PHILIPS

Philips Consumer Electronics North America

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June 20, 2003

W. Kenneth Ferree
Chief, Media Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Dear Mr. Ferree:

Philips Electronics North America Corporation (Philips) respectfully responds to your May 20, 2003 letter requesting information on our plans to implement programs to further the DTV transition.

Philips has devoted nearly twenty years of research and hundreds of millions of dollars in private capital to help create and commercialize DTV. Philips is extremely proud to have been instrumental in the development of digital HDTV, beginning with its own research initiated in 1983, later as a member of the Advanced Television Research Consortium, and finally as a founding member of the "Grand Alliance" which produced the DTV standard adopted by the Commission in 1996.

Philips is committed to the success of the U.S. digital television transition and intends to meet or exceed the FCC's August 2002 mandates regarding integration of ATSC reception capability in television receivers.

To reply to your specific questions:

(1) Philips' current and planned efforts to promote digital television and educate consumers about the DTV transition:

Philips has been very active in promoting DTV In addition to the many tens of millions of dollars in advertising, Philips has conducted specific consumer/retailer HDTV educational efforts. These initiatives began in 1998 with the co-sponsorship of the "DTV

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Express" program, a 43 city nationwide tour to promote and explain the workings of DTV and to promote DTV to local broadcasters, retailers, and local decision-makers. The program involved a semi trailer containing a miniature broadcast and reception facility, DTV content and how the transmission system worked. As a part of that program, Philips also created and distributed the "DTV for Dummies" booklet that explained HDTV to consumers in a simple way, and sponsored video news releases and interviews for use by local broadcasters. We have also conducted satellite media tours sponsoring The Film Foundation, created by Martin Scorsese, to support the preservation of films in their original formats. These tours explained the benefits of the 16:9 HDTV format.

Continuing on this auspicious beginning, Philips Sales and Product training personnel have been continually educating retail salespeople about DTV so they can accurately answer consumers' DTV questions at the point-of-sale.

Philips has also been an active participant in the Consumer Electronics Association's DTV promotion group that has sponsored DTV local awareness campaigns in many cities around the country.

(2) Philips' plans for meeting the Commission's implementation schedule for digital broadcast reception capability adopted August 8, 2002:

Philips intends to meet or exceed the FCC's deadlines requiring integrated ATSC reception capability in television receivers. Our Product Development, Manufacturing, Marketing and Sales functions are all geared towards this end. The availability of ATSC reception capability, however, greatly heightens the need for broadcasters to offer consumers greater amounts of high-quality HDTV programming, lest consumers balk when they tune to a DTV channel and find little to watch.

There are 2 important elements of content availability. The first is provision and promotion of HDTV content by broadcasters and cable providers. ATSC receivers for consumers are useless if:

- local broadcasters are not transmitting a DTV signal of sufficient power to reach their entire analog viewership;
- local broadcast affiliates are not passing through network-originated HDTV programming in its full resolution;
- digital carriage agreements with local cable operators (which serve more than 70% of consumer households) have not been consummated;
- consumers are unaware that HDTV content is available because broadcasters have not promoted it on their analog channels and by identifying HDTV programs in program listings.

The second equally important element is DTV-cable compatibility. Consumers will be loathe to invest in a DTV receiver if they believe it will be obsoleted within a short time by new models having the desirable, set-top-free "plug and play" cable compatibility. Mid-2004 product development timetables essentially require a final decision on Digital Cable compatibility by August 2003. We strongly urge the FCC to expeditiously approve the "plug-and-play" cable agreement to help remove consumer disincentive to purchase integrated DTV receivers in 2004.

(3) Whether Philips will include an ATSC over-the-air tuner in all digital television sets we produce with an integrated QAM tuner for "plug and play" cable compatibility, and, if not, why not:

Philips intends to integrate ATSC over-the-air reception capability in essentially all televisions having digital cable "plug and play" compatibility. Consumers have come to expect both off-air and cable reception capability in analog television sets and we expect them to continue to consider this a "must-have" capability.

(4) Philips' current and planned efforts to provide adequate reception of over-the-air digital signals:

The hyper-competitive television marketplace does not allow under-performing products to succeed. Consumers who have made significant investments in large-screen HDTV receivers are not shy about complaining about or returning products that don't perform to their expectations. We have not experienced consumer dissatisfaction with the performance of Philips HDTV receivers.

Today's receivers are far improved from the earlier models and they continue to progress as we better understand the digital transmission environment. As just a sample indication, our upcoming 2004 models are designed to have an average tuner noise figure at least 3db superior to the FCC's existing VHF/UHF requirements, multipath equalizer range better than twice our earlier design with noticeably improved static/dynamic echo performance, and state of the art adjacent channel, IF rejection and image rejection specifications.

Yet, no matter how well tuners improve, the principles of physics dictate that without sufficient signal strength, acceptable consumer reception will not occur. Even today, five years into the DTV transition and over a year after the May 2002 deadline for commercial broadcasters to be on the air, according to FCC published data, the majority of those broadcasters are not operating at full transmission power. For those broadcasters to complain

that their signals cannot be received solely due to receiver issues is disingenuous and ignores the true cause, insufficient signal strength.

(5) Philips' current and planned deployment of digital connectors (e.g. 1394/5C and/or DVI/HDCP) on DTV sets and digital set-top boxes:

Philips currently includes DVI/HDCP connections on most of our DTV display products and HDTV set top boxes. We plan to include protected digital connections on essentially all consumer DTV products in the future.

In summary, Philips continues wholeheartedly to support the DTV transition. There has been a remarkable consumer increase in DTV product purchases just within the last six months. The quantity of available models is large and the cost to consumers has dropped substantially over the last several years. Consumers who have purchased these products have been generally happy, but bemoan the still relatively small amount of available HDTV content. The situation is improving; recent cable and DBS HD programming announcements show promise for increased future HD program provision, but broadcasters – the backbone of US television content providers – still have much to do in generating HD programming, promoting its availability, passing it through in its full resolution, and transmitting at full power to enable off-air consumers throughout their licensed coverage area the best chance of receiving it and enjoying it.

And there is one major action that the Commission alone can take – expeditiously approving the CE-Cable "plug and play" agreement – that will help speed cable-ready DTV products to the market in 2004 and give cable consumers the confidence to purchase the functionality that they want.

Respectfully submitted,

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