

TESTIMONY

of

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VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
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on

STATUS OF THE DTV TRANSITION – PART 3

before the

**SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET
COMMITTEE ON ENERGY AND COMMERCE
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.**

October 31, 2007

Chairman Markey, Congressman Upton and Members of the Subcommittee, my name is Michael Willner and I am Vice Chairman and CEO of Insight Communications, the nation's ninth largest cable operator. Thank you for inviting me to testify about the cable industry's efforts to ensure a successful transition to digital broadcasting.

Insight Communications provides bundled, state-of-the-art services to 1.3 million cable customers living in Illinois, Indiana, Kentucky, and Ohio. The company pursues an aggressive business plan to deliver leading-edge technology to its customers and has successfully upgraded its infrastructure to support numerous advanced services including high definition television (HDTV), digital video recorders (DVR), video-on-demand (VOD), subscription video-on-demand (SVOD), two tiers of high-speed Internet access service, voice telephony, and standard analog video. At the end of the second quarter of 2007, Insight Communications served 1.3 million basic customers; including 660,000 digital customers; 675,000 high-speed Internet customers, and 177,000 digital telephone customers. The capital investment required to make these enhancements was approximately \$500 million, a huge commitment for a company of our size.

Insight Communications was an early proponent of HDTV programming and first launched high definition service in 2002. Insight carries at least one major broadcast network in HD format in almost all of our markets. Insight carries nearly all local HD signals in all markets – provided the local broadcaster offers HD and does not demand unreasonable economic concessions that require our customers to pay for programming which the broadcaster is obligated to provide for free over the public airwaves. Currently

266,000 Insight customers have HDTV-enabled set-top boxes in their homes, and 95 percent of our customers have access to HD services (98 percent of Insight's digital customers).

Mr. Chairman, the marketplace has changed dramatically since I last testified before the Subcommittee in 2005. Today, 100 million television households are passed by cable systems offering high definition service and cable systems are voluntarily carrying the primary digital signal of 999 broadcast stations and more than 605 multicast broadcast streams—more than doubling the number of digital broadcast signals cable carried in 2005.

And, in 2005 Congress was still debating whether to set a date certain for broadcasters to return their analog spectrum. At that time, I stated that I personally believed that the only way this transition would ever be completed was for Congress to set a date certain. So I applaud you for working to make that a reality. I also committed to you that regardless of the date you chose, Insight and the rest of the cable industry would be ready, willing, and able to ensure a smooth and seamless transition for its customers. I am pleased to report that our industry is living up to that commitment.

In 2002, Insight was among the first cable operators in the nation to reach a marketplace agreement with public broadcasters for carriage of their digital signals during and after the transition. In 2005, NCTA reached an agreement with the Association of Public Television Stations and with PBS for digital carriage, including the

carriage of up to four free digital multicast streams provided by public broadcasters on cable systems that offer high definition service. This agreement has created enormous value for cable customers and demonstrates that the marketplace is working.

Also in 2005, despite our firm and long-held view about the Constitutional infirmities of a government mandated regime that requires cable operators to carry all must carry broadcast stations in both digital and analog formats, we worked with this Committee on a legislative proposal for the carriage of commercial must carry stations after the digital television transition. While that plan passed the House, it was not included in the final version of the Deficit Reduction Act of 2005.

More recently, working with you, Mr. Chairman, Ranking Member Upton, and your staffs, the industry developed a three year voluntary carriage commitment which the FCC recently approved in an order which we believe mirrors our voluntary plan. However, we are anxious to review the actual text of this decision, which the Commission has yet to release despite having adopted it more than seven weeks ago.

Based on the information we do have, the FCC's order is clearly deficient in one major respect. The Commission declined to provide an exemption from these carriage obligations for very small systems, many of which serve rural areas. The Commission ruled that small cable systems, defined as those that have a capacity of 552 MHz or less, must seek individual waivers of this dual carriage requirement, but committed to revisit the issue in a further notice. The Commission should have provided an exemption for

small systems, just like this Committee did in 2005. We hope the Commission will be guided by the action taken by this Committee and use the further notice to provide an unconditional exemption for small systems from its DTV carriage order.

While small systems have a strong interest in and will ensure that their customers can receive the broadcasters' signal after the digital transition, they should not be forced to use their limited capacity for dual carriage when rural and smaller market customers are demanding advanced services, like faster broadband and digital telephone.

The cable industry has also demonstrated its commitment and leadership in making certain that all Americans are fully informed about the transition to digital television. We are proud to have been one of the founding members of the DTV Transition Coalition, working with the broadcast, consumer electronics, and satellite industries as well as many, many other consumer and interested organizations to educate the millions of Americans who will be affected by the digital transition. We are committed to helping the DTV Transition Coalition develop and implement a unified message that can be reinforced across multiple platforms.

And, in early September, the cable industry launched an extensive consumer education campaign, including English and Spanish-language TV advertising valued at \$200 million, designed to reach millions of cable and non-cable viewers with useful information about the digital television transition. The industry is now in a second run of

advertising spots focused on alerting consumers to the NTIA's coupon program for digital to analog converter boxes. Those ads are being run on Insight systems.

However, cable is not relying only on television advertising. Our substantial and multifaceted consumer education campaign also includes a number of additional commitments which will help ensure a seamless transition for our television viewers. These include our trade association's revamped website (www.ncta.com) which now highlights the digital transition, as well as English and Spanish-language websites linked to our homepage that provide consumers with easy-to-understand information, tips, and other information about the transition, in addition to links on the websites directing users to other government, consumer, and industry websites that provide useful consumer information about the transition.

Next month, a customer communication "tool kit" will be sent to cable systems nationwide which will include:

- invoice messages to be included on billing statements;
- electronic messages for digital cable boxes;
- on-screen scrolls for local origination channels;
- telephone "on-hold" messaging for customer call centers;
- sample emails to be sent to broadband customers;
- website "banners" for MSO and network websites; and
- employee communications materials to educate employees about the DTV transition.

In addition, local origination and on-demand programming will be created to provide a brief tutorial on the benefits of the digital transition, and how cable can help customers navigate through it. And lastly, original research on consumer perceptions of the transition will be conducted, the results of which will be shared publicly and with other members of the DTV Transition Coalition.

I would note that many of the components of our education campaign are based on ideas suggested by Chairman Dingell, Ranking Member Barton, Chairman Markey and Ranking Member Upton. The industry remains open to other ideas on how we can further advance DTV education efforts. We are also working closely with a variety of consumer groups and grassroots organizations on how we can improve outreach to particularly vulnerable constituencies.

Mr. Chairman, the transition to digital television will make it possible for the government to reclaim and reallocate valuable spectrum for enhanced public safety communications and increased wireless broadband services. It is critically important for all affected industries to work with government in a cooperative and coordinated manner to educate Americans about what they need to do to get ready and how they will benefit from a successful transition.

The cable industry has made a massive commitment to help ensure a smooth transition to digital broadcasting and we stand ready to continue to work with Members

of Congress to make sure we get it done right. Thank you again for inviting me to testify before you today and I would be happy to answer any questions you may have.