

TESTIMONY OF GLENN BRITT
PRESIDENT AND CEO
TIME WARNER CABLE

on

The Digital Television Transition

before the

SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET
COMMITTEE ON ENERGY AND COMMERCE
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INTRODUCTION

Chairman Markey, Congressman Upton, members of the subcommittee, my name is Glenn Britt and I am President and CEO of Time Warner Cable. I appreciate your invitation to testify today about the transition to digital television and what needs to be done to ensure that all Americans have access to their local broadcast stations when we switch to digital broadcasting on February 17, 2009.

Time Warner Cable is the second-largest cable operator in the U.S. and is an industry leader in developing and launching innovative video, data and voice services. As of December 31, 2006, Time Warner Cable had cable systems that passed approximately 26 million U.S. homes with approximately 13.4 million basic video customers. Approximately 85 percent of our customers are located in one of five principal geographic areas: New York state, the Carolinas, Ohio, southern California and Texas. As of February 1, 2007, Time Warner Cable was the largest cable system operator in a number of large cities, including New York City and Los Angeles.

Time Warner Cable has been an industry leader in introducing new services, including enhanced video services like high definition television (HDTV) and video-on-demand (VOD), high-speed Internet access and Internet protocol (IP)-based telephony. As of December 31, 2006, approximately 7.3 million (or 54%) of Time Warner Cable's 13.4 million basic video customers subscribed to digital video services, 6.6 million (or 26%) of high-speed data service-ready homes subscribed to a residential high-speed data service and 1.9 million (or 11%) of voice service-ready homes subscribed to our Digital Phone service.

Mr. Chairman, now that Congress has established a hard date for the end of analog broadcasting, all industries and elected officials have a common goal—to make certain that our customers and your constituents are not left in the dark at midnight on February 17, 2009. The cable industry is ready, willing, and able to work with you and our industry partners to achieve this important goal. The challenge before us is multifaceted. First, we must make certain that consumers are fully aware of the transition and what steps they need to take, if any, to continue receiving broadcast television signals after the transition to digital. Second, the cable, broadcast and consumer electronics industries must continue to give consumers the option and incentive to make the transition to digital before the cutoff date. And, finally, as the analog cutoff date looms, we must be

prepared to ensure that broadcast television service is uninterrupted on the tens of millions of analog sets that are not equipped to receive digital signals.

AN INDUSTRY-WIDE EDUCATIONAL EFFORT

NCTA has been collaborating closely with the National Association of Broadcasters (NAB), the Consumer Electronics Association (CEA), and other important industry and civic groups to lay the groundwork for an extensive consumer education initiative to ensure that no American household lacks the information and tools to transition from analog to digital television. In January 2007, NCTA, CEA, and NAB agreed to join forces to form The DTV Transition Coalition, a unified DTV education initiative. The members of the steering committee are the Association of Public Television Stations (APTS), the Consumer Electronics Retail Council (CERC), the Leadership Conference on Civil Rights, LG Electronics, the Association for Maximum Service Television (MSTV), and the National Telecommunications and Information Administration (NTIA). The Coalition itself is made up of a broad range of diverse entities representing affected industries and interest groups.

The privately-funded initiative will use marketing and public education strategies to help television viewers better understand the nature of the transition, become educated about the changes that will occur before February 2009, and provide information about steps consumers may need to take to maintain their over-the-air television signals. The Coalition also launched a website targeted to consumers – dtvtransition.org – which offers a fundamental explanation of the transition, provides historical background and context for the change, offers a glossary and explanations of DTV applications and technology, and alerts consumers as to the steps they can take to retain free over-the-air television as the transition is completed.

The cable industry itself is also working to determine what specific information should be provided to our customers. As part of that effort, the Cable & Telecommunications Association for Marketing (CTAM), working in close collaboration with NCTA, has convened a Digital TV Transition Committee comprised of leading cable marketing executives to help cable operators and programmers communicate with their own customers and viewers about the ramifications of the digital transition.

The cable industry recognizes that more work need to be done to devise a comprehensive consumer education plan. This effort must include traditional means of reaching millions of consumers such as public service announcements, bill inserts, toll free numbers and websites. In addition, we must employ creative methods to connect with our customers such as community outreach programs utilizing our local employees and civic organizations. Our education efforts cannot merely be run from corporate offices around the country if it is going to be successful. Finally, we must ensure that our efforts take into consideration those populations most likely to be adversely affected by the transition such as people for whom English is a second language and members of the disabled community. Time Warner Cable, with NCTA, stands ready to work with our industry partners to commit the resources necessary to ensure the digital transition is a success.

CABLE IS LEADING THE BROADER NATIONAL TRANSITION TO DIGITAL

The broadcasters' transition from analog to digital is only a small part of the larger digital transition that is occurring in every area of our nation's economy. Since 1996, cable operators have completely rebuilt their facilities. This was spurred, in part, by the deregulatory steps Congress took in the Telecommunications Act of 1996. With an investment of more than \$100 billion, operators have replaced coaxial cable with fiber and installed new digital equipment in homes and system headends, thus enabling the transmission of voice, video, and Internet services in digital format. As a result, cable customers are already enjoying a full complement of digital programming and advanced information services independently of the broadcasters' conversion to digital. This is highlighted by the fact that more than half of all cable video households now subscribe to digital video service. As of year-end 2006, 32.6 million households were receiving digital service from their cable operators and that total has been increasing by more than one million households in recent quarters. As I mentioned earlier Time Warner Cable's digital penetration as of year-end 2006 was approximately 7.3 million subscribers or 54 percent of our video subscriber base.

Cable customers can purchase digital programming tiers that include a diverse array of video networks and commercial-free music channels. Digital customers also have access to video-on-demand programming, digital video recording, and electronic program guides. These features allow programs to be viewed at the customer's convenience and at a time of the customer's choosing. They also allow cable subscribers to block

access to programming they do not want their children or households to see. All of cable's digital services can be enjoyed by consumers with analog sets who use digital set top boxes that convert digital signals to analog.

And without any government mandate, cable operators are voluntarily carrying the vast majority of local broadcasters' digital signals, including HD signals. As of June 2006, local cable systems were carrying the digital signals of 788 unique broadcast stations. In addition, a number of operators are carrying a full digital simulcast of all local broadcast stations, which digitizes the analog broadcast signal providing a high-quality digital picture for subscribers with a digital set top box. By June 2006, Cable operators were capable of providing HD services to 97 million U.S. television households, which represents all of the top 100 designated market areas (DMAs). Of all DMAs, a total of 203 (out of 210) were served by at least one cable system that offers high-definition programming. In addition to the high definition broadcast signals carried by cable operators, cable's HD customers receive a wide selection of high definition cable programming, including 30 cable networks that are transmitting in HD.

GETTING READY FOR FEBRUARY 2009

Though an increasing number of consumers are opting for digital cable services, a vast number of televisions in cable and non-cable households are not equipped to receive digital signals. There are currently more than 111 million television households in the United States, and the FCC estimates that at least 15 percent of them rely exclusively on analog, over-the-air broadcast television service. Moreover, NCTA estimates that – just in the homes of cable subscribers – there are 134 million analog television sets that are not equipped to receive digital transmissions or are not connected to a digital-to-analog set top box. Even in those households that subscribe to digital cable service, there are often one or more analog sets that are not connected to a digital box. Even in homes that subscribe to digital cable services, NCTA estimates that there are 28 million analog television sets that continue to rely on analog cable service or over-the-air broadcasts.

With such a large number of analog sets still in use, each cable operators' first priority is to ensure that their customers suffer the least amount of disruption to their television service. Each cable operator will need to make a determination based on its unique circumstances and customer needs. In order to help advance the

digital transition, cable operators need the flexibility to ensure that their customers can – on the first day of digital-only broadcasts – continue to watch their favorite stations on their existing televisions.

This flexibility should permit cable operators to employ a variety of solutions to ensure a seamless transition from the consumer’s perspective. For instance, a cable operator may decide to convert the digital broadcast signal to analog format at the headend. Under this option, cable customers who receive service on an analog television without the use a set top box will receive the same high-quality service the day after the transition as they did the day before with no requirement for new equipment and at no additional cost to the consumer. In cable systems that have significant digital penetration, another option would be to deploy digital set top boxes to all consumers in that market, which would ensure continued access to local broadcast signals after the transition. This option, however, would require these customers to change out equipment or add a set top box where they did not have one before.

Thanks to Congress and the NTIA, consumers will also have the ability to obtain coupons to purchase digital-to-analog converter boxes that will make over the air digital broadcast signals viewable on analog television sets that are not connected to cable. While we were pleased that in implementing the converter box subsidy program, NTIA made all households eligible for up to two coupons—including cable households—while the initial funds of \$990 million are available, we agree with our colleagues at the NAB that all households should be eligible to participate throughout the entire program in order to minimize consumer confusion.

I can assure you that Time Warner and the cable industry are committed to ensuring that the transition to digital television is a success. The sole measure of that success will be consumer reaction. We take our role very seriously to provide for a robust consumer education program that will ensure a seamless transition for our customers and your constituents. Because all of the affected industries will encounter different challenges as we approach the deadline for the transition, it is absolutely critical that no solution is foreclosed. Providing flexibility to implement every option and tool available will be the key to making this important effort a success.

CONCLUSION

Thank you for the opportunity to discuss the digital television transition. We look forward to continuing to work with you and the other members of this committee on our shared goal of promoting an affordable and seamless digital transition.

I would be pleased to answer any questions you might have.