in. Change is uncomfortable and technology causes change and disruptions. The shift to digital television is a huge change and it is uncomfortable for some people. I always try to embrace change and I feel I have enough brain power and free will to choose to be happy and keep changes in perspective. This isn't about losing your home or your health or a loved one – it's about the potential loss of television service for a few people for a short time.

Our government, almost every industry segment and many consumer groups have stepped forward and are doing everything possible to make sure Americans know about the transition. Congress generously gave over a billion dollars to this effort. The consumer awareness programs are working. People love HDTV. New spectrum is available. Life is good.

Well, not totally. Some are biologically constituted to challenge the most successful efforts. Without even looking at the education programs, some predict doom despite all evidence to the contrary. Some are concerned about the elderly, the poor and the disadvantaged and believe they will be left behind. I understand these well meaning concerns – but I suggest they become part of the solution rather than just rail about their perception of the problem. Join us in our education efforts as we reach out to all constituencies to ensure they learn about the transition.

This transition will work. We are united. We are on track. One year from today we will look back and be thankful we did not lose our resolve or our will and we stuck to the timetable.

We have come far and I do not want us to let complacency set in. We are 95% there – so that means we must act as if we are halfway done and cannot let up.

The numbers certainly paint a good story. Americans have already bought 85 million digital televisions.

The rate of adoption is even faster than adoption of color TV.

Consumers love HDTV-- 86% of HDTV owners say they are highly satisfied with their TV.

We are doing great – but as I have said for over a dozen years, we are on the road to success, but we will always face some bumps. The latest bump is from a group I had never even heard of until a few months ago: the Community Broadcasters Association represents broadcasters who transmit signals to less than one percent of American homes. Having been silent on the DTV transition for years, and somehow avoiding the DTV transition deadline, instead of rushing to provide DTV service they are now trying to change the rules for the transition, the approved

converter box design and even how the message is conveyed to the public. I am told this is just a power play to get must-carry - a ploy to prop up a failing business model in order to capture more eyeballs. As late as October 2007 when CBA testified before Congress about the DTV transition, it never raised the issue of analog pass-through, rather it only discussed its desire for cable carriage.

In 2006, CEA, with the broadcasters represented in the two associations we knew about, MSTV and NAB, worked together to reach a consensus on recommendations for coupon eligible converter boxes. We filed joint comments to help the NTIA understand what box features and functions the broadcast industry and manufacturers believed would best serve consumers. The NTIA issued these for comment. Together, CEA, MSTV and NAB, agreed on several core principles for converter boxes. Our reoccurring theme was to ensure the boxes were high-quality yet simple to use and low-cost to consumers, as mandated by the statute. It was much of this work that influenced the NTIA's final rules for coupon eligible converter boxes. I should point out, however, that NTIA did permit an analog pass-through feature in converter boxes, but it did not require the inclusion of this feature because it feared a reduction in received signal level and increased cost to all consumers who purchase a coupon-eligible converter box.

Quickly after the NTIA's rules for manufacturers and retailers were in place, manufacturers designed products and applied for certification. This resulted in several products and a healthy competitive marketplace. From a manufacturer perspective, this is a low-margin product with a limited life and lots of risk. Yet several dozen manufacturers and hundreds of retailers have applied and been certified into this program. The program launched successfully, converter boxes are on store shelves, and the coupons are in consumers' hands.

But after this program was in place, late last year, the CBA started pushing for the technical requirements to be changed in a way that does not comport with NTIA's rules or with the DTV statute.

CBA has entirely overlooked the fact that several of the current certified converter boxes offer an analog pass-through feature. More are expected. This option allows the less than 1% of Americans served by low power and translator stations to receive both digital and analog television signals now and after the transition. These boxes will be widely available and competitively priced.

Obviously, a proposal to mandate all boxes be redesigned is technologically, economically and practically impossible. Delay the transition date, force consumers to buy features they don't need or want, obliterate the investment of manufacturers who settled on a broadcaster agreed standard. What's more - CBA has done nothing to positively educate consumers about the transition and the options available to them to continue receiving low power stations. This is an affront to industry and governments efforts to prevent widespread and unnecessary alarm.

We ask the FCC to ignore CBA's petition. Any affected consumer can buy a box with an analog pass-through feature or get satellite programming or possibly cable. More, all any affected broadcaster has to do is what they should anyhow - switch to digital.

The marketplace is working. The transition is working.

I call on CBA to begin an educational campaign to reach their consumers – much like CEA, NAB, MSTV and NCTA have successfully done. After all, CBA and its LPTV station members are in the best position to educate their own viewers in a positive and helpful manner. Thus far, all we've seen from CBA is a mean-spirited and irresponsible public service announcement that calls the NTIA implementation of the converter box program a "scam."

The best way to ensure low power viewers are educated is for the low power stations to educate their viewers. In a marketplace that is working so well, we must not let this issue hurt the success of the transition.

In 1998, Joe Flaherty of CBS said, "The digital era has begun, and every segment of the television business will feel the impact of this digital revolution. While some may still consider this historic invention unfortunate, its application is, at the same time, inevitable."

It is amazing how true this rings 10 years later. Every aspect of the television business has been affected. Manufacturers, broadcasters and cable operators have used this revolution to provide something remarkable to consumers. From innovative new devices and content to next generation networks, we will look back on this transition as the end of the beginning of our digital revolution. We are leading the world, and the transition is creating new businesses and new opportunities.

Let us not snatch success from the jaws of victory. We are 355 days away from our milestone stop in our digital destiny. It's a great ride and I am pleased to be sharing this unprecedented journey with you.

Thank you.