

Media Institute Luncheon Remarks

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Gary Shapiro, President and CEO, Consumer Electronics Association

“Ten Years From Now”

[As prepared for delivery]

Patrick, thank you for that kind introduction. And thank you for the opportunity to speak here today. I have long admired the work of the Media Institute to protect and promote the First Amendment. I believe the First Amendment is a unique and vital part of what makes America great. It is our “secret sauce” and helps make America the most innovative country in the world.

In mid-January when Patrick invited me to speak he said my topic could be anything except spectrum. I guess it was because I don’t know squat about it.

Having just launched my first book, “The Comeback: How Innovation Will Restore the American Dream,” that would have been a logical topic. I have been talking non-stop about the book for a month and was excited to see it appear twice on the New York Times bestseller list. So I don’t know what got into me when I told Patrick that my speech should be promoted as “ten years from now.” I think it was the marketing guy in me. I know that smart people focus on the far future and looking at this audience, I’d say the marketing and title worked.

So maybe now that I got you here I can switch and talk about the book. That’s bait and switch, as they say in retail.

Actually, I won't talk about my book today, because one of the principal media policy elements in there is broadcast spectrum, and that's not what I'm here to talk about today. There is a lot in my book about policy – including some of the things I first said at the last Media Institute lunch I spoke at almost two years ago.

Instead, I want to talk about the future. I actually did this at the NAB show some 20 years ago and made all sorts of predictions. NAB invited me back 13 years later to review those predictions, and I scored myself. I got lots of As and C and Fs. I might add that I haven't been invited to speak at an NAB convention since, although I have heard that the next NAB show is in April in Las Vegas, a town I know well from our own show, the International CES.

So today I offer you six very concrete predictions on a range of subjects.

Let's fast forward to the future together. Today is January 10, 2021, and the 2021 International CES has just wrapped up four days of the most innovative product launches in history. Yes, that is actual last day of the 2021 CES – we have our dates already selected for CES ten years out.

So here is just a small sampling of what we saw on the 2021 CES show floor.

Prediction one: Radio is different.

Broadcast radio competes directly with Internet radio – even in the car. Broadband is everywhere and consumers have a choice of wireless broadband at speeds faster than consumers had from wireline connections in their homes in 2011. They have all sorts of devices which get music even on the go as wireless broadband choice increased – many different carriers and flavors and plans. Micro radio is attracting issue-specific and geography-specific loyal audiences – many simply time shifting via cuts – formerly known as podcasts.

The music performance royalty issue was resolved by a simple solution: music created (and thus copyrighted) after a specific date (I think it was 2014) may be played on radio only with the permission of the copyright owner. Technology made this a simple click type permission. Some copyright owners are making big money based on their music's popularity by giving any radio station permission to play the music for a small fee. Other copyright owners are making money offering exclusives by market. Some copyright owners are taking a different approach and seeking exposure so they are paying radio stations to play their music. This is legal if the radio stations disclose the payment.

But the fact is that most music is free for radio play. Not just all the old pre-2014 music, but most of the new music where garage and computer musicians simply want exposure but can't afford to pay for it. The payments answered the broadcaster and RIAA debate as to whether radio really is a promotional media. Thus music on radio

became like product placements in movies – something many, but not all, savvy companies are willing to buy. This not only added to radio broadcaster revenue, but when radio stations bought exclusives for hot bands it generated excitement in radio as stations really became differentiated in each market and enhanced their valuations.

This trend was also helped by digital radio. Broadcasters in 2021 have fully embraced HD radio and are offering multiple content streams, data services and the ability to purchase songs. The better sound and extra services became a pre-qualifier for the top bands allowing their product to be played.

Oh, and one more thing about radio in 2021. A grand total of 13 U.S. consumers, 12 of whom are employees of NAB, listen to over-the-air radio on their cell phones. And the proposal to mandate FM chips floated by the NAB died as did our proposal to require 3D viewing on all eye glasses as did the concerned parents' proposal to require a profanity blockage chip on every TV set and computer.

Prediction two: Cars are different.

For one thing – cars became music devices. Not just digital radio. But for a modest fee most cars come with access to most of the world's recorded music – voice activated. Of course with learning GPS and Internet access they are really fun. And with all the back seat stuff they are rolling homes. All models have sobriety checks, lane changing detectors and collision avoidance technology. A few are driverless- but it is still a hotly

debated issue whether a sober licensed driver must be in the driver seat. The disabilities community is arguing that cars without drivers are fine and give them real freedom and mobility.

What's cool are the social media features that are now standard in cars. With the permission-based system teenagers now can check each other out as they see someone interesting driving by.

Most new cars are hybrid or pure electric and several models have solar assist power, And then there's that hydrogen splitting car – way cool but still a little scary. The CO2 issue, the ever-increasing gas tax and the prevalence of charging stations in parking garages, malls and homes has made electric an easy choice. Of course that tax break to live near where you work has helped cut down on driving. Traffic has gone down in many areas of the country because of this tax benefit, the acceptance of tele-education and tele-work, overall inflation and the emergency car tax many states have imposed to fund vital public services. Many cities and states paying off those big baby boomer pensions simply can't afford to fill potholes or fix roads – so increasingly Americans are holding off investing in a new car. The average car is now nine years old as Americans cut down on driving and put a higher priority on paying their utility bills and kids' private schooling fees.

Prediction three: No one cares about Net Neutrality.

Net neutrality or open Internet hasn't yet fully died as an issue – but it is on life support. Recently, the American League of Lobbyists combined with the Greater Washington Association of advertising supported media (co-chaired by Roll Call and WRC-TV) to resurrect the issue. But policymakers from both sides of the aisle refuse to bite because every American can now choose from more than a dozen different broadband providers on multiple platforms.

In a statement, the Senate Internet Committee (the old Commerce Committee) Chairman and Ranking Member, Senators Clyburn and McDonnell, declared:

“Ninety percent of Americans are in a free WiFi zone and also have a choice of wireless broadband providers as well as cable, fiber, satellite and even powerline broadband access choices. The 2016 Internet Telecom Act rewrite requires consumer notice of changes in service terms and conditions, as well as the no-penalty ability to switch Internet carriers. Therefore, we believe that consumer choice trumps mandates on carriers.”

The disappointed lobbyists shift to fighting for free health care for all pets.

Comcast and Viacom successfully pushed MPAA and NCTA to merge. Word leaks that the new MPCTA has approached Senator Meredith Baker to be its first President. But the offer is not extended because of her market-based common sense voting record.

Prediction four: Antitrust and other laws are scaled back.

Congress took the advice of former ABA Antitrust Chair Rockefeller and eliminated most antitrust laws other than price fixing as an unnecessary use of government resources and harmful to America's most competitive companies. The Rockefeller law came as the bipartisan Competitiveness Commission said antitrust laws other than price fixing and other per se violations were a costly burden on courts and ambiguous and unnecessary expensive litigation tax on business.

This ended the Department of Justice inquiry in to attempted monopolization of communications law by Wiley Rein.

More, many other laws were changed to require actual harm to the plaintiff and material legal violation for class action status and to file a lawsuit. This shift caused the Congress to fully eliminate statutory damages for copyright infringement. Big content companies realized that their success depends not on maintaining scarcity, but after exclusive initial introductions on making their products ubiquitous across platforms. They embraced innovation and the efficiencies of the Internet, dramatically cutting manufacturing, distribution and promotion costs. Infringement still exists - but the content companies have embraced the fact that you can compete with "free" by focusing on peripheral markets, and quality and enhancing the fan base. Noncommercial infringers are regarded as potential consumers. Hollywood is setting

box office records as new movie theaters provide extraordinary, immersive 4-D experiences.

Record labels have offered reasonable licenses to a wide variety of new music distribution systems that consumers love. They have also become adept at using infinite goods like digital files as a way to seduce fans into buying more expensive scarce goods. Meanwhile, having agreed that legitimate innovation should be allowed to move forward without obstacles or lawsuits, the technology and content industries cooperate closely in the fight against criminals and commercial infringers.

Also in the name of promoting US business in 2016 the US went to a loser-pays litigation system. Thousands of lawyers became unemployed. Closed law schools converted to science, math and engineering charter schools. Many lawyers shifted to teaching, especially English and math. Many more shifted overseas. Senator Lou Dobbs' proposal to trade the nation's surplus antitrust and plaintiff's lawyers to Arab countries in exchange for oil did not pass Congress and had dubious constitutionality.

However, the 60 percent cut in litigation costs for American companies raised the stock market 15 percent the year following passage of the law as legal costs were used to hire new workers, invest in capital and pay off debt.

Prediction five: Leadership is different.

Senator Clinton became the first female elected president. President Clinton was sworn in with her parents Bill and Hillary looking on proudly.

Prediction six: New technologies Raise New Issues.

Television became ubiquitous as wall TV became real. Wallpaper hangers and house painters became video wall installers. Consumers use their video walls for incredible immersive experiences including net-connected video games. The Kinect model 4.0 became useful for remote surgery around the world but controversies erupt as it is hooked up to various remote robot avatars which stage fights and demonstrations in public places. The right of assembly is tested in a Supreme Court case as to whether armies of robot avatars can protest in public places.

Devices have become tiny with nanotechnology and smaller resistors. Controversy erupts over the age at which kids can install the audio, video and data ports in their bodies. The human implantable devices and clothing devices also raise privacy issues with many arguing that they should be accompanied by a warning beep or light. Many say it depends on the type of device and they contrast the people and place recognition and navigational guidance and communications aides with the recording and transmitting and game implantables. Almost all devices have Internet capability and are connected so the lines blur.

Privacy issues remain volatile. The European broad and proscriptive approach focuses on denying businesses any ability to do permission-based assistance. The American approach protects consumers from government. The US approach allows US Internet companies to maintain their dominance of the world, while the Europeans retain their air of superiority and their sub-par economy.

Americans have benefitted from their pro-innovation strategy and the American economy is growing. But at the state and local level, public unions have bankrupted many governments as baby boomer government worker pensions absorb most tax revenue. The federal government does not step in and people start moving to states and localities that made early switches to defined contribution plans and incentivized government. The 2015 and 2016 union riots hurt people and property and the AFL CIO head again takes the fifth as to his role in inciting them. This time though he ends up in jail.

Conclusion

Now, I've had some fun with this topic, but I also want to be serious for a moment. All of us in this room have a unique and rare privilege. We represent the companies and industries that are inventing this future and that improve people's lives around the world. As we've seen in Egypt, technology is a catalyst and a tool for people who strive to be free. Indeed, shutting off the Internet in Egypt sent more people to the streets. And

repressive regimes like North Korea, Cuba and China are united by their desire to restrict the technologies their citizens can use to hear different views and concepts of governance. Technology saves lives, as we see through advances in health care. Technology also improves lives as we see through distance learning and broadband-enabled communications tools.

In all truth, none of us know what technology will bring in 2021. Indeed, we can only imagine what new technology in the labs today will change the world next month or next year. But we do know one thing for sure. Whether it is bringing a family closer together for Friday night movie night in the home theater, allowing an unemployed worker to pursue a college degree online, or letting a brave service member see a newborn child via the Internet, better technology and a focus on innovation is our destiny and we must fight for it as a national goal. In his State of the Union address, President Obama focused on innovation and the American Dream – I share his vision of our nation as a nation of creators and innovators but I believe passionately that government's best role in innovation is to let creators create and innovators innovate – and the market place will do the rest.

Thank you very much. I'm happy to take any of your questions about the issues of today or of 2021.