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The Honorable Michael Powell
Chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Dear Mr. Chairman:

We appreciate the opportunity to clarify Zenith Electronics Corporation's position regarding your visionary voluntary plan to accelerate the digital television (DTV) transition. Zenith agrees with many of the approaches submitted by the Consumer Electronics Association (CEA), and we appreciate the attempts by CEA leadership to forge an industry consensus on integrated ATSC tuners in response to your plan. Despite those efforts, we believe that manufacturers need to go further in driving more ATSC tuners into the marketplace sooner, as a key element of a successful and timely transition.

Your original concept makes sense. Phasing-in integrated ATSC reception over time, starting with large-screen products, will provide the best way to provide consumers with cost effective products while achieving the national policy objectives that are so important to all of us. Consider the facts:

- The cost premium for adding ATSC reception capability is less than \$200 and falling.
- With economies of scale driven by increased industry sales volume in large-screen integrated DTVs, this premium will fall even more quickly.
- By the time ATSC reception ultimately gravitates to small-screen TVs, the cost of producing a digital receiver can be about the same as an analog tuner.
- Industry year-over-year price declines range from \$100 to \$800 for the products that would be the first to include phased-in tuners under the Powell Plan. Simply put, we are talking about offsetting price declines with a feature that would benefit the public interest, by speeding the transition.

Zenith is committed to phasing in more and more DTV reception capability into our television sets. In fact, we feel an industry timetable similar to your plan is possible. But we cannot act unilaterally. Some would point to "low end" manufacturers and make the argument that they cannot participate in tuner initiatives, as their analog business model would suffer an economic hardship. On the contrary, if low-end manufacturers refuse to participate, integrated sets with tuners will lose sales to lower-priced offerings without tuners. The extremely price competitive consumer electronics market demands a level playing field where all participants introduce integrated sets on a timetable similar to your plan. In this way, the cost structure will be the same for all (not disadvantaging high-end or low-end manufacturers) and the increased volumes will drive costs down for the benefit of all.

Some may view Zenith's call to arms as self-serving based on our intellectual property position related to the ATSC standard. While Zenith and others would gain some benefit, our motives are based on an honest evaluation of what will accelerate the transition and allow the nation to achieve its important public policy goal of reclaiming analog spectrum as soon as possible. As proof of our convictions, even without an industry-wide approach, we have begun shipments of the industry's first integrated HDTV selling for under \$1,500.

zenith

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Turning to cable issues, as CEA points out, cable delivery of HDTV programming will be a key to accelerating the transition. And we applaud the CEA members' commitment to incorporating ATSC tuners in future digital cable-ready sets, which will serve a dual goal of increasing ATSC penetration while providing all-important digital cable reception. Our concern, however, is that tying industry commitments to the implementation of a national digital cable standard (which, as you know, is mired in a host of licensing and interoperability issues) will further delay the transition, instead of acting as the catalyst to accelerating it.

Your plan calling on cable companies to deliver, at no cost to consumers, up to five HDTV channels (the majority of which hopefully will be free, over-the-air HDTV broadcasts) by January 1 is a major step in the right direction. Most digital cable systems already use a common QAM modulation technology for delivery of digital programming. Assuming that cable operators deliver these five HDTV channels *in the clear* (which makes perfect sense for free over-the-air television programming), the CE industry is currently delivering VSB/QAM tuner products that can receive these programs — long before the possible roll out of an "Open Cable" standard.

Such entry-level VSB/QAM sets do not necessarily have all the electronic program guide and pay-per-view bells and whistles, but will provide consumers the opportunity to receive HDTV programs through their cable system without the need for a set-top box. We urge you to assure that the cable industry delivers the five digital cable HDTV channels unscrambled and via industry-standard VSB or QAM technology so such basic digital cable-terrestrial sets can receive them. At the same time, we join CEA in urging further efforts to remove the remaining obstacles to achieving an open, national and fully featured "plug-and-play" digital cable standard.

Broadcasters are doing their part, and it seems that cable is beginning to as well. There is no question that the consumer electronics industry also is committed to the digital transition; however, we believe that it is time for other manufacturers to join Zenith in committing to phase-in ATSC tuners in a manner similar to your original concept. Only in this way can we bring the required certainty to the transition that will ultimately benefit consumers, manufacturers and broadcasters, as well as the nation as a whole.

Mr. Chairman, your leadership in driving the DTV transition is crucial. We look forward to working with you, Ken Ferrec, Rick Chessen and the entire FCC team to seek inter-industry digital television solutions. We would welcome the opportunity to meet with you to discuss the tuner phase-in timetable we could support given a level playing field, and explore other ways to accelerate the DTV transition.

Sincerely yours,



Richard M. Lewis
Senior Vice President
Zenith Electronics Corporation

cc: The Honorable Kathleen Abernathy
The Honorable Michael Copps
The Honorable Kevin Martin
The Honorable Ernest Hollings
The Honorable John McCain
The Honorable Billy Tauzin
The Honorable John Dingell
Mr. Ken Ferree
Mr. Rick Chessen
Mr. Gary Shapiro
Mr. Eddie Frits
Mr. Robert Sachs