

Chairman William E. Kennard
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"From the Vast Wasteland to the Vast Broadband"

(As Prepared for Delivery)

Thank you, Eddie, for that kind introduction.

It's good to be back here again at the NAB convention. I've been chairman now for about a year and a half. It's been quite an exciting time, and lots of fun.

As chairman of the FCC, I find it interesting the way people are always trying to interpret what you do. People are always trying to put you in one box or another.

Last year, a group of pirate broadcasters held a demonstration outside the FCC. They marched down the street with a huge caricature of me as the puppet, Pinocchio. And they had a caricature of the NAB as a big monster pulling all of my strings. And a big sign said: Kennardio: The Puppet of the NAB.

Now that's a group that is really in touch with what is going on in Washington these days.

I must say, though, Eddie, that puppet looked better than the monster.

Well, that was kind of fun. The Washington Post wrote a big story about it.

A few weeks ago, the Washington Post had an article about the very first television transmission. It was 72 years ago. And this transmission wasn't a baseball game or a play. It was a phone call, a conversation between Herbert Hoover, who was then the Secretary of Commerce, and Walter Gifford, the president of AT&T. AT&T actually developed and arranged the transmission.

The call was between Washington, D.C. and Bell Labs in New Jersey. And after the call, Hoover told reporters, "I am glad to welcome television as the latest product of scientific discovery. It promises that where the voice has led the way over the telephone wires, the eye will ultimately follow."

Two things struck me about this debut of television in America. First, it was not a passive show; it was interactive. And second, it happened over telephone wires. Call it early convergence.

So here we are, on the eve of the next century, and we find ourselves back where we started. The "eye" is again following the voice. Millions of Americans are going on-line and using copper wire technology to download images and to listen to music from radio stations around the country. And they're using streaming video to watch everything from

the Senate floor to the floor of the New York Stock Exchange.

It's all about broadband -- and I mean that in the broadest sense of the word.

In 1961, FCC Chairman Newt Minow proclaimed that television was a "vast wasteland."

Today, almost four decades later, I survey the television landscape and see the limitless potential of broadband. Television is making the journey from the vast wasteland to the vast broadband. It is entering the most exciting era in the history of television, an era that will empower television audiences like never before. TV will empower viewers to reach into their television sets and paint their own landscapes: landscapes of entertainment, information, education and discovery.

Now some people are saying that the broadband future will be the deathknell of television.

They say look what happened just a couple weeks ago. Yahoo and Broadcast.com -- two companies that didn't even exist 10 years ago -- announced a merger that will form a company with a combined market capitalization of over \$40 billion -- that's one-third bigger than CBS.

These Internet media companies are taking steps to jump from the PC to the TV platform. That's why some say that these companies with their popularity, their technology, and -- for now -- their market multiples could, in the long run, end up putting all of you out of business.

So, once again, some are writing the obituary of the broadcast industry. We've heard this before, haven't we? People telling broadcasters that you are yesterday's news. Counting you out of the future.

In fact, sometimes you counted yourselves out -- telling the FCC to put the brakes on cable television and direct broadcast satellites and satellite radio -- because you believed that all of these technologies would do you in. That they would kill free over-the-air-broadcasting.

It didn't happen. And the broadband Internet companies won't kill broadcasting either.

Let's take a closer look at the merger between Yahoo and Broadcast.com.

Broadcast.com started by taking content from traditional television and radio stations and using streaming technologies to transmit that content over the Internet. Broadcast.com built a business around the idea that people would want rich media content on an interactive, individually selected basis.

But more than that. Broadcast.com -- like many of today's Internet companies -- took a risk on a future that is not yet here. The key to streaming video or even audio isn't content

– there's plenty of that. Hey, they'll broadcast anything – even this speech! In fact, they're webcasting this as I speak.

No, for streaming media companies the key is the distribution system. You need lots of bandwidth; you need really big pipes. And as you know, most Americans don't have that bandwidth yet. Even so, the tremendous promise of interactive, customized multimedia made overnight billionaires of Broadcast.com's founders.

Their risk paid off, for now. But what the Broadcast.com's of the world still need to come up with are better ways to deliver their content.

So they'll experiment with IP Multicasting, better compression techniques, different approaches to caching, or with whole new distribution pipes like satellite. But, in the end, what they're really trying to do is come up with a good point-to-multipoint model. And that's just another word for broadcasting.

So Broadcast.com, and RealNetworks, and Spinner.com aren't just Internet companies, they're also broadcasters. In the coming world of convergence, both Internet companies and broadcasters have the opportunity to capture a huge new market.

And you, the broadcasters, have the advantage in this competition. And not just because of your experience or that you are still the most watched medium today.

No, your advantage isn't just content, it's distribution. Broadcasters have a big pipe that everybody needs — and unlike cable companies and phone companies, you don't have to invest in physical connections into every home. Eventually you'll need to develop a backchannel so your viewers can have a truly interactive experience, but you'll have many options to do that. What's most important is that you already have a 20 megabit-per-second digital pipe into almost every home in America.

If there's one thing that's clear from everything I've seen at this terrific show, it's that DTV is not just about TV as we know it. It's also about data. Data is the "killer app" of digital TV. Just as the jet airplane revolutionized travel in the sky, when the broadcast airwaves go digital, it will revolutionize television in this country. I am convinced of that.

With the launch of John Glenn into space last year, the first digital broadcasts began. From stations in big cities to stations in smaller markets – like WKOW in Madison and WBNS in Columbus -- you are undertaking the transition to digital ahead of schedule. And I applaud you for this foresight. You should all be proud.

And I also hope to see continued progress on compatibility standards. I believe that in this area, the role of the FCC is to facilitate, not regulate. That is why as a first step, the FCC staff will host a Technical Roundtable on May 20 to discuss the progress of industry efforts.

Already, I'm encouraged by this weekend's announcement by NCTA and CEMA of a digital cable-ready interface standard. I look forward to learning more about this agreement, but above all, I look forward to working together to make sure that consumers enjoy a smooth transition to the digital age.

And I'm confident that the future for broadcasters in the digital age is bright. By the end of 2001, over 20 million PC's will be shipped that are equipped for ATSC-compliant tuner cards. With this, short video clips can be broadcast to our desktops and cached on users' PCs or set-top boxes. Time shifting made easy.

And the potential applications are limitless.

When you tally up the assets needed in the broadband world, broadcasters win hands-down. You have plenty of spectrum; tremendous reach with established brands; the ability to produce great local content; established networks; and relationships with local and national advertisers.

I believe that you will use those assets to do great things in the broadband business. And that you will continue to provide great service to our Nation. With this opportunity comes a special set of responsibilities.

Some are fundamental to the safety of our nation – like the emergency broadcast system - - and some are fundamental to the strength of our society.

Foremost among them, is ensuring that the airwaves foster a robust competitive environment, where we have a diversity of content and opportunity.

As convergence reshapes old industry boundaries, I have two goals that will not change: promoting competition and promoting opportunity.

While the on-rush of technology makes convergence inevitable, let me be clear: convergence is not synonymous with consolidation. Convergence means more choices. It's new media companies, like Yahoo, coming to TV screens. It's established media, like you in this audience, assuming leading roles on the Internet. It does not mean new industries controlled by a handful of giant conglomerates.

Another fundamental responsibility is to our children. Congress directed that broadcasters offer our children programming that will educate and uplift them.

And, we must ensure that there always will be opportunities for employment. Opportunities for a young college student to get an internship at a local TV station and a foot in the door into your industry. I got an opportunity like that and it's one of the reasons I am here before you today.

When I spoke here last year, I challenged you to work with me to promote opportunity and diversity in the broadcast industry.

Some of the leaders in this industry and in the NAB have come forward with energy and commitment and some creative new ideas. I commend Mel Karmazin and Lowry Mays for their leadership, for rising to the challenge.

I am encouraged by their efforts and I hope these efforts will lead to meaningful new ways to create more opportunity in broadcasting for all Americans.

The airwaves are a wonderful resource and we must seek ways to use them more efficiently, to create more outlets for expression and more opportunity in our country.

That's why I want to work with you, not against you, to find a way to make low power radio work. Low power radio has the potential to create outlets for an array of new voices like churches, community groups, and colleges. It can give voice to those ideas not always heard, but which many yearn to hear.

Now, I know many of you are very concerned about this. In fact, some people are saying that I want to write the obituary for radio.

Well, I want to be very clear about two things. One, this FCC is committed to preserving the technical integrity of FM radio. And two, this FCC is committed to a digital future for radio. Low power radio will not change that.

And, frankly, it is not helpful to hear only rhetoric that "the sky is falling" even before the rulemaking comments have been filed. It's not helpful and it only serves to undermine the credibility of your arguments in the end.

Broadcasters will rise to the challenges and opportunities created in the digital world, just as you have risen to challenges in the past.

Think about it. Ten years ago, it was the Big Three. Today the Big Three are not three competing companies, but three competing industries – broadcast, cable, and Internet -- all racing ahead into the digital future.

And your competitors will be doing so with business plans that do not rely solely on a model of mass-market advertising. They're using subscriptions, shares of e-commerce sales, and other new media incentives to boost the bottom line.

Just as business plans must change for this new world, so must the regulatory structure.

Some say that we should eliminate all of our ownership rules. Just get rid of them all. Eliminate all the local rules on radio and television as well as the network audience cap.

I don't think that's the right answer. This is not the time to completely deregulate broadcast ownership. Our ownership rules reflect core values of competition and diversity

But, at the same time, we can't keep broadcasters in the dark ages of black-and-white era rules. With the changing realities of today's marketplace, you need the flexibility to seize the opportunities and open the frontiers of the Information Age.

That's why I want you to join with me in crafting common-sense ownership relief. What do I mean by common sense? I mean that we need to bring all of our ownership proceedings to a conclusion. We need to bring more certainty to the marketplace. And we need to revise our rules to give broadcasters more flexibility in an increasingly competitive world, without undermining our rightful reverence for outlet diversity.

What do I mean by flexibility? I mean that consolidation that preserves voices is not bad. And common ownership that provides new voices is good.

My challenge is to work with you to find the right balance.

Your challenge is to seize the opportunities of the broadband future.

You know, the entrepreneurial fervor of companies like Broadcast.com, Yahoo, Amazon, and all these Internet companies take us back to an earlier time in your business.

The same spirit that drove these men and women drove men like Sarnoff and Paley. It drove the early TV pioneers to use technology in ways never tried. It gave them the courage to break out of the old molds and deliver images to America's homes in ways never seen. Their work unleashed an industry with more power and influence in our culture than anything ever seen before.

The transforming power of digital technology will do this again. I am convinced that television's broadband future is vast -- and will be richer than anything imagined today.

This will happen. And broadcasters will help make it happen.

Thank you.