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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

February 20, 2001

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
The Portals, TW-A325
445 12th St., S.W.
Washington, DC 20554

Re: Ex Parte Notification – CS Docket No. 97-80
Implementation of Section 304 of the Telecommunications Act of
1996; Commercial Availability of Navigation Devices

Dear Ms. Salas:

This letter is being filed on behalf of Motorola, Inc. (Motorola). On February 15, 2001, I accompanied Ray Bontempi, Manager, Systems Engineering, Broadband Communications Sector, and Jeanine Poltronieri, Director, Telecommunications Strategy and Regulation to a meeting with the Cable Services Bureau Staff, which included Deborah Klein, Steven Broeckaert, John Wong, Mike Lance and Tom Horan, at the FCC. The meeting topic concerned Motorola's views on the above-referenced proceeding as set forth in previously submitted comments and reply comments by Motorola.

Included with this letter are copies of two documents distributed at the meeting.

Please contact me regarding any questions in this matter.

Sincerely,

Christine G. Crafton
Vice President
Broadband Regulatory Policy
Motorola, Inc.

Attachments

Cc: Deborah Klein
Steven Broeckaert
John Wong
Mike Lance
Tom Horan

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Broadband : The Focus of Today's Meeting

The #1 broadband regulatory goal for 2001 is to be able to continue to manufacture set top equipment with embedded security as an option for our customers and for consumers.

The Commission should *not* move closer the 2005 date banning embedded security. To do so would have no positive effect on retail sale of STBs and would negatively impact consumers. The FCC's requirements for separation of security (PODs/hosts) have been met, the statutory mandate of the '96 Act has been met and manufacturers are now offering an array of retail products. Retailers' complaints against Open Cable are motivated by their desire for a larger, monthly revenue stream. Open Cable specs are sufficient to allow competitors to offer full function STBs.

Rather, the Commission should *eliminate* the 2005 date requirement. Consumers should continue to have the option of *leasing lower cost equipment*. The 2005 date ban was enacted when it appeared integrated STBs could not be sold at retail. Today, there are multiple business models including Motorola's new line of *retail-only* STBs with embedded security, advanced functionality and POD slots. There no longer exists any reason to maintain the 2005 date ban.

Auctions / Spectrum

- **Auctions:** Auctions policy in the U.S. has served many useful functions, not the least of which is expediting the licensing of new spectrum for new services. As we consider auctioning off significant new spectrum for 3G services, we should look again at the auctions model and the impact the high current spectrum valuation may be having on industry.
- **3G:** A top priority for 2001 is acquiring spectrum for 3G. We need 160 MHz of spectrum and it should be harmonized with use globally.
- **Public safety:** acquire additional spectrum at 4.9 GHz and need to identify through the ITU globally harmonized bands.

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By Ken Freed

from the January 22, 2001 issue of *Broadband Week*

As if creating a retail market for standardized digital cable set-top boxes wasn't enough of a challenge, the cable and consumer electronics industries now are deep into the task of designing and manufacturing digital cable-ready TV sets.

Satisfying both the implementation requirements of its OpenCable standard and the requirements of retail consumer electronics marketplace competition will not be easy. And the question remains who-besides cable operators and the government-is hungry for the retail-oriented, cable-ready equipment that OpenCable was created to help foster.

OpenCable is the cable industry initiative to define the next generation of digital cable set-tops and other devices with an eye toward creating a true consumer retail market for the hardware necessary to receive cable programming.

Don Dulchinos, vice president of advanced platforms and services at the Cable Television Laboratories Inc. research and development consortium, says the OpenCable specification essentially was completed last year with finalization of a removable point of deployment (POD) card by vendors Motorola and Scientific-Atlanta. The so-called PODs plug into OpenCable set-tops or other devices to provide programming security functions for the cable operator-to control access to premium channels, for example.

"An OpenCable TV set assumes the POD card slot will be built into the front of the television itself," Dulchinos says. Next will come the OpenCable certification process for set-top manufacturers. This cycle of development and testing has averaged, by comparison, about a year in duration for cable modems being certified for the DOCSIS standard, Dulchinos says. The same certification process will apply to OpenCable television sets, he says, noting that the average development cycle for a consumer electronic product is at least 18 months.

Motorola and Scientific-Atlanta have applied for OpenCable set-top box certification, and eight more companies are testing their box designs in pre-certification dry runs at CableLabs.

Dulchinos notes that some manufacturers already are showing OpenCable prototypes. Panasonic has been showing one at the Western Show and later at this month's International Consumer Electronics show, for example.

"An example is the prototype Panasonic TV set shown at the Western Show and then at CES. There's a card slot in the chassis forming the base of that TV."

The cable people have a lot of incentive for the CE industry to move ahead with the integrated sets: this month's CES show featured several of the growing number of upstart vendors offering technology integrating Internet access and interactivity features with standard broadcast TV sets.

EsprTV Inc. made a big splash at CES with its own integrated television product

providing Internet access via the users' existing ISP account. The sets, which will retail for about \$700 for a 16-inch set, utilize a browser from PlanetWeb and are powered by an x86-level microprocessor.

Also, chip developer TeleCruz Technology announced a product development agreement to integrate its interactive TV technology into Zenith's multimedia television platform. Zenith plans to begin shipping the sets, which will offer free dialup Internet access, by early spring.

TeleCruz also has deals with Daewoo and with electronics giant Panasonic, which in the third quarter plans to ship sets capable of either 56k dialup access or DSL access via ISP Earthlink, although initially only dialup access is being offered.

Further trials are under way with AT&T Broadband and a deal is pending with ISP Prodigy, which offers DSL access, according to Jodie Hughes, president and CEO of San Jose, Calif.-based TeleCruz. Hughes notes that the electronics integrating TeleCruz' technology will add only about \$100 to the retail cost of the set.

Hughes also says the company is looking to provide cable modem-connectivity but that the OpenCable market remains "premature."

Dulchinos says that although no one formally has applied for OpenCable certification of an integrated TV, other vendors working on such products may include Samsung, LG Electronics and Philips. The next wave of OpenCable certifications begins late next month.

"We're working on digital TV sets that are able to handle both HDTV terrestrial reception and OpenCable-compliant communications," says Haig Krakirian, vice president of software engineering at Pioneer digital technologies.

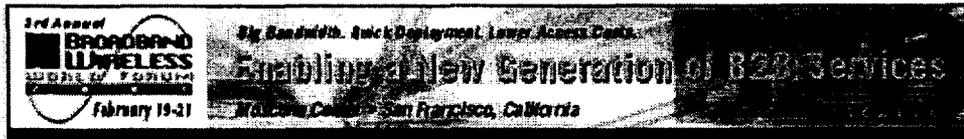
He anticipates one vendor will have to take the lead in launching an OpenCable TV, proving the market exists before the rest of the CE industry follows.

"The CE manufacturers are not going to put anything in a TV set unless they feel a standard is totally finalized," says Matt Wong, VP engineering for Canal+ U.S. Technologies. "Merging together the digital cable box and digital ATSC TV sets will not be easy, and there are many layers of integration to address, such as differences in the signal modulation and power supply, let alone the fact cable is still reluctant to support wide-screen HDTV."

"The situation at the moment is pretty stagnant," says Strategist Group broadband analyst Keith Kennebeck. "The OpenCable push into set-top boxes hasn't yet come to fruition with actual boxes in the retail market, and that needs to happen before there is any substantial effort by cable's 'old boys network' to push OpenCable into cable-ready TV sets."

Also, most consumers do not yet even know about OpenCable so they cannot appreciate the value proposition of having a box they can plug and play anywhere in the country.

Says Kennebeck: "There's little incentive now to buy an analog cable-ready TV set, so it will take a big public education campaign before consumers will want OpenCable TVs."



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MOTOROLA

Set Top Box
Universal Security Separation

Meeting with Cable Services Bureau

February 15, 2001

Consumer Choice vs. Universal Security Separation

- The retail consumer is different from the consumer who leases equipment
 - We drew on our retail experience with modems
 - We have begun to launch a new product solely for retail: DCP (contains embedded security and a POD slot)
 - A consumer who wants to lease a box at the lowest possible cost should be able to do so

Consumer Choice vs. Universal Security Separation

- The statutory requirements have been met to separate security and develop a retail product: DCT 2020 (POD/Host)
- The 2005 ban was enacted when integrated security boxes were not designed for retail sale
- Retailers rejected both Motorola's and SA's efforts to stock host boxes
 - Dwight Sakuma (Motorola) met with Circuit City and Best Buy, Spring 2000.

Consumer Choice vs. Universal Security Separation

- This blanket requirement is not needed since the statutory requirements have been met
- Moreover the blanket requirement limits consumer choice; some consumers will want to lease a set top box at the lowest possible cost

Thank you!

Chris Crafton

Jeanine Poltronieri

Ray Bontempi

Motorola Washington Office

202/371-6900