

Statement of
Gary Shapiro
President and Chief Executive Officer
Consumer Electronics Association

Before the
Subcommittee on Communications, Technology, and the Internet
House Energy and Commerce Committee

Status of the Digital Television Transition

March 26, 2009

Chairman Boucher and Ranking Member Stearns, members of the Subcommittee, thank you for inviting me to testify on behalf of the Consumer Electronics Association. My name is Gary Shapiro and I am the President and Chief Executive Officer of CEA.

There are three main points that I wish to make before this DTV transition oversight hearing. First, the DTV transition has been and will continue to be perhaps the most successful partnership of any kind between government and industry in our nation's history. Second, as the experience of February 17th demonstrates, consumer experience with the DTV transition looks much more like Y2K than Hurricane Katrina. With our most recent survey of the market, we see ample evidence to suggest that manufacturers and retailers will continue to meet consumer demand for converter boxes and antennas. Finally, in light of the program's success and the enormous benefits arising from broadcasters' migration to digital spectrum, Congress must not again delay the transition beyond June 12th.

Who is CEA

CEA is the principal trade association of the \$172 billion U.S. consumer electronics industry. CEA's more than 2,200 member companies include the world's leading manufacturers, distributors and retailers of consumer electronics. CEA's members design, manufacture, distribute and sell a wide range of consumer products including television receivers and monitors, computers, computer television tuner cards, digital video recorders, game devices, navigation devices, music players, telephones, radios, and products that combine a variety of these features and pair them with services.

A number of CEA members are also the leading manufacturers of Digital-to-Analog (DTA) Converter Boxes. These boxes convert digital broadcast signals into analog so that a picture is viewable on older analog TVs that are not hooked up to MVPD providers (e.g., cable, satellite, telco-delivered video). Consumers that rely on these older analog TVs to watch over-the-air programming must install a converter box prior to the nation's DTV transition.

CEA & DTV Transition Standards and Consumer Education Efforts

CEA represents the industry that invented digital television. CEA worked with broadcasters at WRC in Washington, D.C. to establish the first DTV broadcast station in 1996. CEA is a founding member of the DTV transmission standards body, the Advanced Television Systems Committee, or ATSC. CEA is also a standards development organization in its own right, responsible for several DTV consumer device standards. For example, CEA wrote the Digital Closed Captioning standard (CEA-708) and the predecessor analog standard (CEA-608). For these two standards, CEA received an Emmy Award. CEA wrote the standard that documents U.S. and Canadian rating systems (also known as V-chip or CEA-766); the Recommended Practice that describes how receivers should process Program and System Information Protocol (PSIP) (CEA-CEB-12); and the Recommended Practice that describes how receivers process Active Format Description information which tells what shape the picture is so the TV can zoom or scale the picture properly (CEA-CEB-16). Finally, CEA produced three standards for antennas that support Antennaweb.org and indoor antenna performance measurement.

CEA helped lead the effort to educate the public about the DTV transition. Among other things, we are a founding member of the DTV Transition Coalition, composed of more than 200 diverse groups, whose mission is to ensure that no consumer loses broadcast television service due to lack of information. The Coalition's website, hosted by CEA, has received millions of unique visits from consumers.

CEA has led an aggressive education outreach effort to inform consumers, retailers, manufacturers and legislators about the DTV transition. CEA's ongoing award-winning efforts include websites, printed collateral and media outreach. CEA currently operates websites that provide valuable DTV transition information through consumer education and retailer training. Our DigitalTips.Org website helps consumers learn about the DTV transition. Our most popular consumer website, Antennaweb.org, developed and managed jointly with NAB, helps consumers choose the right antenna for their location.

More recently, CEA developed and launched a digital TV database to help consumers determine whether their current television set is digital. That database is freely accessible to the public at http://www.dtvtransition.org/index.php?option=com_content&task=view&id=51&Itemid=94 and should provide consumers with another useful tool to help them determine what steps they need to take to prepare for the DTV transition. CEA also revamped its connectionsguide.com website to provide consumers with graphical, step-by-step instructions on how to connect their converter boxes to their televisions. Finally, CEA worked with the FCC to develop language for DTV transition consumer education notices that televisions and related device manufacturers must include with their products. When the FCC modified these rules to comply with the DTV Delay Act, CEA again worked with the FCC and our members to ensure that implementation of the proposed revisions was feasible.

CEA also leads the DTV transition in other ways. We hold an annual DTV Conference and we created the DTV Academy to recognize the innovators in digital television policy and programming. In July 2008, CEA partnered with the FCC, the NTIA and others for a DTV education weekend in Wilmington, NC. We donated converter boxes to senior centers in the

Wilmington area that did not have cable or satellite service. Last summer, CEA also participated in the Hearing Loss Association of America convention in Reno, NV, the NAACP Convention in Cincinnati, OH and the AARP Convention in Washington, DC.

CEA has also co-sponsored contests as a way of educating consumers about the digital transition. The “Rabbit Ears Pioneer Contest,” hosted jointly by CEA and the National Association of Broadcasters (NAB), sought to encourage baby boomers to help their parents and older neighbors prepare for the analog cut off. Last October, CEA launched a YouTube contest to encourage consumer efforts to spread awareness of the digital transition. Popular country music band Whiskey Falls created a new video, “We are America”, which explained contest details and demonstrated how consumers can prepare for the DTV transition. Consumer videos were submitted online at www.YouTube.com/DTVTransition, where a panel of judges including students from American University evaluated each eligible video submission and selected five finalists based on the following criteria: originality and creativity, aesthetic appeal and the relationship of the content to the contest theme – Digital TV: Convert Now. The grand prize winner, creator of the video, “The Conversion,” was chosen among numerous eligible videos by public voting on the YouTube contest page. The contest winner received a home entertainment center including a flat screen high-definition TV, a Blu-ray disc player and a surround sound audio system.

CEA produced a DVD entitled: “DTV 101: A Consumer’s Guide to Digital Television.” In addition to providing the program in standard definition DVD, HD DVD, Blu-ray Disc, DigiBeta and SDBeta, it is now available on YouTube (www.youtube.com/dtvtransition). The website has already received more than 11,000 visitors.

CEA’s members, several of whom were listed as FCC DTV Partners, also have been actively engaged in CEA’s activities to educate consumers and also in their own educational activities. The FCC’s DTV Partners, such as LG Electronics and its subsidiary, Zenith; Panasonic; Philips; Mitsubishi; Motorola; Pioneer; Pro Brand; RCA; Samsung; Scientific Atlanta; Sharp Electronics; and Sony are working to ensure that consumers have the information that they need to ensure a smooth transition to all-digital TV.

The public-private partnership to introduce HDTV to American consumers and to educate the public of the DTV transition is, by any measure, an unmitigated success. With each day that passes, more consumers know about and have prepared themselves for the transition. In 2006, only 41% of consumers were familiar with the transition. By the end of 2007, that number jumped to 80%. According to Nielsen’s latest survey (March 15, 2009), more than 96% of all TV homes are not only aware of the transition but are fully prepared. We believe that number understates the number of prepared households. Even if these figures are correct, and the current rate of decline in unprepared households remains steady, nearly 100% of the nation’s households will be fully prepared before June 12th.

This has been the most successful industry-government cooperative relationship that I have seen in my lifetime. The first DTV hearing I attended was convened by then Chairman Markey over 20 years ago. The broadcasting, cable and satellite, and public interest sectors work together with us in the DTV Transition Coalition to ensure that the nation is prepared to make the switch to digital. Our government’s bipartisan cooperation with industry sets an example for the world. I especially want to commend the FCC for getting us this far, the NTIA for doing such a great

job running the converter box coupon program and Congress for their more than 20 years of leadership on this issue.

February 17th and beyond

As many of you know, I did not support the decision to delay the DTV transition beyond the original date of February 17, 2009. As Congress and the Administration contemplated a delay, I argued that the nation was ready for the transition so long as there was a timely fix to address the accounting problem associated with NTIA's coupon program. Upon passage of the DTV Delay Act, I indicated that CEA would redouble its efforts in working with Congress and the Administration to ensure that the transition would succeed on June 12th. My colleague, Michael Petricone, testified on February 5th before the FCC that it was possible, though not likely, that there would be insufficient converter boxes to satisfy consumer demand. Based on the actual performance of the coupon program to date, I remain convinced that the nation would have survived sticking with the original transition date. More importantly, our most recent survey data leaves me more optimistic that the nation is fully prepared for a successful and consumer-friendly transition on June 12th.

Why do I say this? First, recall that by February 18th, more than one-third of the nation's broadcasters had fully transitioned to digital. Prior to that day, many voices in government and among consumer groups claimed that the "mini-transition" would leave millions without television, would overwhelm the FCC's call center, and would cause tremendous harm to the most vulnerable among us who could not be prepared in time. The predictions of these naysayers did not come true. In fact, the FCC's call centers were relatively quiet; there was an insignificant number of consumer complaints; and store shelves remained stocked with ample supplies of converter boxes (indeed, some major retailers reported that week to be slower than previous weeks). Or as others put it, frogs did not fall from the sky. Unfortunately, the mindset of groups that predicted massive failures on February 18th continues to dominate their outlook for June 12th. Based on our newest information, I believe that they are wrong. Again.

Our Current View of the Market

To date, roughly 25.6 million coupons have been redeemed through the NTIA coupon program. CEA is currently projecting approximately 4.2 million coupons will be redeemed from April until the June transition date.

According to Nielsen, only 3.6 percent of TV households are unprepared for the transition – this translates into at most 4.1 million homes – and, as mentioned above, we and others believe this number overstates the actual number of households unprepared for the transition.

Through conversations with retailers and manufacturers, we believe inventory through the remainder of the transition will be robust – and sufficient to cover projected demand over the next three months. But the marketplace is such that each retailer and box supplier makes independent decisions and this type of transition has no historical precedent. Digital television sets continue to sell well – despite the deep recession. Last year, some 32.7 million DTV sets

were sold. Sales have remained brisk this year and CEA currently projects 34.6 million DTV sets will sell in 2009.

Antenna sales have also increased significantly in recent months. Major manufacturers of antennas continue to ramp up production in response to this increased demand. The marketplace will respond to spot shortages as antennas have a useful shelf life beyond June 12th.

To summarize, our survey data suggest that manufacturers and retailers will likely meet consumer demand for converter boxes and antenna through the end of the transition. We will not know for sure whether this is the case until the nation actually completes the DTV transition. That is as true now as it would have been on February 17th. But it is also extraordinary when taking into account the significant, recent changes made to the coupon program – the nearly four month delay, the additional \$650 million appropriated for the coupon program, allowing consumers to re-apply to replace lost or expired coupons. Manufacturers and retailers have adjusted nimbly to the rapidly changing nature of the program. As I have said since the mid-1990s, there will be bumps on the way to the final transition date, but these will be small when weighed against the transition's enormous benefits. And certainly, there is absolutely no evidence of large-scale dislocations that would justify a further delay of the DTV transition.

No more delay

And that brings me to my final point. This great nation of ours can ill afford to delay the transition again. To do so would put at risk the many benefits that will accrue from the switch to digital: a phenomenal amount of beachfront-quality spectrum for new licensed and unlicensed services, including sorely needed improvements to Internet access; better communications platforms for law enforcement and public safety; and almost \$20 billion in auction revenues for the U.S. Treasury. Change is uncomfortable and technology causes change and disruptions. The shift to digital television is a huge change and it is uncomfortable for some people. I always try to embrace change and I feel I have enough brain power and free will to choose to be happy and keep changes in perspective. This isn't about losing your home or your health or a loved one – it's about the potential loss of television service for a few people for a short time. Our government, almost every industry segment and many consumer groups have stepped forward and are doing everything possible to make sure Americans know about the transition. Congress gave two billion dollars to this effort. It is time to move on and to reap the overwhelming benefits of the transition. I urge you not to delay the final transition date beyond June 12th.

Thank you for your time. I would be happy to answer any questions.