

**STATEMENT OF
CHAIRMAN JULIUS GENACHOWSKI**

Re: *Implementation of Section 304 of the Telecommunications Act of 1996: Commercial Availability of Navigation Devices*, CS Docket No. 97-80, *Compatibility Between Cable Systems and Consumer Electronics Equipment*, PP Docket No. 00-67.

In this order, we take concrete steps to boost competition in the retail market for cable set-top boxes and benefit consumers of pay TV services.

We're under a congressional directive to spur competition in this market, and the Commission previously selected the CableCARD as its main vehicle to do so. But under our existing rules, it's been more difficult for consumers to use set-top boxes *bought* at retail than to use boxes *leased* from the cable operator. And indeed only a tiny fraction of cable subscribers have chosen to buy a set-top box. Consumers who buy a set-top box often find it difficult and time-consuming to get a cableCARD installed in the device, while leased boxes come with the cableCARD preinstalled.

There is also poor pricing transparency of cableCARDS because the cost of the card is often bundled with other equipment and service fees. As a result, consumers often don't know what cableCARDS cost -- making it difficult to make an informed decision whether to buy or lease a box. Consumers have no assurance that their monthly cable bill will be reduced if they buy rather than lease a box. And consumers who surmount all of these hurdles and buy a box anyway may find, to their dismay, that they can't access all channels if their cable operator converts to an all-digital system.

So, as the National Broadband Plan recognized, the current CableCARD approach isn't working. Today we take steps to improve it. The rules we adopt today require comparable treatment of retail and leased devices. They will also ensure that consumers who buy set-top boxes get the equipment credit and services to which they are entitled, creating a level playing field. We're also streamlining the process for getting set-top boxes to market by eliminating unnecessary delays and costs associated with set-top box testing and certification.

We hope and expect that these steps will lead to greater innovation and consumer choice and lower prices in consumer equipment.

Our ultimate goal in this area is to unleash maximum innovation through the TV. We've seen significantly less innovation -- fewer new devices, applications and services -- on the digital TV platform than on the computer or mobile platforms. Greater innovation can not only drive job creation and economic growth, it can help boost broadband adoption, since TVs are in over 90% of people's homes, while computers are in about 76%.

A key element of unleashing innovation through the TV is increased interoperability between a consumer's pay-TV programming stream and the consumer's broadband stream of data -- so that innovators can design applications that integrate pay-TV programming and other Internet content. As the National Broadband Plan described, this could be made possible by a

gateway device to the consumer's home that would preserve the integrity of the pay stream, while spurring greater innovation around it in new devices and services.

Our work on the National Broadband Plan suggests that gateway devices and interoperability are keys to unleashing competition and innovation in the retail market with all of the attendant benefits of enhanced consumer choice, increased broadband investment, and greater economic growth.

We're of course cognizant of new developments linking the TV and Internet, and will study those as part of our process to determine how we can most effectively spur innovation in this important market.

Today's adoption of improvements to the CableCARD regime is an important step toward the goal of increased competition and customer choice for TV set-top boxes.

I thank the staff for their excellent work on this item.