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August 1, 2002

**Via Electronic Filing**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

Re: Ex Parte Communication In the Matter of Review of the Commission's Rules  
and Policies Affecting the Conversion to Digital Television (MM Docket 00-39)

Dear Ms. Dortch:

Enclosed please find a paper by the Analysis Group commenting on the Arthur D. Little, Inc. ("ADL") submission titled "Assessment of the Impact of DTV on the Cost of Consumer Television Receivers" which was prepared for and submitted in MM Docket No. 00-39 by Maximum Service Television ("MSTV") and the National Association of Broadcasters ("NAB"). This paper, along with a briefing paper titled "Mandatory Digital Tuner Proposals", today were sent electronically to those persons noted below by Michael Petricone, Vice President, Technology Policy, Consumer Electronics Association.

The Analysis Group concluded that the ADL Comment has substantial shortcomings that seriously undermine its projections. The Analysis Group comment concludes that the impact of a DTV tuner mandate on television sales, prices to consumers, and manufacturing costs will be greater and last longer than suggested by ADL's projections. Specifically:

- ADL understated the costs to television manufacturers of integrating a digital tuner in TV sets. Thomson Multimedia, in its Comments to the Commission, explained in detail that the current cost of integrating a digital receiver is between \$200 and \$295 per set. ADL erroneously projected that the cost would be \$60 per set. This error makes all of ADL's resulting projections unreasonably low.
- ADL ignored the decline in television sales that inevitably would accompany an increase in their price due to a digital tuner requirement.
- ADL's projection overstates the time required for costs to decline as a result of sales because sales are overstated.

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- ADL ignored the time it takes to process efficiencies realized from experience, resulting in even more understatement of future television and manufacturing costs if DTV tuners are required.

DTV tuners are built into certain television models today, and set-top boxes with DTV tuners are readily available that enable reception for any television - large screen high definition to the 5-inch \$79 set. It would be arbitrary and capricious were the Commission to add hundreds of dollars to the cost for every American consumer purchasing a television set for a DTV tuner that will remain unused because most consumers obtain their programming by cable or DBS; or use their TV set to display pictures from their VCR, DVD player, or game device (Game Cube, Play Station, X-Box, etc.).

We wish to reiterate that CEA and its members continue to strongly believe in the digital future and DTV. We have consistently demonstrated our commitment. Every CEA member who sells digital television sets is willing to commit to include a DTV tuner in digital compatible sets because the extra cost to the consumer is reasonable due to the dual use of much of the circuitry in such a television.

As a practical matter, the statutory 85 percent benchmark for clearing analog broadcast channels 52-69 is attainable only by addressing cable's 70 percent of market share unless form triumphs over substance (or common sense) and costly but unused tuners are deemed sufficient to meet the benchmark.

In accordance with Section 1.1206 of the Commission's Rules, 47 C.F.R. §1.1206, an original and one copy of this letter, including the attachments, are being filed with your office. Please direct any questions concerning this matter to the undersigned.

Very truly yours,



David R. Siddall  
for PAUL, HASTINGS, JANOFSKY & WALKER LLP

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Enclosure

cc: Susan Eid  
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