

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)	
)	
Annual Assessment of the Status of)	MB Docket No. 05-255
Competition in the Market for the)	
Delivery of Video Programming)	

**COMMENTS OF THE
CONSUMER ELECTRONICS ASSOCIATION**

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TABLE OF CONTENTS

I. INTRODUCTION.....1

II. THE CONSUMER ELECTRONICS ASSOCIATION.....4

III. THE MARKET FOR DIGITAL PRODUCTS CONTINUES TO RAPIDLY INCREASE.....5

IV. MOST AMERICANS RECEIVE THEIR PROGRAMMING VIA SUBSCRIPTION SERVICES 6

V. RETAIL AVAILABILITY OF NAVIGATION EQUIPMENT AND COMPATIBILITY WITH CABLE SERVICES..... 9

VI. HIGH DEFINITION PROGRAMMING IS DRIVING THE DTV TRANSITION.....13

VII. THE CONSUMER ELECTRONICS INDUSTRY LEADS THE WAY IN CONSUMER EDUCATION.....14

VIII. THE COMMISSION SHOULD ENSURE COMMERCIAL AVAILABILITY OF DEVICES THAT ATTACH TO IPTV AND OTHER VIDEO SERVICES OVER BROADBAND INTERNET CONNECTIONS.....17

IX. CONCLUSION.....19

SUMMARY

American consumers now have more ways to receive video programming than ever before. Consumer electronics equipment manufacturers, cable operators, terrestrial broadcasters, satellite broadcasters, and home media now are at the center of the market for delivery of video programming. While the vast majority of Americans receive local and network broadcast signals via cable and satellite, they soon will have these services available via telephone, mobile, wireless broadband, and even power lines. As the digital service market continues to grow, success in this market increasingly drives results between and among competitors.

Successful consumer equipment sales are helping to accelerate the transition to digital, and cable operators and satellite programmers provide increasing numbers of HDTV channels. Nonetheless, consumers need to receive more information about the availability of over-the-air (OTA) digital broadcasts. Broadcasters must more aggressively promote digital broadcast channels, both during analog broadcasts and in TV program listings. CEA conducts numerous programs to increase public knowledge about the DTV transition and broadcast reception in particular, and broadcasters must increase their efforts as well by running public service announcements (“PSAs”) and similar promotions. Cable operators must support Digital Cable Ready (“DCR”) integrated television sets with adequate stocks of CableCARDS to provide a seamless viewing experience for new digital viewers.

Marketplace competition for video services will bring consumers lower prices and more service choices. As such, CEA believes that minimal regulation should apply to new competitive video services. To ensure that a competitive marketplace for commercially available consumer electronics devices that connect to IP networks and services is preserved and protected, however, we believe that rules are needed to ensure:

1. The use of open standards/interface protocols pertaining to network access by authorized users so that nationwide interoperability may be achieved among all facilities-based IP network service providers and customer premises equipment designed and manufactured by unaffiliated parties; and to
2. Prohibit facilities-based service providers from preventing the attachment of devices that do not cause harm to the IP network or facilitate theft of IP-enabled services, or from hindering the functions and operations of such devices.

Further, we believe that Section 629 of the Communications Act must remain applicable to MVPDs.

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The Consumer Electronics Association (“CEA”) respectfully files these comments in response to the Commission’s Notice of Inquiry (“NOI”) in the above-captioned proceeding.¹ In the NOI, the Commission solicits data and information on the status of competition in the video programming delivery market for its annual report to Congress, as required by statute.² We are pleased to respond to the Commission’s request for relevant information and data regarding our country’s transition from analog to digital broadcasting and also to provide information and views and regarding the state of competition for current participants and new entrants into the video marketplace.

I. INTRODUCTION

Everything is moving rapidly in the right direction for the transition to digital television (“DTV”). Product sales continue to rise, as prices decline. The amount and variety of high definition TV (“HDTV”) programming continues to increase, with broadcasters adding

¹ *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, MB Docket No. 05-255, FCC 05-155, Notice of Inquiry (rel. August 12, 2005) (“NOI”).

² See 47 U.S.C. § 548(g).

significantly to their lineup of high definition programming carried during primetime.³ Content delivery industries are increasingly joining the march toward high definition (HD). The consumer electronics industry continues to introduce exciting new products into the marketplace. Consumer and retailer education is growing.

To put the DTV transition in perspective, digital television has been adopted twice as quickly as color television. While it took color television ten years to achieve five percent penetration from introduction, digital television products are already in 16 million American homes. Indeed, overall revenues from digital TV now outpace those from analog TV. Television manufacturing is now a digital industry. By almost any measure, digital television is a marketplace success.

American consumers now have more ways to receive video programming than ever before. Consumer electronics equipment manufacturers, cable operators, terrestrial broadcasters, satellite broadcasters, and home media now are at the center of the market for delivery of video programming. While the most Americans receive local and network broadcast signals via cable and satellite, they soon will have these services available via telephone, mobile, wireless broadband, and even power lines. As the digital service market continues to grow, success in this market increasingly drives results between and among competitors.

In terms of television product choices, consumers overwhelmingly opt for high definition sets when purchasing a digital television. In fact, our research indicates that 85 percent of DTV displays sold in 2004 were capable of displaying a picture in HDTV resolution, while the remaining 15 percent were enhanced definition television.

³ In 2004, all four of the largest television networks – CBS, NBC, FOX, and ABC – produced and delivered a significant portion of their primetime lineups in HDTV. *See* Digital America 2005, Consumer Electronics Association, at 71.

Average prices for digital televisions continue to decline as the DTV transition progresses. In 2005, the average retail price of a DTV is expected to drop to \$1189 from \$1489 in 2004, a stark contrast from the average price of \$3147 in 1998.

Successful consumer equipment sales are helping to accelerate the transition to digital, and cable operators and satellite programmers provide increasing numbers of HDTV channels. Nonetheless, consumers must receive more information about the availability of over-the-air (OTA) digital broadcasts. Broadcasters must more aggressively promote digital broadcast channels, both during analog broadcasts and in TV program listings. CEA conducts numerous programs to increase public knowledge about the DTV transition and broadcast reception in particular, and broadcasters must increase their efforts as well by running public service announcements (“PSAs”) and similar promotions. Cable operators must support Digital Cable Ready (“DCR”) integrated television sets with adequate stocks of CableCARDS to provide a seamless viewing experience for new digital viewers.

Marketplace competition for video services will bring consumers lower prices and more service choices. As such, CEA believes that minimal regulation should apply to new competitive video services. To ensure that a competitive marketplace for commercially available consumer electronics devices that connect to IP networks and services is preserved and protected, however, we believe that rules must be promulgated to ensure:

1. The use of open standards/interface protocols pertaining to network access by authorized users so that nationwide interoperability may be achieved among all facilities-based IP network service providers and customer premises equipment designed and manufactured by unaffiliated parties; and to
2. Prohibit facilities-based service providers from preventing the attachment of devices that do not cause harm to the IP network or facilitate theft of IP-enabled services, or from hindering the functions and operations of such devices.

II. THE CONSUMER ELECTRONICS ASSOCIATION

CEA is the principal U.S. trade association of the consumer electronics and information technologies industries. Its members design, manufacture, distribute and sell a wide range of consumer products including digital and analog television receivers, television monitors, computer television tuner cards, and associated electronics such as DVD recorders and digital video recorders (“DVRs”), video cassette recorders (“VCRs”), direct broadcast satellite radios (“DARS”), satellite television receivers (“DBS”), broadcast AM and FM radios, and similar products. CEA’s more than 2,000 member companies include the world’s leading consumer electronics manufacturers.

The CEA Market Research Department provides valuable data regarding trends in the CE industry. For more than 50 years, CEA has helped companies successfully plan for the future by providing current factory sales information on consumer electronics and component products on a regular, ongoing basis. With more than 500 reports created each year, CEA Research is widely recognized as the authoritative source for consumer electronics market data.

In addition to market research data, CEA provides ongoing, primary research into consumer buying patterns, awareness of new technologies, interest in product features and a host of other issues. Working with member companies, CEA Research conducts some 20 unique consumer studies each year. The reports contain executive summaries and analysis of the survey data, top-line results and detailed data cross-tabulated by demographic categories, as well as lifestyle variables such as Internet access.

III. THE MARKET FOR DIGITAL PRODUCTS CONTINUES TO RAPIDLY INCREASE

In the NOI, the Commission requests information on the availability and compatibility of customer premises equipment used to provide video programming and other services to consumers, including the number of households that have analog television sets and the number that have digital television sets.⁴

Digital consumer products have taken the marketplace by storm. CEA's most recent sales figures show that the first six months of 2005 brought the greatest volume of DTV sales ever recorded, with 3.8 million DTV products accounting for \$4.6 billion of retailer investment and contribution to the robust US economy. This is a remarkable 40 percent increase in unit sales from the same time period in 2004.

More than 17 million DTV products have been sold since the first HDTV sets hit the market in the fourth quarter of 1998. Americans already have invested well over \$30 billion in DTV products. HDTV is the driver behind these phenomenal sales figures, with high definition displays and receivers representing 85 percent of the DTV products sold to date.

Sales are being driven by the rapid price declines that are typical of our industry. DTV prices are 75 percent lower than they were five years ago and are still declining by approximately 15-20 percent each year. Today several DTVs sell under the \$700 mark and even some should soon sell for as low as \$400. Over the next two years, our members plan to introduce \$60 digital-to-analog converters that will allow analog TVs to receive digital TV broadcasts. Consumers now can choose from 200-plus "integrated" models that include OTA digital (ATSC) tuners.

CEA forecasts that 15.3 million integrated DTVs will be sold this year, 24.3 million in 2006, 32.1 million in 2007 and 36.3 million in 2008. Including set-top boxes, by 2009

⁴ NOI, at para. 21.

Americans will buy some 152.3 million DTV tuners, and we estimate that over the air tuners will be found in 86 percent of American homes.⁵

At the same time, sales of analog sets are quickly declining. We project sales to fall 45 percent in 2006, and an additional 34 percent in 2007.

IV. MOST AMERICANS RECEIVE THEIR PROGRAMMING VIA SUBSCRIPTION SERVICES

Americans now have more ways to receive video programming than ever before. The vast majority of Americans receive local and network broadcast signals via cable and satellite (and will soon have these services available via telephone, mobile and wireless broadband). Meanwhile, the statistics show that a small and declining number of households now rely exclusively on a free OTA broadcast signal, and a minimal number of TV sets are actually used to watch broadcast TV.

Indeed, CEA's research shows that only 32.7 million (or 11.5 percent) of the 285 million television sets used in the United States are used to view OTA television programming. This phenomenon is driven by the fact that television today is largely a wired (i.e., cable or satellite) service.

Of the nearly 110 million American homes with at least one TV, 60 percent receive a cable signal and 24 percent receive a DBS signal. Our research shows that roughly 2 percent receive both cable and DBS, while another 2 percent of homes use their sets exclusively with VCRs, DVD players, or videogame systems and do not use their sets with OTA or subscription services. According to a recent report by J.D. Power and Associates, these numbers are even

⁵ See NOI, at para. 75.

higher, with 27 percent of U.S households subscribing to satellite service.⁶ The report concludes that 87 percent of households subscribe to cable and satellite.

In total, CEA market research shows that approximately 86 percent of American homes get their TV signal from cable or satellite (and thus network and local broadcast feeds). This means that if the analog cut off occurred today, approximately 12 percent of the population of 110 million TV households would not have access to a broadcast signal through cable or satellite.

And this number is shrinking every year. Cable and satellite penetration continues to grow by about one to two percentage points annually. The market research firm Sanford Bernstein recently concluded that cable and satellite subscribers are growing 3.6 percent annually.

With only 32.7 million sets used to view OTA television, most TVs in the U.S. are not used to receive an OTA broadcast signal. OTA homes will continue to decline further as more and more Americans pay to subscribe to TV services, including new technologies such as Internet-Protocol TV, and television via telephony and over powerlines. Additionally, growing broadband penetration will continue to change how Americans receive their programming. In fact, broadcasters are increasingly providing their content through other means including the Internet and mobile phones. In April 2005, Verizon announced an agreement where it would provide NBC's feed over its fiber network.⁷

⁶ See 2005 Residential Cable/Satellite TV Satisfaction Study, J.D. Power and Associates, released August 17, 2005.

⁷ See Verizon press release: "Verizon and NBC Universal Cable Reach Extensive Agreement for Distribution of NBCU Cable and Broadcast Networks", April 18, 2005 (<http://newscenter.verizon.com/proactive/newsroom/release.vtml?id=90618>).

With respect to consumers with neither cable nor satellite, our research shows that this population's decision not to subscribe generally is not driven by economic reasons. Indeed, our data shows that 68 percent choose not to subscribe for a reason other than cost – with almost a third reporting that they do not subscribe because they “don't watch that much TV.”

Those who do not subscribe to cable or satellite watch on average 30 percent less television per week than cable and satellite subscribers. Nearly six of ten say television simply is not a high priority for them. Fewer than three in ten indicate that insufficient funds play a role in their decisions not to subscribe to cable or satellite television.

This population of OTA households does not eschew technology. Seventy-nine percent of antenna-only households own a home radio; 60 percent own a cell phone and desktop or laptop PC; and 48 percent have some type of dial-up or broadband Internet connection.

Some opponents of a hard deadline for the end of analog broadcasting raise concern about the unconnected analog TV sets in households that subscribe to satellite or cable TV, and claim that most of these sets are used with antennas for watching over the air analog signals. In fact, primary viewing most often occurs on the TV that is connected to pay services. Of the 173.3 million sets in cable homes, only 4.4 million are used to receive OTA broadcasts. More often, the unconnected TVs are shunted to a less used room and hooked up with a DVD player, VCR, or video game. Indeed, CEA's research shows these sets are used at least half the time for one of these many alternate uses. In addition, as many cable companies no longer have a monthly charge for additional outlets, this issue has become increasingly irrelevant for cable homes.

In households utilizing an antenna, TVs connected to the antenna are often primarily used for an activity other than watching broadcast television. Of the 25.9 million sets in exclusively

OTA homes, 3.4 million are used exclusively for watching pre-recorded content, playing video games, and other non-broadcast uses. Further, in these households, the TV connected to an antenna is used approximately 40 percent of the time with DVD players, VCRs, and videogame systems.

CEA's research indicates that three-quarters of antenna-only households are willing to take some sort of voluntary action to ensure that they continue to receive television programming when analog broadcasts end. Twenty-two percent indicated that they would buy a new TV capable of receiving DTV signals; 42 percent would buy a \$60 set-top converter; 9 percent would start subscribing to cable or satellite; and 22 percent would do nothing since the TV is not used to watch OTA broadcasts.

By the time of a year-end 2008 or early 2009 cut-off -- combining present adoption trends for cable and satellite and forecasts for uptake of recently announced TV services from telcos like Verizon and SBC, as well as the jump in purchases likely to occur with a hard cut off date -- the number of American homes that would lose their primary video signal will be closer to 6.8 percent.

V. RETAIL AVAILABILITY OF NAVIGATION EQUIPMENT AND COMPATIBILITY WITH CABLE SERVICES

In the NOI, the Commission seeks information on the retail availability of navigation devices to consumers and further asks what are the obstacles to equipment manufacturers and others for obtaining approval to attach devices to MVPD systems.⁸

In the experience of CEA and our member companies, competition in this area has been difficult to achieve for a variety of reasons. Our members have attempted to enter the market for

⁸ See NOI, at para. 22.

Navigation Devices since Congress passed Section 629 of the Communications Act and the Commission issued its regulations in 1998.⁹ Under the Commission's navigation rules, video programming distributors (except DBS) were required to separate security functions from non-security functions by July 1, 2000, and make modular security components available by that date. This date has been extended three times, most recently to July 1, 2007.¹⁰ By this date, MVPDs no longer will be allowed to offer conditional access and other functions in a single integrated device.

As we have discussed in previous communications with Commission staff, CE and IT entrants face very real risks if they are the only entities to rely on CableCARD™ ("CableCARD") modules.¹¹ CEA's members designed, manufactured, and for more than one year have been selling DCR television sets meet the standards required by the cable industry and should be compatible with most cable systems around the country. As of today, approximately 55,000 CableCARDS have been deployed nationwide, while there are more than one-million Digital Cable Ready (DCR) sets on the market.

These digital cable ready sets have OTA integrated DTV tuners as well as cable tuners. In order to use the DCR sets with most cable systems, however, the consumer first must obtain a CableCARD containing security and other circuitry for particular local cable systems. This requires cable operators to make available a sufficient supply of reliable and robust CableCARDS in a fast, simple, and consumer-friendly manner. To the extent that the cable

⁹ See Implementation of Section 304 of the Telecommunications Act of 1996: Commercial Availability of Navigation Devices, 13 FCC Rcd 14775 (1998) ("Navigation Devices First Report and Order").

¹⁰ See Implementation of Section 304 of the Telecommunications Act of 1996, Commercial Availability of Navigation Devices, CS Docket 97-80, 20 FCC Rcd 6794 (2005) (Navigation Second Report and Order). See also Implementation of Section 304 of the Telecommunications Act of 1996, Commercial Availability of Navigation Devices 18 FCC Rcd 20885 (2003) (2003 Navigation Devices Second Report and Order and FNPRM). See also 47 C.F.R. § 76.1204 (a)(1).

¹¹ CableCARDS™ are removable security modules which, when inserted in an OpenCable certified set-top box, television, or other device, enables the delivery of digital video programming and other services.

operators elect to charge for the CableCARDS, they must be easily obtainable at a reasonable price that is significantly less than that charged for a set-top box.

When the one-way “plug and play” agreement between the consumer electronics and cable industries was completed in 2002, the standards from the cable industry for two-way services via OCAP were not mature enough to be the basis for regulations or a business deal. Additionally, cable refused to provide EPG data for one-way DCR products. Television manufacturers have sold in good faith approximately one-million DCR TVs with the limitations imposed by cable. In turn, the cable industry has been quick to point out the deficiencies of CableCARD products on their web sites and through their customer service agents, while continuing to introduce millions of leased two-way set-top boxes using proprietary protocols. As the Commission noted years ago and the CEA continues to maintain, the only remedy that will ensure that the intent of Section 629 met is to require that the cable industry rely on the *same* security technology that competitive market entrants must use. It will be impossible for the cable industry to denigrate CableCARD-based services if their own leased set-top boxes use the same technology.

In our experience, the only way to assure competitive supply of digital cable set-top boxes and digital cable ready TV sets is to ensure that the devices supplied by cable operators rely on the same CableCARDS for security that must be used by equipment supplied through competitive retail outlets. This not only will assure a steady supply of CableCARDS, but also will provide incentive for cable operators to keep the CableCARD system reliable, up-to-date, and competitive with their own embedded security system. The Commission must ensure the integrity of its regulation concerning these devices and maintain July 1, 2007, as the date by which digital devices supplied by cable operators must meet these requirements.

Cable, their vendors, and CE have worked in good faith to ensure the successful implementation of CableCARD modules. Nonetheless, numerous challenges remain to achieving systematic and predictable support for CableCARD-reliant devices on the large variety of local cable systems. Based on the experience of the consumer electronics industry, the most efficient way to assure systematic, reliable support for competitive devices is through common reliance by both cable operators' set top boxes and competitive devices on the same conditional access technologies.

For meaningful competition to take place, competitive entrants like the consumer electronics and information technology industries need the actual, physical technological capability to compete with the cable industry – not just demonstrations by the cable industry of what can work in a theoretical, competitive world. Transparent and timely testing procedures and tools are necessary to implement technologies, including downloadable conditional access security, in an effective manner. Further, license terms must be reasonable and non-discriminatory and must not carry with them any requirements beyond those necessary to prevent theft of service and harm to the cable network. Finally, competitive entrants remain at risk if there are proprietary variances in approach by different MSOs. Such variances leave competitive devices with no nationwide model to which they can build products. If the technology is specified by the cable industry without equal opportunity for participation for manufacturers of competitive devices, manufacturers face the risk that the specifications will not adequately reflect concerns that are particular to the design of products for retail markets. MSOs use the same model nationwide.

VI. HIGH DEFINITION PROGRAMMING IS DRIVING THE DTV TRANSITION

In the NOI, the Commission indicates that it is interested in the ways in which broadcast television stations' deployment of digital television service, and the DTV programming provided by MVPDs, impact competition in the video programming distribution market.¹² Cable and DBS both provide multiple full-time 24-hour HDTV channels. In January 2005, 92 million U.S. television households were passed by at least one cable system offering HDTV service, representing a two-percent increase over the previous four months.¹³ Many of the high definition channels available on cable also are transmitted nationally by EchoStar and DirecTV, the two DBS providers. Both transmit five or more full-time HDTV channels. In April 2005, DIRECTV successfully launched Spaceway F1, the first of four next-generation satellites that will dramatically expand DIRECTV's high definition programming capacity in the next two years. According to DIRECTV, the first group of markets to receive local HD channels via Spaceway F1 includes New York, Los Angeles, Chicago, Philadelphia, Boston, San Francisco, Dallas, Washington D.C., Atlanta, Detroit, Houston and Tampa. These markets represent nearly 36 million homes or 32.8 percent of all U.S. TV households.¹⁴

As of today, more than 100 stations have requested a waiver and extension of the FCC's July 1, 2005 requirement for maximization and replication for stations affiliated with a top-four network and located in the top-100 markets. With millions of DTV tuners entering the marketplace in response to the Commission's rules, the Commission must be careful about

¹² NOI, at para. 65.

¹³ See National Cable & Telecommunications Assoc., *2005 Mid-Year Industry Overview* at 12.

¹⁴ See *DIRECTV press release*: "DIRECTV's Spaceway F1 Satellite Launches New Era In High-Definition Programming", April 26, 2005 (http://www.directv.com/DTVAPP/aboutus/headline.dsp?id=04_26_2005A).

granting waivers and ensure that all broadcasters are on their permanent digital channels and operating their digital stations at full power to ensure a smooth and rapid transition to digital television.

VII. THE CONSUMER ELECTRONICS INDUSTRY LEADS THE WAY IN CONSUMER EDUCATION

The Commission requests information regarding industry efforts to educate consumers about the transition to digital television.¹⁵ We are pleased to provide information about the consumer electronics industry's significant efforts in this regard. CEA runs extraordinary educational programs to ensure that consumers are fully informed about their DTV options. Information about these programs is available at www.ce.org/hdtv. CEA has voluntarily undertaken a variety of initiatives and programs aimed at increasing consumer and retailer awareness and understanding of the DTV transition as well as related products and services.

In June 2005, the National Association of Consumer Agency Administrators (NACAA) awarded CEA and the FCC its Achievement in Consumer Education (ACE) Award, in recognition of our joint DTV consumer education program: "Digital Television: Tomorrow's TV Today", which provides consumers with information about the digital transition.

For its part, CEA operates four websites that promote the DTV transition through consumer and dealer education. One of these websites specifically permits consumers and salespeople to determine the free, OTA DTV signals that can be received at their location and what type of antenna is needed to do so. This website is located at www.antennaweb.org and it receives approximately 100,000 hits per month. CEA also maintains another website at www.ceknowhow.com, an online program that is designed to equip retailers with up-to-date

¹⁵ See NOI, at para. 76.

product category training for sales associates. CEknowhow.com is customizable, allowing retailers to license and tailor the program to suit their particular needs. In 2004, more than 24,000 sales persons completed training via CEknowhow.com. In October 2004, CEA released *The Connections Guide* website, an interactive resource designed to help consumers better understand how to connect their audio and video (including DTV) products. In addition to these web sites, CEA includes a wealth of information about HDTV on its own web site: www.ce.org/hdtv.

CEA continues to take the DTV message on the road by hosting regional “HDTV Updates” with local retailers, broadcasters, manufacturer representatives and cable and satellite providers. In 2003 and 2004, CEA hosted 25 HDTV Updates nationwide. Through these “HDTV Update” meetings, CEA contributes a valuable national perspective – facts and ideas gained from past experiences and travels across the country – and the local parties have the opportunity to meet one another to share perspectives and information to grow DTV in their own market – in their own unique way. In 2004, the FCC joined CEA at several “HDTV Updates” and offered its valuable perspective about the DTV transition.

CEA also publishes a number of articles to educate consumers and retailers. Together with STARZ HD, CEA produced a buyer's guide on HDTV. The Starz HD brochure is posted online at www.ce.org/hdtv and attached to this filing. CEA also designed, printed, and has made available to retailers a “tip sheet” or card that explains the DTV transition and basic DTV terms and technology. In late 2004, CEA partnered with the FCC and the Consumer Electronics Retailers Coalition (CERC) to extend the reach of its consumer/retailer tip sheet: “Buying a Digital Television”. In addition to being posted on CEA’s, CERC’s, and the FCC’s web site sites, thousands of these “tip sheets” have been distributed to date, including at the International

Consumer Electronics Show, to the Professional Audio-Video Retailers Association (“PARA”) who distributed them to their members, to the Home Theater Specialists of America (“HTSA”), and at CEA’s HDTV Summit. The “tip sheet” also has been published twice the HDTVGuide, which is distributed to 20,000 TWICE subscribers. This distribution extends further through press kits and education, CEA’s distribution lists, and to all CEA events. A copy of the tip sheet is attached.

CEA is proud to support Decisionmark’s new consumer and retailer website, CheckHD, by providing educational materials and information for the site, including the consumer brochure and the HDTV Guide. CheckHD includes information about local channels and programming, antenna selection by zip code and DTV equipment.

In December 2003, CEA purchased national coverage in *TV Guide* for a multi-page *Home Entertainment Buyers’ Guide* to explain DTV to viewers and describe the kinds of reception equipment available to them. In June, 2004, a similar special section was run in *Sports Illustrated*. Working with Comcast, CEA also published an educational DVD and booklet *A Consumer’s Guide to the Wonderful World of HDTV* that explains the DTV transition and makes practical suggestions for selecting and purchasing suitable reception equipment.

Together with TWICE magazine, CEA produces the HDTVGuide three times per year. The HDTVGuide is a key resource for information on the analog-to-digital transition. It includes product charts, suggested retail prices, a list of retailers that carry HDTV products and a list of the broadcasters sending HDTV signals. The HDTVGuide can be found at www.ce.org/hdtv. CEA also produces “HDTV Update E-News”, which is produced several times per year and is sent to hundreds of retailer, manufacturers, and media subscribers.

To further show its dedication to educating U.S. consumers regarding the DTV transition, CEA and its members have agreed to support an advisory label for sets with analog-only broadcast tuners when a firm cut-off date for analog broadcasting has been adopted by Congress.

CEA and DTV equipment manufacturers remain committed to leading the way in providing point-of-sale educational materials and overall HDTV promotion and DTV transition education. In fact, Sony Electronics recently launched a nationwide campaign called “Race to the End Zone” to educate consumers about the DTV transition.¹⁶

Recently, the Consumer Electronics Retailers Coalition (CERC) issued its own retail consumer guide, “What you need to know about the “DTV Transition” – A Dozen Questions & Answers,” that focuses on the choices that consumers will have when analog broadcasting ends. This is available at www.ceretailers.org.

Once again, however, we urge involvement from all transition leaders, especially broadcasters, to achieve maximum results.

VIII. THE COMMISSION SHOULD ENSURE COMMERCIAL AVAILABILITY OF DEVICES THAT ATTACH TO IPTV AND OTHER VIDEO SERVICES OVER BROADBAND INTERNET CONNECTIONS

In the Notice, the Commission requests comment on how to regulate Internet Protocol television (“IPTV”) and other video services over broadband Internet connections.¹⁷ In general, CEA supports minimal regulation of these new competitive video services. Marketplace competition for video services will bring consumers lower prices and more service choices.

We believe that competitive developments in the video services market will allow CE manufacturers to develop new and innovative products for consumers to access these services.

¹⁶ See Sony Electronics Press release: “Sony and Peyton Manning Team Up To Support HDTV”, September 8, 2005 (<http://news.sel.sony.com/pressrelease/6084>).

¹⁷ See NOI, at pp. 61-63

Innovation will only flourish, however, if device manufacturers have certainty that their products will be able to connect to IP networks and IP-enabled services. High-speed broadband networks offer a platform for innovation that will thrive if application developers, device manufacturers and network providers are free to differentiate their offerings and invest in new technologies without undue restrictions imposed by other industry players.

In 1996, Congress recognized the importance of consumer choice when it enacted Section 304 of the Telecommunications Act of 1996 (Section 629 of the Communications Act), mandating the commercial availability of navigation devices connecting to multichannel video programming systems.¹⁸ This allowed for the ability of manufactures to build and consumer to purchase devices that attach to their video services. If this principle and the requirements set forth in Section 629 are not preserved in the IP-enabled video service world, network service providers will have the ability to dictate CE product design and functionality. Using proprietary standards and restrictive licensing terms, service providers will be able to control the consumer experience, determining what devices consumers can use and how they use them. The retail marketplace for “edge network” technologies like TiVo and portable video players, and the incentive to create new technologies, will no longer exist.

To ensure that a competitive marketplace for commercially available consumer electronic devices that connect to IP networks and services is preserved and protected, we believe that rules must be promulgated to ensure the following:

1. The use of open standards/interface protocols pertaining to network access by authorized users so that nationwide interoperability may be achieved among all facilities-based IP network service providers and customer premises equipment designed and manufactured by unaffiliated parties; and

¹⁸ See supra note 9.

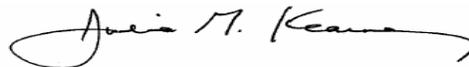
2. Prohibit facilities-based service providers from preventing the attachment of devices that do not cause harm to the IP network or facilitate theft of IP-enabled services, or from hindering the functions and operations of such devices.

Furthermore, as previously noted, we believe that Section 629 of the Communications Act must remain applicable to MVPDs. Similar MVPD services should be required to use common standards to ensure fair competition and to ensure the effectiveness of Section 629.

IX. CONCLUSION

CEA is pleased to respond to the Commission's request for relevant information and data regarding our country's transition from analog to digital broadcasting and also to provide information and views and regarding the state of competition for current participants and new entrants into the video marketplace. We look forward to working with the Commission on these issues to ensure that consumers receive the true benefits of competition, choice, and innovation.

Respectfully submitted,



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