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MCDERMOTT, WILL & EMERY

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August 15, 2002

VIA ECFS

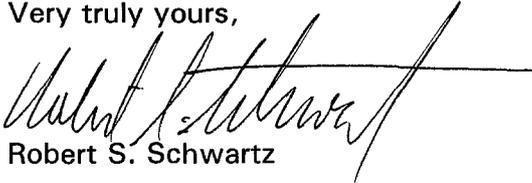
Ms. Marlene H. Dortch
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, D.C. 20554

**Re: *Ex Parte* Presentation; In the Matter of Implementation of Section 304 of the
Telecommunications Act of 1996; Commercial Availability of Navigation Devices;
CS Docket No: 97-80**

Dear Ms. Dortch:

This letter and the attachment, the Declaration of Jack W. Chaney, are being provided to your office in accordance with Section 1.1206 of the Federal Communications Commission rules, as an adjunct to the August 1 Filing of the Consumer Electronics Retailers Coalition entitled "*CERC Reply To NCTA Attempt To Further Escape Commission Deadlines And Expectations For Competition And Interoperability.*" A copy of this notice, and the attachment, has been delivered to the parties listed below.

Very truly yours,



Robert S. Schwartz

cc: Rick Chessen
Bill Johnson
Deborah Klein
Michael Lance
Susan Mort
Michael Perko

Declaration of Jack W. Chaney

I am a consulting engineer and designer with respect to modular security systems. I have long experience in the invention and development of the modular navigation devices that have led to the development of the current CableLabs Point of Deployment ("POD") module design.

While employed by Thomson Consumer Electronics, I was co-chairman of the joint Cable / Consumer Electronics technical committee that developed the National Renewable Security Standard ("NRSS"), the antecedent of the POD design. In 1994 I personally invented the form factor for "NRSS Part A," an extension to the industry standard "smart card" design, ISO 7816, which adds a high speed serial transport stream processor. The CableLabs POD is based on the companion NRSS standard, "NRSS Part B," which employs a "PCMCIA" form factor derived from that already in widespread use in Europe's "DVB" conditional access digital broadcasting system.

In my current consulting responsibilities I have continued to be involved in the development and procurement of modular navigation device components on a worldwide basis. My direct development experience as to the NRSS Part A format has provided me with detailed data indicating that as soon as the two million unit quantity level is reached, procurement cost for units fully comparable in performance to PODs will drop below \$10 per module, and continue downward thereafter. For example, I have obtained firm quotations from an IC vendor, a smart card producer, and a well known security software house to produce an NRSS Part A card within 1 year. Prototype NRSSA cards exist today. In small quantities (10K or less) the Bill of Materials for the card is \$8, in large quantities (over one million) it is \$4. This does not include the CA software system cost, which an existing CA vendor already has completed. To me this cost is about \$20/card for the first 100K units and about \$2/card for the first 1Million units.

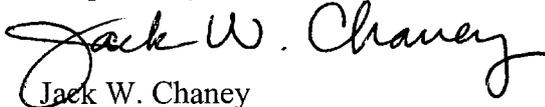
Today, in 100K quantity a working NRSS Part A card can be brought to market for an OEM price of \$30 each. In one million quantity the price today is \$9 each. For the second million cards, the OEM price would be \$7, including profit. Adding an automated, remote control triggered, upstream signaled PPV feature requires an additional, one-time, software development expense, which also accommodates in-band data or set-top box (STB) filtered out-of-band (OOB, downstream) data, and reverse channel (upstream) signal processing.

These known cost increments provide guidance as to the PCMCIA POD implementation, the hardware and software requirements of which I am also very familiar with. (However, no such large quantity orders are, to my knowledge, presently under discussion.) With respect to the PCMCIA factor POD modules, my experience and knowledge of all market and supply factors supports my opinion that the \$15 per unit procurement cost will be reached before quantities reach five million. Ultimately, if cable operators -- whom I understand have received navigation devices at the rate of 135,000 per week¹ -- were to specify a POD module for each navigation

¹ This is my understanding based on reports as to presentations by cable industry executives at an annual NCTA convention.

device, I have little doubt that the per unit cost, including the cost of the host interface, would fall below \$15 within one year, and would decrease by several dollars in the next year.

Respectfully submitted,

A handwritten signature in black ink that reads "Jack W. Chaney". The signature is written in a cursive style with a large, looping initial "J".

Jack W. Chaney
2842 Birkdale Court
Gilroy, CA 95020

August 14, 2002