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MINUTES OF IMPLEMENTATION SUBCOMMITTEE/WORKING PARTY 1 POLICY AND REGULATION

Preliminary Draft: Subject to Member Review and Approval

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Meeting of Tuesday December 3, 1991
National Economic Research Associates, Inc.
Washington, D.C.

Summary: The Working Party addressed various topics for consideration that had been suggested at the last meeting of the Implementation Subcommittee. Three suggested approaches to reducing costs of ATV implementation, ideas for reducing delay in ATV adoption, cable carriage rules for ATV service, and possibility of pay TV for ATV shows were discussed. It was decided that the cost and delay issues were most pressing, and a draft of the Working Party's stance on these issued will be prepared for comment.

Chairman Charles Jackson called the meeting to order at 1:10 p.m. Those who attended the meeting were:

Julian Shepard, MSTV
Mark W. Johnson, CBS
Jeff Krauss, Consultant/General Instruments
Gina Harrison, FCC
Valerie Schulte, NAB
Jim Casserly, Squires Saunders & Dempsey for North American Philips Corporation
Loretta Polk, NCTA
Kirsten Pehrsson, NERA
Molly Pauker, Fox Broadcasting
Peggy Binzel, Turner Broadcasting

The Minutes from the prior meeting were accepted without objection, except for a minor spelling change.

Chairman Jackson announced his wish to produce a paper describing the consensus of Working Party 1 members regarding several issues brought up by the Implementation Subcommittee at its last meeting. Those topics were presented in an outline format for review and comment.

A. Reducing costs of ATV implementation.

1. Regarding the proposed staggered conversion to ATV by following timetable related to market size and financial characteristics:

Valerie Schulte (NAB) feels the proposed timetables are too strict, and that flexibility is needed. She suggested tying conversion to the market sizes indicating three, four, or five year deadlines.

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There was discussion over whether it is beneficial or detrimental to convert early, due to declining cost considerations later in adoption cycle, etc. Ms. Schulte said that it depends on whether the conversion is voluntary. Julian Shepard (MSTV) felt the market-size implicated implementation schedule would need to be justified by empirical evidence. Chairman Jackson noted that life of plant is another factor indicating financial burden of conversion.

2. Regarding the proposed obligation to "build" an ATV station to obtain license for ATV transmission:
This obligation begs the question of how "building" an ATV station is defined. Can a party upconvert a "standard" signal, or do they need to originate programming with ATV equipment? There is a dichotomy between investment in plant and investment in the transmitter tower, both of which are needed for "pure" ATV transmission. Julian Shepard feels it would be premature to define programming requirements at this point. However, he feels that the replacement of older equipment with ATV equipment (but not yet erecting an ATV transmitter) should count toward investment in ATV as a measure of a station's intent to broadcast ATV. However, some were concerned that using transmission quality as a measure of intent would involve FCC in production standards. Gina Harrison (FCC) felt that the intent of the requirements regarding "construction" currently relates to the existing rules. Jeff Krauss felt that a related question is the meaning of "up-conversion" (is it merely adding lines of resolution or does it require other quality enhancements?). Julian Shepard added that these questions indicate the need for a better definition of "operation" of an ATV station.

3. Regarding requirement for early full disclosure of technical data regarding recommended ATV transmission technical data to expedite equipment supply availability and competition:
It was debated whether the "disclosure" relates to description of the ATV signal or specifications for generating equipment. It was suggested that the intent of this suggestion may be to allow prospective ATV broadcasters better knowledge of the available supply market (whether sole source, etc.).

Chairman Jackson noted that a significant amount of time should be allowed for writing the specifications. He added that there may be two levels of specification at issue: those (more abbreviated) for FCC operation approval, and a detailed specification "kit" which will show a manufacturer how to build ATV equipment. Gina Harrison (FCC) added that the issue of specifications has been raised at length in other fora, and that all manufacturers are concerned about the availability of technical specifications.

4. Chairman Jackson solicited other suggestions for reducing costs of implementation.
Julian Shepard noted that assuring a competitive market for supply of equipment was key. However, Jeff Krauss felt that the cost of proprietary information was not that important, and that coders and other ATV-specific equipment are a small percentage of overall costs and may not even benefit from "learning curve" cost reductions.

Mr. Casserly (NAPC) added that the length of time required for continued NTSC transmission could impact cost.

B. Reducing delay in ATV adoption.
Chairman Jackson noted that there was currently a pessimistic prognosis for adoption time. He solicited suggestions and comments on shortening the delay.

1. Regarding proposed actions by FCC to reduce delays:
Julian Shepard commented on the suggestion to provide the standard and channel assignments separately, in an effort to expedite litigation. He felt that the FCC should present the assignment plan at the same time or before the standard, as the two are inextricably related. However, Gina Harrison did not feel that the two were necessarily tied.

Jeffrey Krauss described one current expected timeline of defining a standard by 1993, licensing by 1994, and airing ATV broadcasts by 1999. One suggestion was to allow broadcasters to make arrangements between themselves regarding channel allocations in order to reduce litigation. There was some speculation about what types of litigation are to be expected.

2. Regarding the FCC's coordination with the FAA and local zoning officials to expedite applications for new towers:
It was not generally felt that these considerations should be a priority.

3. Regarding whether ATV could be subscription-, in addition to advertiser-supported:
(It was decided that channel security probably would not be a technical problem.) Julian Shepard felt that the FCC should defer decisions on this issue. It was noted by one member that the possibility of a "mix" of advertiser and subscription support would be confused because the FCC will be retaking the NTSC channels. It was decided that this issue is of lower priority than the cost and delay issues.

4. Regarding rules for cable carriage of ATV service:

Loretta Polk (NCTA) noted that the issue had been discussed at the last subcommittee meeting. She said that the view was expressed there, and she also felt now, that this issue should not be dealt with at this time in this Working Party. Rather, it should be postponed for consideration. She noted that because cable interests are opposed to mandatory carriage at all, they are particularly opposed to mandatory carriage of additional (ATV) channels.

Jeff Krauss noted there are really two issues at stake regarding cable carriage: upgrade of cable plant needed for carriage of ATV shows, and channel capacity needed for carriage of ATV shows.

Gina Harrison agreed that, although important to address at some point, the cable carriage issue could be postponed for further consideration. However, a background paper would be helpful to the Commission. The NAB will try to do something on this if there were resources available after addressing the cost and delay issues.

The consensus of the group was that the cost and delay issues were most pressing and would be of most assistance to the Commission in the near term. Chairman Jackson nominated Molly Pauker to produce a draft of the Working Party's position of the cost and delay issues. Further discussion of the other issues will be postponed.

There was no business from the floor. The next meeting was tentatively scheduled for January 29th, after the replies are due to the Commission.

The meeting was adjourned at 3:00 p.m.