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Remarks before the
Senate Commerce Committee
On the Digital Transition

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Good morning. I am Michael Willner, President and CEO of Insight Communications. Insight serves approximately 1.4 million cable subscribers. I also serve as Vice-Chairman of NCTA. I would like to request that the NCTA paper on digital TV, which accompanies my testimony, be included in the record.

Thank you for giving me the opportunity to tell a very exciting story about how digital television REALLY is working in the marketplace. Working, not because of significant amounts of digital broadcasting but, because the cable industry has voluntarily created innovative, new advanced digital services.

Cable has moved with supersonic speed into the digital world not because anyone told us to but because our customers want us to. To date, 10 million digital cable boxes have been deployed. The key to innovation for cable has always been two-fold: consumer demand and freedom from excessive regulation – a combination absolutely

critical in allowing us to raise the billions needed to complete our upgrades. Our customers have been the ultimate winners because they have more choices.

And it is important to note that the cable industry's digital transition is happening with our own capital, and without grants or subsidies from the government. Since the passage of the '96 Telecommunications Act, cable has spent \$42 billion dollars to upgrade its infrastructure.

Insight has been an industry leader in the development of new advanced services. By virtue of our investment, we:

- added scores of channels,
- developed interactive community news and information services,
- created video-on-demand services which electronically deliver up to 500 movie titles viewable whenever our customers want, with full VCR functionality,
- plan to open an electronic mall with 50 retail outlets,
- delivered high-speed Internet access,
- and launched our first facilities-based local telephone service offering consumers a choice of local phone carriers.

This is precisely what Congress intended in passing the Telecommunications Act five years ago.

To do all these things, our company alone has invested more than \$500 million dollars since then.

In addition to carrying all of their analog signals, broadcasters now argue that we should give to them large blocks of this newly created capacity to carry duplicative digital versions of their analog channels. This is to complete the digital transition they committed to when Congress gave them \$70 billion of additional spectrum. Frankly, I thought the free grant of that valuable spectrum was ample incentive.

Cable is not seeking to hamstring a competitor or to blame anyone. We simply don't want to be the scapegoats for broadcasters' problems.

The cable industry is not merely talking about the digital transition. Here's what we're doing to make it happen.

- Our digital rebuilds are 75% complete.
- HBO, Showtime and MSG are offering more high definition programming than all of the broadcast networks combined.
- We have negotiated a technical standards agreement with the consumer electronics industry so that new digital television sets will connect directly with cable systems.
- We are developing scores of new digital channels.
- Our industry has committed to carry the digital equivalent of today's analog broadcast stations when broadcasters return their analog spectrum.
- And to ensure consumers continued access to broadcast programming, we have agreed to carry the primary signal of broadcasters who return their analog spectrum and become digital-only broadcasters early.

Let there be absolutely no doubt about this – cable will continue to provide consumers complete access to the broadcast channels they enjoy today. But we are not prepared, nor do we believe the law requires us, to carry duplicative versions of each and every broadcast station.

Dual must carry is neither pro-consumer nor will it speed the digital transition because it does not encourage consumer migration to digital.

- One scenario would have the broadcasters deliver digital signals to the cable operator, only to have them converted into analog form for delivery to a consumer's analog TV set. The consumer would not see any difference and thus would not be encouraged to purchase digital TV sets that showcase the medium's promise.
- The other scenario has cable systems retransmitting the digital signal – which is largely a standard definition version of the same programming they receive in analog. This approach would take bandwidth away from digital services for millions of customers to deliver a duplicative broadcast channel to fewer than one half of one percent of consumers who have digital TV sets.

To date, broadcasters have not developed a digital business plan. They do not even know how much spectrum they will devote to “free TV.” Six years ago this entire discussion was about broadcasters' need to deliver HDTV over the air. With that spectrum now in hand, that plan seems dead.

Dual carriage would appropriate an additional 6 MHz of scarce channel capacity for programming services that do not even exist yet, and may never exist. Even in newly-rebuilt systems, cable bandwidth is far from unlimited. Reserving scarce capacity for one service inherently means that less spectrum is available for new interactive services

or competing video services. Who benefits from that? Just broadcasters who would have reduced competition by occupying a second swath of bandwidth that could otherwise be used for new services.

Consumers benefit if cable operators are free to use their new digital capacity for the things consumers want. Whether they be broadcasters' digital services or other new services. In fact, several major broadcasters and cable MSOs already have signed agreements for carriage of both a broadcaster's analog and digital channels. But, these have been negotiated, not government mandated.

Mr. Chairman, there are many interests at stake here: broadcasters' interests, cable's interests, and equipment manufacturer's interests to name a few. But overarchingly, there is the public interest. Because cable's revenue comes directly from consumers, inherently, we must satisfy their desires or risk losing them to our competitors. We respectfully submit that the public interest is best served by allowing maximum flexibility for cable operators to provide consumers the new digital services they want today and in the future.