



NEWS

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Press Statement by FCC Chairman Kevin J. Martin on Orders Resolving Various Set-Top Box Waiver Requests

Today the Media Bureau (Bureau) has resolved various set-top box waiver requests, furthering both pro-competition and pro-consumer policies. The issues addressed today did not begin several months ago when cable operators filed these requests with the Commission. Rather, these issues have been facing cable operators, the consumer electronics industry and the Commission for more than a decade. It was in 1996 that Congress first ordered the Commission to establish a competitive market for the set-top boxes that are used for watching digital cable television. Congress explained: "Competition in the manufacturing and distribution of consumer devices has always led to innovation, lower prices and higher quality." I agree.

In order to realize Congress' goal, two years later, the Commission required cable operators to separate their security functions (putting them into a CableCARD, which can be used in televisions and set-top boxes made by other manufacturers). By separating out security functions in a format used by cable operators and electronics makers alike, the Commission hoped a viable market for truly cable ready televisions and set-top boxes could flourish. Back then, Congress and the Commission envisioned consumers being able to walk into their local retail store and buy televisions and set-top boxes from any manufacturer that would work on any cable system.

Today, that vision remains just that, a vision. The Commission originally gave cable operators seven years, followed by two further extensions, to achieve this separable security and common reliance. During this period, the cable operators twice challenged the Commission's rules in court. And, twice the court upheld them. And yet, almost ten years later, cable operators have never fully implemented the Commission's set-top box requirement. In fact, faced with a deadline of July 1, 2007, many cable operators have requested a third extension. This inaction has served to hinder innovation, deter competition and harm consumers. Consumers Union compared the situation today where consumers have to rent set-top boxes from the cable company to the days when consumers had to lease phones from the telephone company: "consumers had to pay a lot of money for any ugly black rotary phone that did only one thing." As we all know, a competitive market for phones resulted in significant innovation, lower prices, and extensive consumer choice. The market for televisions and set-top boxes holds the same potential.

Moreover, with the date for compliance finally in sight, electronics manufacturers are beginning to seize the opportunity to roll out new products. One company's press release stated that the FCC's rules requiring the "de-coupling of embedded security from cable set-top boxes and equipment on July 1, 2007, provides a broader opportunity for companies to bring state of the art products to the market. The FCC mandate . . . will result in an unprecedented ability for television users to create the ultimate television viewing experience." Similar sentiments were heard from vendor after vendor at the annual Consumer Electronics Show occurring this week. One maker of a set-top box said he currently couldn't offer a superior set-top box that would provide content across broadband and cable platforms. Without a separable security requirement he stated that he could build a product with limited functionality but concluded "it wouldn't sell." It was another electronics manufacturer who perhaps said it best: with separable security, consumers, not cable operators, would pick the product they wanted.

The Bureau's actions today implement the statutory requirements to facilitate a competitive market for set-top boxes in a reasonable manner. The Bureau denies Comcast's broad waiver request but provides for several ways it could amend its request. It grants Cablevision's request by grandfathering the implementation of its own separated security solution for two years. The Bureau also grants BendBroadband's request conditioned on its commitment to go all digital by December 2008 - a significant benefit to consumers. Finally, the Bureau reiterates that a downloadable security solution would comply with our rules now, and notes that at least one company has already developed such a solution.

Finally, I note that I would have preferred to establish a timeframe for cable operators to develop and deploy downloadable security with adequate assurance that this timeframe would actually be met. I would also have preferred that the cable industry and the consumer electronics industry agree on a two-way standard that would ensure that subscribers who do not wish to rely on set-top boxes provided by their cable operators can access two-way, as well as one-way, cable services. In the absence of real progress on either of these issues, however, I think the Commission needs to move forward with its current rules.

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