

1 | how long?

2 |           MR. FLAHERTY: Well, as far as doing it is  
3 | concerned, presently many of the studios, Warner Brothers, for  
4 | one, is producing all their television series in wide-screen  
5 | already, looking toward the residual and the future  
6 | syndication, I assume. So I would think at the longest it  
7 | could take a season because it's the same cameras, the same  
8 | film, the same operation, it's just a question of contracting  
9 | for the show and the various aspects of choosing the shows.  
10 | But technically speaking, and only technically speaking, it  
11 | could be done in a season.

12 |           COMMISSIONER QUELLO: Okay, yes --

13 |           MR. REILLY: I think this is all the more reason to  
14 | aspire to the HD standard rather than a lower definition  
15 | standard. The entertainment industry, as someone pointed out  
16 | this morning, is an enormous engine for earning foreign  
17 | exchange, it's a positive balance of payments industry. It  
18 | exports American values and culture around the world and we  
19 | should be anticipating that we should be enchanting our own  
20 | Hollywood community to be producing in the highest standard  
21 | that any other country may wish to adopt someplace out into  
22 | the future.

23 |           COMMISSIONER QUELLO: Good, thank you. Mr.

24 | Chairman, I'm all set.

25 |           COMMISSIONER HUNDT: Commissioner Chong.

1           COMMISSIONER CHONG: Thank you. Well, if I hear you  
2 all right, some you say for spectrum efficiency purposes, we  
3 need to go digital because we can repack closer, there is  
4 unused spectrum and it's not very efficient, so let's be smart  
5 about it, right? I also hear people saying, you've got to go  
6 digital to compete because the satellite people and the cable  
7 people, and I presume also the telcos with video dial tone are  
8 going to go digital, and they're going to have these nice  
9 digital pictures that broadcasters will need to compete with  
10 to stay viable, to deliver free TV. So, I always get back to  
11 the central question of whether the FCC should draw back from  
12 its decision before to mandate HDTV, and I guess I'd like to  
13 hear from each of you, if the commission didn't mandate HDTV,  
14 what you think would happen?

15           MR. CARNES: I would question whether manufacturers  
16 will build sets that receive all formats. Regardless of  
17 whether they display at that format, will they even decode all  
18 formats, if they're not confident that broadcasters, in fact,  
19 will put on the air high definition television. Broadcasters  
20 have committed that they will do so, they have told you they  
21 plan to do so, and they have even asked that it be placed in  
22 the rules and once you do that, it seems to me you then give  
23 absolute assurance to broadcasters, to receiver manufacturers,  
24 and to the American public that this real, that it will happen  
25 and the market will go forward.

1           COMMISSIONER CHONG: So it sounds like you want to  
2 give certainty to the programmers that if they make HDTV  
3 programs, that there will be the ability to receive it by  
4 consumers.

5           MR. CARNES: Indeed, I think that's --

6           COMMISSIONER CHONG: So the manufacturers obviously  
7 need to put it into the set.

8           MR. CARNES: Exactly.

9           COMMISSIONER CHONG: Okay, so let me ask it another  
10 way, if you were to not mandate HDTV on the broadcast roles,  
11 but to tell manufacturers kind of like what we did with the  
12 All-Channel Receiver Act, that you must make your television  
13 capable of receiving HDTV and other digital formats, would  
14 that be adequate to incent programmers like Viacom to make  
15 programming in HDTV formats or digital formats?

16           MR. CARNES: Well, just briefly, my position is that  
17 you can do either side. You can either require the  
18 manufacturer to build or you can require the broadcaster to  
19 broadcast, and either way you go, you've solved the problem,  
20 you've solved the chicken-and-egg situation.

21           MR. HOROWITZ: I would like to concur with Mr.  
22 McKinney and also to add to something that Mr. Flaherty said,  
23 is that the products that have been created, the U. S. has an  
24 enormous library and Viacom is just one of those companies  
25 that had that library of movie-based product, which, by

1 definition, is done in high definition because it's film. I  
2 actually think that I would go one step further and say it's a  
3 partnership, I think you really need to require the certainty  
4 to the broadcast community that they have an obligation to put  
5 a certain amount of HD product on the air and you have a  
6 certainty to the manufacturers that, hey, by the way, you  
7 shall build it and there's going to be something that will  
8 arrive there, at least over the air, potentially by cable,  
9 potentially by DBS, but at least over the air. So I think you  
10 could probably do either one and take a chance, but there is  
11 no chance if you just do both, that's very simple --

12 COMMISSIONER CHONG: So you would actually advocate  
13 both sides.

14 MR. HOROWITZ: Yes.

15 COMMISSIONER CHONG: Just to be absolutely sure.

16 MR. HOROWITZ: Just to be -- because we're asking  
17 for a condition to occur --

18 COMMISSIONER CHONG: Anyone have an opposite view?  
19 Oh, this table is going crazy over here. Mr. Reilly.

20 MR. REILLY: Well, there's a third equation -- a  
21 third element to the equation and, that is, the consumer has  
22 to have a reasonable assurance that after the manufacturers  
23 build these things, that they will buy them in sufficient  
24 quantity to turn this whole thing into an economically viable  
25 practice and I think absent the assurance that broadcasters

1 will, in fact, be generating high definition programs at a  
2 certain point in time, it's going to make that just that much  
3 more difficult a proposition for the consumer to buy into.

4 COMMISSIONER CHONG: So you're talking about the  
5 people that owned the beta maxes.

6 MR. REILLY: All those people have learned a lesson  
7 and they've learned -- there's a lot of computer people in the  
8 meantime who have learned lessons as well.

9 COMMISSIONER CHONG: Okay, Mr. Carnes.

10 MR. CARNES: I think that mandating broadcasters is  
11 the right thing. People watch television programs for the  
12 content, they buy sets because they want to watch programs.  
13 The most solid way to do this to eliminate any confusion and  
14 to sort of hasten the whole process along would be to mandate  
15 programs. The fact that broadcasters already are willing to  
16 say, we would like you to -- I mean, it's okay if you mandate  
17 programs, it's not that you're jamming HDTV down their throat,  
18 but they understand that if this whole process is going to  
19 happen in a crisp way, that everyone involved, all of the  
20 industries, and most importantly, the consumer, are not  
21 confused about this. That they have confidence if they buy  
22 the set, there will be HDTV programs there and I think that's  
23 why you would be best advised to make that mandate.

24 COMMISSIONER CHONG: Okay, Joe, you've got one  
25 minute.

1           MR. FLAHERTY: To some extent, the question of these  
2 regulations depends on how short you want the transition time  
3 to be. If you don't care and it's left to the marketplace, it  
4 may take quite a long time. The issue here is that once the  
5 broadcaster buys a transmitter and goes on the air and is  
6 putting attractive programs on, whether they're mandated or  
7 not, the rest of the turnaround depends on the receivers and  
8 the transition time really begins the day you sell the last  
9 NTSC-only receiver. Any motivation to move that side quickly  
10 is what's needed.

11           COMMISSIONER CHONG: I think that's a good point,  
12 Joe. I am very concerned about the transition. I'm not  
13 worried so much about the early adopters, it's -- you know,  
14 I'm a middle adopter, I'm worried about the guys that are, you  
15 know, declining to adopt at all, you know, what do we do about  
16 them. Thank you.

17           COMMISSIONER HUNDT: Let me ask you a question, Mr.  
18 McKinney, if our public policy goal is free over-the-air  
19 digital broadcast, free over-the-air digital broadcast,  
20 wouldn't the cheapest, easiest, quickest, shortest, most  
21 certain thing to do is the following: When we auction the  
22 direct broadcast satellite slot on January 18 of next year, we  
23 will just say that they have to use at least ten of those  
24 channels for free over-the-air digital broadcast. That'll  
25 provide it everywhere in the country, including Alaska, all

1 the remote areas and we won't have to worry ever again about  
2 whether there will be free over-the-air digital broadcasts in  
3 this country, and then we can go ahead and be as flexible as  
4 we want and let digital broadcasters do anything they want.

5 MR. MCKINNEY: Well, I'm glad you asked about free  
6 over-the-air broadcasting because your previous series of  
7 questions, where you asked Mr. Keyworth and Mr. Carnes, were  
8 based on a question concerning auction of spectrum for which  
9 they will be able to use it only a few years. When you  
10 auction spectrum for a few years for a transition to the new  
11 digital service, all of those economic arguments about how  
12 much will be collected in the auction fall apart. You can, in  
13 fact, have free over-the-air television by satellite if you're  
14 willing to commit the American consumers, the American  
15 television audience, to leave behind free over-the-air  
16 terrestrial television and go to a new satellite service and  
17 expend the funds necessary, in fact, to do that

18 COMMISSIONER HUNDT: Well, when you say the funds  
19 necessary, you're talking about the consumer having to pay for  
20 the dish to receive it?

21 MR. MCKINNEY: Oh, not only the dish but the down  
22 converter as well and leader phernalia.

23 COMMISSIONER HUNDT: Well, who will put --

24 MR. MCKINNEY: Yes, possibly \$800 worth.

25 COMMISSIONER HUNDT: Well, it's \$800 except that

1 we're constantly told here by everyone else that that number,  
2 with competition, is going to go to \$500 and \$400 and that's  
3 why the cable industry is going to have competition. But  
4 whatever the number is, \$300 to \$400 to \$500.

5 MR. MCKINNEY: It's not local, it isn't local.

6 COMMISSIONER HUNDT: Yes, I understand what you're  
7 saying.

8 MR. MCKINNEY: Okay.

9 COMMISSIONER HUNDT: But you haven't been making the  
10 argument that our public policy goal was 200 plus markets of  
11 local free over-the-air broadcasts, you've just been saying  
12 free over-the-air broadcasts.

13 MR. MCKINNEY: I'll be happy to add local.

14 COMMISSIONER HUNDT: So it's a necessity that it be  
15 local as well.

16 MR. MCKINNEY: Of course. Of course it would be  
17 local as well.

18 COMMISSIONER HUNDT: Of course, all right, now with  
19 respect to local broadcasts, within five years, how many TVs  
20 will be receiving local broadcast over cable or telephony or  
21 wireless cable, all three added together?

22 MR. REILLY: About what time?

23 COMMISSIONER HUNDT: Within five years, how many  
24 households will be receiving local broadcasts over a  
25 combination of cable, telephone, and wireless cable? Anybody

1 want to give a --

2 MR. REILLY: Are you talking about digital?

3 COMMISSIONER HUNDT: Dr. Keyworth, you seem to be  
4 willing to give me an answer.

5 MR. KEYWORTH: I would simply say the number will be  
6 quite large.

7 MR. REILLY: More than 70 percent.

8 COMMISSIONER HUNDT: Over 70 percent. Mr. Reilly,  
9 over 70 percent?

10 MR. REILLY: Yes.

11 COMMISSIONER HUNDT: All right, so when we're  
12 talking about free local over-the-air broadcasts, we're  
13 talking about a service for less than 30 percent of the  
14 country in as soon as five years, since everyone else will be  
15 getting it over cable or over telephony or over wireless  
16 cable, right so far?

17 MR. REILLY: Well, people that get local broadcasts  
18 from cable or telephony don't get it free, they pay for that  
19 delivery, that additional delivery service.

20 COMMISSIONER HUNDT: I know, that's why I asked you  
21 how many would choose to pay for it. So as long as we're  
22 clear on what we're talking about here and what group we're  
23 trying to preserve. Now, let me ask you, Mr. Reilly, you said  
24 you thought we should mandate a minimum number of hours of  
25 high definition television as the particular format, what is

1 | the minimum number, in your view?

2 |           MR. REILLY: Well, the number we've been talking  
3 | about is five hours a week as a start.

4 |           COMMISSIONER HUNDT: All right.

5 |           MR. REILLY: However, if I may, the notion that  
6 | someone mentioned earlier that once you start the regime, it's  
7 | the first hour that's expensive to try and get out and I would  
8 | think that more than five hours would become the business  
9 | practice in a relatively short length of time.

10 |           COMMISSIONER HUNDT: It may well be, but you're  
11 | asking for a management of the industry by the Commission and  
12 | I wanted to know how many hours you thought we should  
13 | constrain in this manner and your answer is five. That's five  
14 | of the hours out of 168 hours in the programming week,  
15 | correct?

16 |           MR. REILLY: Um-hum.

17 |           COMMISSIONER HUNDT: So the other way to look at  
18 | your view is that for 163 out of 168 hours you don't think  
19 | there should be any government regulation as to format.

20 |           MR. REILLY: Well, I think if you give the consumer  
21 | the assurance that five hours a week will come from each of  
22 | five or six broadcasters, it will mean that the investment in  
23 | a new high definition set will have an opportunity to see as  
24 | many as 30 hours a week of high definition television at the  
25 | start, is a reasonable proposition for the consumer.

1           COMMISSIONER HUNDT: Now, I suppose that's appealing  
2 to the consumer as long as those hours they could appreciate  
3 on their high definition home theater were not at 4:00 a.m. in  
4 the morning. So do we need to also pick the time of day when  
5 the high definition broadcasts are going to be delivered?

6           MR. REILLY: I don't think that you'll need to do  
7 that in order to get broadcasters to broadcast in high  
8 definition and in a time when people will want to watch it.

9           COMMISSIONER HUNDT: You mean voluntarily  
10 broadcasters are going to elect to broadcast in high  
11 definition format in primetime, for example.

12          MR. REILLY: That would certainly be my  
13 expectations.

14          COMMISSIONER HUNDT: So I'm just wondering if  
15 voluntarily they're going to do that, exactly why we have to  
16 have a government mandate to do it. Now, let me ask -- that's  
17 just wondering, that's not a question. Let me ask you, when  
18 Mr. Hubbard and Hughes worked together to put up their direct  
19 broadcast satellite, they had the problem of having to find  
20 somebody who would manufacture receivers and together go to  
21 the market with the service and the receivers. But, instead  
22 of asking the government to solve that problem, they  
23 contracted with Thomson and then with Sony to have a joint  
24 enterprise and they offered in Sears and other places the  
25 receivers and the service and you could buy the receiver and

1 the service at the exact same time, and that way, everybody  
2 involved knew, through private negotiations, that there would  
3 be something to buy and something to watch if you bought it.  
4 Isn't that an illustrative and useful model of industry  
5 working together in private negotiations instead of asking the  
6 government to mandate formats?

7 MR. REILLY: Well, I think it's remarkably different  
8 to have two companies get together and cooperate with a  
9 manufacturer than to expect 1,500 separate broadcasters, who  
10 are owned by hundreds of different companies, located all  
11 across the country, to somehow try and get together and  
12 contract with a manufacturer or a group of manufacturers to  
13 come up with an individual standard. I don't think we have  
14 the market discipline, our whole industry is set up on the  
15 basis that we don't have that kind of uniform market action.

16 COMMISSIONER HUNDT: We've run out of time. I'm  
17 sure, on all sides, we have many, many questions and answers,  
18 unasked and unanswered but we've run out of time.

19 COMMISSIONER BARRETT: Can I ask Mr. Reilly one  
20 question? Are the 1,500, are you talking about those that are  
21 merely affiliates or those that are owned and operated by you?

22 MR. REILLY: No, I'm talking about all the  
23 commercial television stations, not the --

24 COMMISSIONER BARRETT: But you have some influence  
25 over those that you own and operate, you're not just --

1 MR. REILLY: That we own and operate, of course,  
2 yes.

3 COMMISSIONER BARRETT: And you have affiliate  
4 agreements in which you can put the agreements that the  
5 Chairman talked about in those agreements with the local  
6 broadcasters. So you're not talking about everybody having to  
7 go out and to talk to 1,500 broadcasters?

8 MR. REILLY: Well, but we don't have any affiliate  
9 agreements that would require what standard we'd broadcast  
10 under.

11 COMMISSIONER BARRETT: You can put -- fill an  
12 agreement in order for one to have programming and to use  
13 whatever the name will be, at some point.

14 MR. REILLY: I suppose that would be possible, I  
15 mean, it would be a negotiation between the separately-owned  
16 stations such as myself and the networks with which we're  
17 affiliated.

18 COMMISSIONER BARRETT: Uh-huh, okay. But if one of  
19 the networks wanted to bring something to you that was  
20 comprehensive in nature to get where the Chairman wanted to  
21 go, there are avenues for that to be done without one  
22 approaching each individual 1,500 institutions or stations.  
23 Yes or no?

24 MR. REILLY: I think it would be possible for ABC to  
25 come to us with a proposition that said, we want you, in order



1 haven't been watching all day, we'll allow three-minute  
2 opening statements to each of the six members of the panel.  
3 The timekeepers on the right are authoritarian and armed with  
4 all enforcement powers. We will then have six-minute blocks,  
5 one round and then a second round for each of the  
6 Commissioners, questions and answers. If we appear slightly  
7 impatient during the answers, it's only because we like to  
8 hear our own questions, and we get started. Mr. Allan.

9           MR. ALLAN: Thank you, Mr. Chairman. Thomson and  
10 the Consumer Electronics Manufacturers' Association, which  
11 joins in these comments, endorses the Commission's goal of  
12 preserving and promoting universal, free, over-the-air  
13 television while making the most efficient use of television  
14 spectrum. These goals can best be achieved by upgrading the  
15 nation's terrestrial television system to high definition  
16 capability. Once this is insured, broadcasters should be  
17 encouraged to develop additional services to respond to the  
18 information age needs of consumers.

19           Our experience with the RCA direct satellite system  
20 teaches that factors for successful introduction of digital  
21 television are early availability of substantial amounts of  
22 digital programming, and dramatic improvements in both video  
23 and audio quality. The DDS experience also demonstrates that  
24 consumers, including many of modest means, will be willing to  
25 invest in digital television. Recent market research affirms

1 that in addition to a strongly favorable reaction to high  
2 definition TV picture quality, consumers are willing to pay  
3 substantial premiums for digital high definition receivers.  
4 Thomson currently estimates that retail price premiums for  
5 HDTV over large screen NTSC sets will initially be  
6 approximately \$1,000 to \$1,500, will fall to between \$500 and  
7 \$750 within five years, and by the tenth year could be as low  
8 as \$250 to \$350 and even less on some small screened sets.

9 COMMISSIONER HUNDT: Just for a point of  
10 clarification, that was for what, exactly?

11 MR. ALLAN: That's the premium of high definition  
12 over comparable NTSC sets.

13 COMMISSIONER HUNDT: It was the extra.

14 MR. ALLAN: It's the extra, it's the increment.

15 COMMISSIONER HUNDT: Okay, sorry.

16 MR. ALLAN: Okay, while these premiums seem  
17 substantial, remember that when first introduced, color  
18 television cost about as much as an automobile. As with  
19 similar product, by initially attracting early adopters,  
20 manufacturers can build volumes, achieve cost reductions, and  
21 drive down prices. Other important facts that point to rapid  
22 consumer acceptance of digital television include, first, the  
23 seven-year replacement cycle in which consumers primarily  
24 replace their main viewing set, the consumer's desire to  
25 upgrade his current television set as evidenced by a 30

1 percent annual growth rate in the sales of large-screen sets,  
2 and three, the title wave of digital technology sweeping over  
3 the consumer electronics industry creating significant  
4 synergies with digital television.

5           These advances make it clear that broadcasters must  
6 offer HDTV to remain competitive. By requiring HDTV  
7 broadcasts, the Commission can insure early and frequent  
8 availability of HDTV programs and send a clear message on the  
9 most significant factor driving consumer acceptance of digital  
10 television. This will hasten the day when all Americans have  
11 dramatically improved television service and allow the  
12 Commission to recapture valuable NTSC spectrum much sooner.

13           Thomson, and undoubtedly other manufacturers, will  
14 market digital receivers that receive all ATV formats. Beyond  
15 these similarities, products will vary widely as manufacturers  
16 differentiate their offerings and compete for market share,  
17 but in the long run, the competitive market forces will  
18 determine both the desired feature and performance levels. In  
19 consumer electronics, key ingredients for successful product  
20 and service introductions are, first, the broad availability  
21 of programming, second, wide retail distribution of receiver  
22 hardware and a clear consistent message to consumers. Prompt  
23 leadership from the Commission will galvanize private industry  
24 to make the investments necessary to turn the vision of  
25 digital television into reality. Thank you.

1           COMMISSIONER HUNDT: You only went over because I  
2 interrupted you, so it's all right.

3           MR. ALLAN: Okay.

4           COMMISSIONER HUNDT: Mr. Grossman.

5           MR. GROSSMAN: I'm going to tell you about a very  
6 large but very different group of TV stations, serving small  
7 cities, minorities, and rural areas. You've ignored them so  
8 far in your spectrum allocation efforts and the big  
9 broadcasters running the ATV show are going to keep ignoring  
10 them unless you, Commissioners, tell them to pay attention.  
11 Low power TV, a misnomer, it should be called community TV,  
12 serves five times more minorities than any other part of the  
13 industry. It serves so many people in small towns that if  
14 it's ignored, you will have violated the basic tenants of  
15 serving the people of this country. There are 1,772 low power  
16 TV stations, licensed in every state, most built in the last  
17 ten years and built with their investors own money, something  
18 you never see anymore.

19           They range from my own station serving 1,200,000  
20 Hispanics in Miami to Granny Evetts' tiny home town station  
21 serving 500 people in Etheridge, Tennessee. LPTV stations  
22 have no must carry rights, they can't lease cable channels  
23 because the rates which you condone are so high but they  
24 survive and they serve, and if you throw them away, you'll be  
25 shutting down the only local service for millions of

1 minorities and people in small towns and rural areas.

2           How can you justify promoting the internet that you  
3 can't get without an expensive computer and doesn't provide  
4 local service while shutting down a fundamentally local  
5 service with an average of 23 hours a week of children's  
6 programming with no government law to make them do it. The  
7 world of high tech has done nothing to replace the local  
8 broadcaster. When disaster strikes, when Hurricane Andrew hit  
9 Miami, the cable went dead. Immediately the official  
10 emergency broadcast station for Dade County is my LPTV  
11 station. The only reason there wasn't panic is that the  
12 people could get information from over-the-air broadcast  
13 stations. Full power stations can't survive without a big  
14 core central market, but LPTV stations can and do.

15           There is no Spanish language TV in Washington.  
16 There is -- LPTV is the only local service in Hopkinsville,  
17 Kentucky, Junction City, Princeton, Indiana, where the high  
18 school kids run the TV station. These small town people don't  
19 read the Federal Register and don't even know you are  
20 threatening their only service. They pay taxes and they  
21 expect you to look out for them.

22           I have a map here that shows all the stations that  
23 are LPTV including over 200 in Alaska. If all the services  
24 lost with ATV, aren't we taking a giant step backwards? You  
25 know, if it walks like a duck, quacks like a duck, then, by

1 | gosh, it is a duck, and you can come up with any legal theory  
2 | you like but LPTV looks like TV and the public relies on it  
3 | like TV and we are broadcasters regardless of Paragraph 25 of  
4 | the latest notice of proposed rule-making. And he said stop.

5 |           COMMISSIONER HUNDT: Mr. Abel.

6 |           MR. ABEL: I'm the CEO of a new company, Datacast  
7 | Partners, which is a partnership of two large broadcast group  
8 | owners in which other group broadcasters will be joining a few  
9 | weeks. We're undertaking a venture to develop digital  
10 | applications that will initially be transmitted in the current  
11 | NTSC television channels. This involves undeveloped  
12 | technologies and applications in a less than optimal host, the  
13 | NTSC channels, but I am confident that, at a minimum, our  
14 | experimentation will develop a base of knowledge that will aid  
15 | the creation of applications for the new digital channels.

16 |           Since existing TV receivers do not have sufficient  
17 | memory or intelligence to receive, store, and manipulate  
18 | digital content, we intend, initially, to transmit digital  
19 | data to computers. The National Data Broadcasting Committee  
20 | has been testing and evaluating two systems for inserting data  
21 | into the NTSC signal and one or both of these systems will  
22 | eventually be recommended to the FCC by the Committee. I  
23 | encourage the Commission to act expeditiously on that  
24 | recommendation.

25 |           I want to emphasize two points. First, my company

1 is working on digital broadcasting applications that will be  
2 totally free to consumers. Today, as you know, if you have a  
3 computer, you must either pay an on-line service or an  
4 internet access provider to enjoy the benefits of digital  
5 content an information. Our approach is different. We want  
6 computers and ATV sets to be able to receive digital  
7 multimedia for free. The free and universal nature of TV  
8 broadcasting is what has made us great and that's I think will  
9 continue to make it great.

10           Although the total bitstream capacity of the NTSC  
11 channels is only a fraction of the capacity of the ATV  
12 channels and will not permit digital full motion video, some  
13 exciting new applications that we contemplate testing include  
14 children's educational software, additional multimedia news  
15 content, schools closings and other school information, and  
16 digital mass marketing. In addition, we can enhance existing  
17 TV advertising campaigns by transmitting additional digital  
18 content for products and services that are heavily information  
19 dependent, such as a digital multimedia brochure about a new  
20 automobile that was advertised for only 30 seconds in a  
21 station's main TV broadcast.

22           Our intent is to develop these applications within  
23 the limitations of the NTSC channels and then transition them  
24 to the more favorable ATV channels once these channels are  
25 assigned and activated. The applications under consideration

1 | will not replace or change current real time television  
2 | broadcasting in the current or the new channels, nor do we  
3 | intend to transmit these digital applications in place of HDTV  
4 | programming.

5 |           My partners have given me the opportunity to pursue  
6 | a vision, risky though it may be, that TV broadcasting in the  
7 | information age must be more tuned to the information needs of  
8 | the consumer. I believe that free digital broadcasting is the  
9 | answer to providing multimedia content and additional  
10 | information to all consumer, not just those who can afford  
11 | subscription fees. Thank you, and I'd be happy to answer your  
12 | questions.

13 |           COMMISSIONER HUNDT: Mr. Gabbard.

14 |           MR. GABBARD: Thank you. I appreciate the  
15 | opportunity to be here today. I come as president of Gray  
16 | Communications, licensee of six television stations in smaller  
17 | markets. I'm also chairman of the Television Board of the  
18 | NAB, and I carry one overriding message to the Commission  
19 | today, that is, that the general viewing public's interest in  
20 | ATV, the consumer's interest, is strongly tied to the ability  
21 | of broadcasters in every market size to bring this new amazing  
22 | ATV technology into all American homes. This will enable the  
23 | American viewing public to have full and fair opportunity to  
24 | judge the benefits of digital TV and decide what they want for  
25 | their future, for American television.

1           My written statement details the reduced profit  
2 pictures in the smaller markets and discusses how tough it's  
3 going to be for stations in these size markets to construct  
4 ATV facilities. A staggered implementation schedule for mid  
5 and smaller market stations would help lighten this load. It  
6 would do so by giving them more time over which to spread out  
7 these large investments. But, importantly, a staggered  
8 construction period would reduce implementation costs by  
9 allowing the technology to mature, the manufacturing  
10 efficiencies to develop, competition to arise and prices to  
11 drop. It would also remove the incentive to raise prices  
12 created by a crunch construction period where demand exceeds  
13 current production capacity.

14           If the Commission will extend out the construction  
15 period for midsize markets to say another two or three years  
16 and America's broadcasters, even in the mid to smaller size  
17 markets, stand ready to bring ATV to their audiences, the  
18 public should be given every opportunity to determine their  
19 future. And we would like to see the smallest markets  
20 extended out maybe another two or three years because these  
21 are the markets that are going to have the most difficulty.

22           This means the smaller market broadcasters must be  
23 afforded a reasonable ATV rollout period. Without it, many  
24 midsize and most small market broadcasters just could not  
25 construct ATV facilities and therefore not be able to bring

1 | ATV consumers into the smallest markets. The cost to  
2 | construct an ATV facility will be high, even just to pass it  
3 | through, probably just the network, about \$1.8 million is a  
4 | good estimate, and that's for every TV station in every size  
5 | market, no matter how large or how small.

6 |           We in the smaller markets want the opportunity to  
7 | enter the 21st century with 21st century technology, so that  
8 | American television can remain free, local, and over-the-air  
9 | as the envy of the world. I thank you very much.

10 |           COMMISSIONER HUNDT: Thank you. Mr. Liroff.

11 |           MR. LIROFF: Thank you, Mr. Chairman. In a recent  
12 | speech you asked, "Will we be able to use this new TV not only  
13 | to entertain our families, but also to educate our children,  
14 | participate in political debates, gain knowledge and enrich  
15 | our lives"?

16 |           Public television's answer to this question is an  
17 | enthusiastic yes. We are distinguished from our commercial  
18 | counterparts in that we are mission driven. We all know the  
19 | potential for enhancing series like Nova and the American  
20 | Experience and Great Performances with high definition  
21 | superior audio and video and we are unwavering in our  
22 | commitment to bring HDTV to the public. But ATV's  
23 | multichannel capabilities also offer extraordinary  
24 | opportunities for increasing public service. A typical ATV  
25 | schedule might combine primetime high definition broadcasts

1 with a daytime schedule of four simultaneous and distinct  
2 educational services, such as a Ready to Learn program for  
3 pre-schoolers, advanced high school courses such as calculus,  
4 Japanese and physics, otherwise unavailable to students in  
5 many parts of the country, the high school equivalency and  
6 college credit telecourses, and a local government and public  
7 affairs channel, a local C-span, if you will.

8           Now, distributed with each of these program services  
9 would be course materials, student and teacher guides,  
10 computer software as well as closed captioning and video  
11 description for hearing and visual impaired viewers. This is  
12 not a pipe dream, these very types of services are available  
13 today on public TV stations throughout the country, but now  
14 each station must choose which type of service to offer and  
15 which audience to serve. With ATV, stations will have the  
16 ability to unlock the full public service potential of their  
17 mission by servicing multiple audiences simultaneously. Thus,  
18 with ATV, our public service will increase.

19           Now, it's important to stress that this vision will  
20 be made possible only with legislative relief and regulatory  
21 support. Public television has proposed to Congress that it  
22 use its ATV spectrum to generate revenue to fund its future.  
23 But even apart from this legislation, through this rule-  
24 making, the Commission can determine if our citizens are to  
25 benefit from the full potential of this new technology.