

**STATEMENT OF
CHAIRMAN JULIUS GENACHOWSKI**

Re: *Video Device Competition*, MB Docket No. 10-91; *Implementation of Section 304 of the Telecommunications Act of 1996: Commercial Availability of Navigation Devices*, MB Docket No. 97-80, *Compatibility Between Cable Systems and Consumer Electronics Equipment*, PP Docket No. 00-67.

Today the Commission acts to increase video choices for consumers, and unleash competition and innovation in the retail market for smart video devices. These are devices that consumers can use to select and enjoy video programming, not only from pay TV services but increasingly also from the Internet or over-the-air broadcasts. Consumers want devices that can navigate the universe of video programming from all of these sources and present the choices to them in a simple, integrated way. They also want to know that they can buy a device and not have to replace it if they change video providers.

Congress directed the Commission to foster a competitive retail market for such devices. We act today to fulfill that mandate. When Congress enacted Section 629, the Commission and the industry first tried to implement it through a technology called the CableCARD. That approach has not achieved its objective. Only a tiny fraction of all set top boxes in use in American homes include CableCARDS, and only two companies – TiVo and Moxi – today sell CableCARD-enabled video devices through retail outlets that integrate pay TV programming or Internet content.

The Notice of Inquiry we adopt today proposes a new approach designed to better serve consumers and promote competition and innovation. Under the proposed approach, a pay-TV service provider would deliver its signals to a small adapter on the customer's premises that would present a standard interface to all consumer devices. The adapter could be connected to the customer's TVs, computers, or other devices that can display multichannel video programming and Internet content.

The idea is to promote standards and simplicity that will have four outcomes. First, it will enable and empower consumer equipment makers, software developers, and other innovators and entrepreneurs to design new smart devices and applications that can work with any pay TV service, thus greatly expanding consumer choice. Second, it will allow pay TV providers to innovate in their networks and compete in offering improved subscription services without forcing consumers to replace home devices. Third, it will generate significantly greater competition and consumer choice. And fourth, it will promote greater broadband use and adoption as consumers enjoy the benefits of competition and of linking pay TV and Internet content. Just as a shopping mall presents customers with numerous retail outlets, smart video devices would offer viewers a single window into pay TV content and Internet content – as well as content that a viewer has already bought or archived.

We recognize that today's proposal is only one possible approach, and we seek comment on other ways to achieve the goals I've described. Unlocking innovation in and around smart video devices will drive broadband use and investment, and increasing consumer choice, promoting economic growth and job creation. Whatever approach we choose, prompt action will enable consumers to take full advantage of the expanded programming options offered by digital video services and the growing array of video available on the Internet.

The second item we are adopting is a Notice of Proposed Rulemaking to make the CableCARD regime work better in the interim before a successor approach is in place. We propose rule changes that would improve the transparency of CableCARD charges, streamline installation procedures, and increase the functionality of retail CableCARD devices. Consumers would be able to see that they are paying the same for a CableCARD used with a retail device as for one used with a device leased from the cable operator.

Installation and support for a CableCARD used in a retail device would cease to be more inconvenient than for one used in a leased device. And cable operators would be required to offer CableCARDS that enable a retail device to record one program while displaying another. These simple changes, which we aim to implement promptly, should have a direct and immediate impact on effectiveness of the CableCARD regime while we work on its replacement.

Taken together, these actions are essential and important steps to bringing greater competition and innovation to this critical part of our media landscape.