

SEPARATE STATEMENT OF CHAIRMAN MICHAEL K. POWELL

In the Matter of Review of the Commission's Rules and Policies Affecting the Conversion to Digital Television – MM Docket No. 00-39

Every year, 25 million analog sets are sold in this country, their purchasers blissfully unaware that their new sets come with a government-mandated expiration date. Someday, analog broadcasting will cease. When that time comes, consumers will expect their television sets to go on working in the digital world just as they do today. This includes the ability to receive broadcast signals. Indeed, the expectation that TV sets receive broadcast signals is so ingrained that consumers simply assume this functionality is incorporated into their television set. That is what today's *Order* is all about.

There are approximately 81 million television sets in the U.S. (over 30% of the total) that are not connected to any subscription video service and rely solely on free, over-the-air broadcasting. Of those sets that rely on over-the-air service, about 46.5 million are in broadcast-only homes and 34.5 million are in homes that subscribe to a multichannel video programming service. Thus, over-the-air tuners affect tens of millions of consumers.

The Consumer Electronics Association ("CEA" or "Trade Association") has been vehemently opposed to phasing in DTV tuners in television sets. The Trade Association argues that those who want to watch over-the-air digital broadcasting should be required to purchase an external set-top box. This would be a far more expensive proposition for consumers, given that these boxes currently cost about \$500. It is incredible that CEA supports an alternative that would cost consumers 150% more than CEA's own cost projections for the DTV tuner (\$500 for the set top box vs. \$200 for the tuner). If the Trade Association's concern about the cost of integrated tuners is sincere, one wonders why they would suggest a solution that would cost consumers more than twice as much. Moreover, this is the same group that insists in other contexts -- e.g., the need for "plug and play" sets -- that consumers do not want a set-top box and will not tolerate such an inconvenience. It is odd that they can be so solicitous of consumer expectations in one context and so tone deaf to them here.

Furthermore, CEA's claim that a tuner requirement would be an unreasonable burden on television manufacturers is refuted by the willingness of Thomson and Zenith to voluntarily incorporate DTV tuners on a phased-in basis. In fact, Thomson is the leading television and digital satellite receiver manufacturer in the United States selling each year more than 4 million televisions and 2 million digital satellite receivers. It strains credulity to believe that either of these companies would voluntarily agree to a course of action likely to result in the consequences suggested by the Trade Association. I applaud Zenith and Thompson for their commitment to the DTV transition.

We recognize that a DTV tuner will initially add costs, but CEA's exclusive focus on this incremental cost ignores the critical functionality the tuner adds to the TV set. This *Order* simply gives consumers what they receive today when they buy a box with pictures that claims to be a TV set. The tuner is what makes *that* box a television set. A true TV may cost a small amount more than a monitor, but the consumer is getting much more capability. Imagine tuning in to an emergency broadcast of an impending hurricane on an HDTV monitor. What is that worth to consumers?

Furthermore, we are confident that economies and efficiencies of scale will drive these costs down. Historical trends demonstrate this fact, which CEA inexplicably ignores. Ironically, CEA, in its opposition to the 1962 All Channel Receiver Act, claimed the UHF requirement would increase the cost of television sets by 14%. In fact, set prices actually *declined* following passage of the legislation.

Price sensitivity led us to phase in the tuner requirement over a five year period. Initially it will only apply to the largest sets, where the price impact would be the lowest. In fact, the prices of these large sets have been declining at a rate of \$100 to \$800 per year, so the additional cost of the DTV tuner may be partially or completely offset by the general price decline. Most projections are within a general range, from "about the same as an analog tuner" by the time a requirement would apply to small-screen TVs (Zenith), to \$16 by 2006 (Arthur D. Little), to \$50 by 2006 (Motorola), to \$75 by 2007-2008 (Thomson). CEA, by contrast, declares that DTV tuners will retain a \$200 premium "for the foreseeable future." Although a precise estimate of future cost is difficult, it is not difficult to discern which projections are within a zone of reasonableness and which is hyperbole.

Ultimately, the DTV transition will shift into high gear when three factors come together: (1) a critical mass of compelling digital content; (2) distribution of that content to consumers; and (3) reception equipment in consumers' hands. We have been working on these issues through our voluntary call to action and through Commission proceedings such as the broadcast copy protection *NPRM* we initiate today. Today's decision promotes the availability of reception equipment, without which the first two factors are meaningless. We readily admit that there are additional steps to take, such as the development of "plug and play" sets for those cable subscribers who do not want to use a set-top box. But simply because there is more work to be done does not mean that we should defer the progress we can make today.

In the end, we have to make a judgment about what is in consumers' best interest; not in a vacuum, not in a hypothetical marketplace, but in the real world. The All Channel Receiver Act and the DTV transition are national commitments in which the FCC must play a prominent role. I support today's action.