

“The Analog Shutdown: An Alternative Scenario”

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This presentation was inspired by a note I received from Ron Pisaneschi a few weeks ago. I share it with you with Ron’s permission:

“David:

“With the analog shutoff pretty much set now for February 2009, would CPB consider doing benchmark research on what impact the shutoff is likely to have on PBS station income (membership, underwriting, etc)? Clearly some percentage of our over-the-air viewers will not make the conversion to digital at all. Others will go from antennae viewers to cable/satellite viewers. What will that mean for viewership & ultimately income? The system seems to me to be rolling along as if nothing will change economically with the analog shutoff, but the CPB Primetime research sure seems to suggest otherwise.”

I resisted the temptation to respond, “Beats the hell out of me”.

Remembering the maxim that “When the going gets tough, the tough go shopping” – and needing a TV set for the apartment I’m renting a half block down the street from CPB – I went on line to see what’s available.

I ended up at Best Buy.com – it could have been any consumer electronics retailer – and bought a 20” digital set with an off-air DTV tuner in it for \$139.00. \$139.00. (Rabbit ears were extra.) It works fine in downtown Washington, even right across the street from the FBI building, where you’d assume no signal could get through.

Yes, it’s 4x3, not 16x9, and it has a standard definition glass tube. not flat panel HD – although even on this screen, broadcast HD programs look significantly sharper than standard def broadcasts. But I’m watching broadcast DTV. And if it’s \$139.00 now, what will a low-end DTV set cost in February, 2009?

And what happened to the horror stories we were hearing just a short while ago from the consumer electronics manufacturers? You’ll remember they were saying that if the FCC forced them to include DTV tuners in their sets, as they now are required to do - it would add hundreds of dollars to the cost of each set, and it would be the end of inexpensive TV sets – the kind we’ve been able to buy for years at Sears or WalMart or the corner drug store.

So it got me to wondering – what if the transition to digital broadcasting and the analog shutdown are not “the end of civilization as we know it?” Suppose – just

suppose – that one possible outcome of the DTV transition is that it's Y2K all over again?. You remember – There were predictions that all of the world's computer systems were going to crash as the clock moved past midnight at the intersection of the 20th and 21st centuries? When we stored all those bottles of drinking water in the hall closet as a hedge against the collapse of modern society..... and we ended up using them to water the plants?

Ron's question is a great provocation – how can we get a handle on what might happen?

Sounds like a perfect fit for Scenario Planning, which is ideally suited for planning in periods of uncertainty.

I know many of you are familiar with the scenario planning process from the AGC's local station planning initiative, led last year by Jim Pagliarini. (CPB's Local Service Initiative grant program is one direct product of that initiative.)

My first encounter with Scenario Planning began in 1997, when a public broadcasting task force was convened to try to figure out how public broadcasters should respond to the FCC's mandate that all of us needed to convert to digital television broadcasting or lose our licenses, and what the digital media environment was likely to be over the next ten years. (The PTPA veterans in the room may remember the scenarios we developed, one of which was called "Content Rainstorm" – boy, we had that nailed.

I'm not going to take you through any detailed description of the process, other than to remind you that it does NOT involve predicting a single future. Rather, the challenge is to develop visions of several plausible futures, and over time to identify the key factors which indicate which of the scenarios appear to be developing and at what rate. The challenge is also to identify those strategic responses which will serve us well across more than one scenario (we call them "robust strategies") so that even if events don't develop exactly as we anticipated, we won't find that we've headed off completely in the wrong direction.

So – about analog shutdown – or the digital transition – whatever we're calling it these days:

The common wisdom is that the morning after the night before – when our analog transmitters have burned their last erg of electrical power - tens of millions of television viewers who are solely dependent on over-the-air broadcasting will wake up to blank TV screens because they don't have the equipment required to receive and display digital broadcast signals.

It's important that you hear me when I say that I'm NOT predicting that that won't happen, only that there are other plausible scenarios which might occur.

In a few minutes, Mark Erstling of APTS and Shermaze Ingram of the NAB will describe the efforts being made by the broadcast and consumer electronics industries to avoid any analog viewers being left behind. That's a robust strategy – to mount an aggressive public education campaign – and to make available low-cost converter boxes - at least to reduce to an absolute minimum the number of viewers who literally aren't aware of what's going on and what steps they can take not to be left in the dark.

(Clearly, what few problems actually occurred as a result of the Y2K millennium bug were mitigated by the hundreds of millions of dollars spent around the world scrubbing down legacy computer software systems to correct problems before they could occur. That too was a “robust strategy”.)

So, one mitigating factor which will make the “doomsday scenario” less likely is a robust public education campaign accompanied by low cost technical solutions. And that's a leading indicator that we can track.

A second possible mitigating factor could be the point I made a few moments ago about the availability of lower-cost digital TV sets. As sales of those sets increase between now and February 2009 – and as more consumers become aware of their superior picture displays – even in the standard definition version – we'll have fewer disenfranchised viewers. We can track those stats as well.

The point to be made here is that you and I could quickly make a list of all the reasons why the transition to digital television has been positioned by the various vested interests – including the broadcasters – as a transition to HIGH DEFINITION television. Those sets have much higher profit margins than the run-of-the-mill commodity priced TV sets which dominate the analog market, and broadcasters and cable/satellite program services love to attract the “higher end-higher spend” HDTV households as viewers and subscribers.

But just as the current market of receivers is a mix of high-end to low-end sets, the same pattern is likely to continue into the future, with the number of lower cost sets increasing as a percentage of the total as more become available for purchase. In this context, the transition to DIGITAL television is not the same as the transition to HIGH DEFINITION television.

There are now – and will continue to be – lower cost digital viewing options available to consumers.

A third mitigating factor is the discovery being made by an increasing number of consumers that they don't have to pay a premium to their cable and satellite operators to receive HDTV signals. Antenna manufacturers are reporting brisk sales prompted by consumers discovering that they can get high definition programs for free over the air – especially their most-watched favorite network prime time

programs. Imagine that! Wireless television!! It's back to the future! And in many areas, indoor antennas work just fine.

A fourth mitigating factor enabling consumers to receive over-the-air digital broadcasts ironically is coming from the cable industry. Several months ago, the industry's CableLabs announced that it has developed cable boxes with built-in off-air DTV tuners. Why would they do that, you ask? Well, in recent years the trades have been filled with reports about fights between broadcasters and cable companies over cable's retransmission of local broadcast signals. The broadcasters want to be paid for those signals, just as the cable operators pay for ESPN or Discovery or the other cable program services. In some markets, stalemates have developed, and local channels have been dropped from cable systems until the standoffs could be resolved.

Since they're not dummies, the cable operators' response is to say to the broadcasters – we don't need to re-transmit your signals. We'll give our subscribers the equipment to receive them on their own, over the air! (This may be a negotiating ploy on the part of the system operators. It's another leading indicator to track.)

Last but not least on factors which could mitigate the negative impact of the analog shutdown:

One of the many extremely valuable products of the NPS research work which Terry Bryant has been doing at CPB, with Chris Schiavone, is the finding that many of our most loyal prime time viewers and members have a disproportionate reliance on over-the-air broadcast signals to receive our programming.

The advantage we have in this regard is that we know where they live. Shame on us if we don't take advantage of this most delicious customer service opportunity to assist our loyal constituents by helping them to navigate through the digital transition. They'll be grateful to us for helping them to cut through the confusion – and many of them would probably send us additional gifts to express their gratitude. This is a fundraising opportunity of the first order!

So –

My plausible alternative to the doomsday scenario has a number of leading indicators which we can track, recognizing that public education is a critical component of whatever scenario materializes. That's the first mitigating factor which we can track.

The second is the increasing availability of low cost DTV receivers, and not assuming that the transition to DTV is the same as the transition to HDTV

The third mitigating factor is the discovery by consumers of free over-the-air digital broadcasting available on antennas, with sales of antennas being one metric to track.

A fourth mitigating factor is the possibility that the cable industry might deploy set-top boxes with digital tuners in them as an end run around broadcasters' demands for retransmission fees. We'll see whether that's real or only a negotiating bluff.

And the fifth mitigating factor – which I think is the secret sweet spot of this whole situation – is the opportunity with which we are presented to bond with our viewers and members and to reinforce our role as a trusted institution with their best interests in mind. We can spare them a great deal of anxiety about this transition, and they will express their gratitude with additional gifts.

We have a lot to keep track of between now and February 2009. It's not all gloom and doom.

Thank you.

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