

General Instrument

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By Hand

July 23, 1997

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William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

Re: Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming; CS Docket No. 97-141

Dear Mr. Caton:

General Instrument Corporation ("GI")¹ submits this letter as comment in the above referenced proceeding on the status of video competition.

In preparing its annual Report to Congress, the Commission issued a Notice of Inquiry requesting information on those provisions of the Telecommunications Act of 1996 which aim to encourage competition in the delivery of video programming. GI takes this opportunity to briefly respond to the Commission's request for comments on Section 629 of the Communications Act (added by the 1996 Act), which seeks to establish retail availability of "navigation devices" and other equipment used to access multichannel video programming services. GI also provides some 1997 market data and comments concerning regulatory treatment of MVPD equipment.

GI first incorporates here by reference the comments filed by GI in CS Docket No. 97-80, the proceeding to implement Section 629. GI filed extensive comments to assist the Commission in crafting a limited regulatory approach that will fulfill the statute as written by Congress without burdening the industry, threatening the security of the

¹ On July 28, 1997, GI will complete its strategic restructuring plan, dividing GI into three separate public companies. NextLevel Systems, Inc., will focus exclusively on the provision of broadband networks, encompassing GI's high-growth cable television, satellite television, telephony and data networking businesses. NextLevel Systems, Inc., will be composed of GI's current Broadband Networks Group, based in Hatboro, Pennsylvania; the Satellite Data Networks Group, headquartered in San Diego, California; and GI's Next Level Communications subsidiary, based in Rohnert Park, California. GI's current coaxial cable and power semiconductor businesses will become CommScope, Inc., and General Semiconductor, Inc., respectively.

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networks or stifling innovation. GI's comments in the retail proceeding offer marketplace data which should be useful to the Commission in creating its annual Report to Congress.

Essentially, GI notes that several marketplace developments have combined to produce a positive environment for the retail distribution of multichannel video programming distributor ("MVPD") equipment. First, and most importantly, the conversion to digital technology will enhance system security and speed the standardization of networks and equipment. Second, increased competition from DBS and other alternative video programming providers has led cable operators to look for new ways to reduce their capital costs to better focus their investment dollars on network upgrades and the provision of innovative services. Consumer purchases of navigation devices and other equipment could significantly reduce the capital outlays of MVPDs. Third, the success of the retail distribution model for DBS services has led the cable industry to examine the retail option. DBS has enjoyed success at retail even though its equipment generally is not interoperable among providers. Lastly, the growth in popularity of direct distribution channels, such as catalogs, home shopping networks, 1-800 numbers and the Internet, has captured the attention of MVPD operators who recognize the possible security benefits of direct distribution to consumers.

In addition to this market information, the Commission also seeks data regarding technological advances in set-top terminals, including "updates on interoperability, portability and market-driven standards." Again, these issues are discussed in the retail proceeding and GI directs the Commission to its comments there. However, GI notes here that market forces are already producing interoperability through industry standards-setting, open licensing and private agreements. In October of 1996, the cable industry announced a voluntary digital video standard; soon to follow was an announcement of a cable modem standard. Meanwhile, operators and vendors are working on cross-licensing agreements to enable digital navigation devices to be supplied by even more manufacturers.

This ongoing work by cable operators and equipment manufacturers is being done without government directives or incentives. Marketplace solutions to the issues of interoperability and portability will occur in response to the demands of MVPDs and consumers. Inter-system competition, not regulation, is the best method for meeting the goal of commercial availability without jeopardizing security or innovation.

Technology for the delivery of video programming is rapidly changing as the industry continues its conversion to digital. This year, GI has announced several significant new products and advances in technology. For example, C-band dishes can now receive digital signals in addition to analog signals. GI's new "Digital Density" video compression technology can transmit 16 separate, high-quality compressed feeds in the same space as a single analog TV channel. Most recently, GI announced that it has begun development of a 8-VSB to QAM transcoder that will be integrated into its existing lineup of digital headend equipment by year-end 1998. The new broadcast

digital television signals will utilize a 8-VSB modulation scheme, and the transcoder will assure compatibility with the NextLevel digital systems that cable operators have already begun to deploy. To date, GI has shipped more than 60 digital headends to customers, enabling them to reach some six million homes.

Digital compression technologies will mean introduction of new broadband services and the development of a variety of new and innovative approaches to their delivery. Today we are in the earliest stages of that development, a fact which has implications for the Commission's regulatory policies. These policies should place the highest value on competition and innovation -- the best guarantees of consumer welfare and economic growth.

Respectfully submitted,

General Instrument Corporation

A handwritten signature in cursive script that reads "Faye R. Morrison". The signature is written in black ink and is positioned above the typed name and title.

Quincy Rodgers,
Vice President

Faye Morrison,
Government Affairs Representative

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