

2006 International CES Opening Keynote: Gary Shapiro

Thursday, January 5, 2006

Our year officially begins when the leaders of several industries gather in Las Vegas for the event of all events, the International Consumer Electronics Show.

This show reflects the spirit and optimism of innovation and it has again set new records for size and excitement.

I am so proud, privileged and humbled to stand before you. I am honored by the opportunity to provide an overview of this great show and our dynamic industry. This is a personal delight, and I thank each of you for journeying to Las Vegas to join us for the most extraordinary exhibition the world has ever seen. I want each of you to gain from the CES experience. This show is the global stage for the technologies that are transforming and defining this unique era in history.

To me, CES is like a fine bottle of wine that keeps getting better. It continues to grow and expand just as the consumer electronics industry continues to grow and expand. With more than 1.6 million net square feet of exhibit space, CES is the place where the technology elite gather. To put that size in context, the exhibits fill 350 professional basketball courts.

In 2004, we introduced the Las Vegas Convention Center expansion, at the South hall. CEA initiated that expansion and it ended up with a two level hall that is about a third of a mile long. This will be the third CES it is filled with exhibits.

But the popularity of the show continues to outpace available space and required us to expand even further.

Just a couple of miles to the West, sits the Sands Convention Center. The Sands exhibit hall is open every morning at 8 am. You can take the quick trip by shuttle to the Sands to see coolest, hottest and newest technologies which we are calling the Innovations Plus showcase.

At the Sands you will see the largest concentration of specialized TechZones, the award-winning Innovations honorees and more than 500 exhibitors. We also have an impressive line-up of speakers for the Industry Insiders series at the Sands that includes Verizon's Ivan Seidenberg, Dell's Michael Dell, Kodak's Antonio Perez, FCC Chairman Kevin

Martin and the top CEOs from Best Buy, Circuit City , Comp USA and Radio Shack. The Sands is a major CES venue and it is not to be missed!

The International CES has always been the premier place to introduce new technologies. The world's largest plasma TV to the tiniest digital memory card to satellite radio, have all been first announced at CES. Indeed, almost every major new consumer technology was first introduced, marketed and promoted at CES. The products whose acronyms have forever changed our language – the VCR, the CD, DBS, HDTV, CDR, PVR, TiVo, DVD, GPS, and LCD– are all products popularized at CES.

What is CES? To me, it is more than a show. It is a Mecca, a vision, a holy ground for those with dreams for a better world that technology can provide. Our industry, the consumer electronics industry owns, loves, relies on and immerses itself in the International CES. The CES represents the world's hope for its finest future – a future of products which change people's lives, bring them joy, teach them skills and keep them connected. This hallowed event brings the coolest, newest, most exciting technologies and people together. For the next four days, the CES stands as the center of the digital universe.

I am passionate about CES because I love it. I will never forget the first show I attended in 1980. I went as a consultant to CEA and I was in awe. I thought the booths were amazingly beautiful with powerful marketing messages. The technology displayed was dazzling. The sense of excitement everywhere on the floor was real. Never had I seen the free market played out so clearly in such a big way live with so much at stake. I got CES in my blood and thankfully, I figured out how to create a job for myself at CEA.

If CES is doing well, it must mean our industry is innovating and giving consumers more choice. No company can stand still. To survive, a company must make it better, quicker or cheaper. Consumers want innovation. They want great products at reasonable prices which meet their needs.

And in 2005 they got them! The U.S. went flat screen and it went digital. We'll look back in the not too distant future and see 2005 was the tipping point year for digital television when Americans bought some 12 million DTV sets – nearly more than all the prior years of DTV sales combined.

From DTV to digital cameras, from MP3 players to satellite and HD radio, from in-car entertainment units to the best in high performance audio, the consumer electronics industry continues to capture the imagination of consumers around the world. It's no wonder consumers have a love affair with our products. Indeed, new CEA sales forecasts issued this week shows that this electronics romance will drive total US sales of CE products to reach more than \$135 billion in 2006.

As the trade association for this dynamic industry, the Consumer Electronics Association works year long in pursuit of a single goal – growing the CE industry. Our efforts

include industry programs on technology policy, standards development, conferences and events and industry promotions. We are proud of our accomplishments.

For example, in 2005, CEA helped lead the fight to protect consumers' noncommercial home recording rights. We worked with the Congress to develop DTV legislation that leaves us but one final vote away from setting a critical hard deadline for the end of analog broadcasts. The CEA PAC continues to grow. The CES remains a critical part of our government outreach efforts. This year we created a new show within a show – CES Government focusing on procurement. More, we are pleased that more than 100 government policymakers from around the world are here at CES to see, touch and feel our products as part of our Leaders in Technology program. Please thank our guests from government.

This past year marked several significant event “firsts” for our association. The National Academy of Television Arts and Sciences awarded CEA a Technology and Engineering Emmy Award to recognize CEA's outstanding work to standardize closed captioning. We partnered to create SINOCES in China to help companies reach that expanding market. And we launched the Digital Patriot Awards to recognize government and industry leaders who are defending and promoting technology innovation. I am pleased to note that this year's honoree is Microsoft's Bill Gates. The award dinner will be held March 15 in Washington, D.C.

And we continue to promote the wonders of the industry to consumers across the nation. Our Great Audio Experience campaign helps consumers access the best in today's audio; our Watch the Road initiative educates consumers, manufacturers and installers about best practices for the use and installation of in-vehicle video; our CEA Connections interactive Web guide helps consumers better understand how to connect their audio and video products, our CEA TechHome.com website helps consumers find a local professional installer and the CEknowhow retail online training program helps sales professionals increase their product knowledge and improve their selling skills.

All of these accomplishments along with the scores I did not mention are accomplished by a great staff of 145 along with thousands of industry volunteers. Thank you!

CEA now is 2,000 corporations strong. We have grown to represent the full breadth and depth of the industry with more than one fourth of our member's installers and retailers. Our members are the creative community and they enable the creative community!

Our industry rocks! It is changing the world. The average American home now owns 25 consumer electronics products and the rest of the world is not far behind.

We are connecting people and making distance irrelevant. We are enhancing lives, health and education. We are creating tools to power the soul and imagination.

But to continue down the road of innovation, shared knowledge, enhanced experiences, improved health care, and a knowledge-based world, we must recognize certain realities

and advocate them strongly and effectively. I suggest we follow a few principles which will get us to the better world technology can provide:

1. Preserve and Protect the Environment

The world's resources are limited but digital technology allows us to preserve our environment for future generations. Think of all the paper saved by email or the gasoline saved by telecommuting and online buying. We must embrace policies favoring home offices, telework and teleconferencing. We must make clear how much energy our products use so consumers can make informed buying choices. We must expand voluntary programs like Energy Star which set standards for energy usage and promotes the concept to consumers. And, with Congress' help, we must establish a nationwide recycling program with shared responsibility among consumers, retailers and manufacturers. At the same time, we will oppose mandates which restrict innovation or artificially limit product usability and features. We must all work together to protect the environment while promoting innovation and creativity.

2. Promote Free Trade

Our industry is global and we rely on open international systems. We prosper because we are the global leader in new innovations, creativity and hard work. Maintaining our leadership means resisting the urge of isolationism, tearing down the walls of protectionism, and welcoming and attracting the best and brightest from around the world. And we cannot forget that so many of the companies exhibiting at CES were founded by first or second generation Americans. We must make sure our visa policies allow America to remain a magnet for the worlds' brightest and hardworking people.

3. Complete the DTV Transition

When Congress returns, we expect final approval of legislation setting a 2009 date for the end of analog broadcasting so we can plan for the final shift to digital. CEA has long been the primary force behind the DTV transition and we view this as a historic moment. The returned spectrum will enable new technologies like wireless broadband and spark a new cycle of American innovation. Meanwhile, manufacturers and retailers must understand that policymakers don't want us to sell analog sets any more. While analog sets will have many uses for years to come, the fact is we also have an obligation to go fully digital. More, we must redouble our efforts to educate consumers so they can enjoy the benefits of digital television.

4. Work with Content Industry – AND Protect Fair Use and Innovation

The technology and content industries have a symbiotic relationship. We understand the need to protect intellectual property – after all, we are an intellectual property industry. And we understand the content industry's concerns about commercial piracy, as well as indiscriminate, unauthorized file sharing over the internet. We are committed to working with the content industry to create compelling digital distribution models that benefit both

our industries and preserve consumer rights. In fact, we are partnering with the music industry to showcase authorized downloading services at CES. I believe, Americans must retain the right to time-shift and place-shift lawfully acquired content within their private homes. That includes noncommercial recording of free over-the-air broadcasts, or time-shifting a satellite radio program that you have paid for. If you agree with me, get active and visit the Home Recording Rights Coalition booth in the Central lobby.

5. Ensure that Americans are able to Install their Choice of new Technologies in their Cars

Consumers are demanding that technologies they enjoy in the living room also work in the mobile environment. We must ensure that car manufacturers provide aftermarket installers with the information they need to install products in today's sophisticated, computer controlled automobiles. Also, we must work with the auto industry to ensure consumers can make the choices they need and want for a standardized interface. We are encouraged by the progress on the standardized car interface, the so-called MOST standard and hope it will be finished soon. We will not stop along the way insisting on safe practices and laws, such as those which discourage the installation of video screens which allow a driver to watch movies while the car is in motion.

6. Promote Broadband Competition and Ensure Net Neutrality

By some measures the U.S. is falling behind other countries in broadband deployment, but I am optimistic. I see rapid growth in competition among broadband providers. If cable, telephone, wireless, broadcast, satellite and even power line compete to be the pipeline into the home, then consumers will enjoy falling broadband pipeline costs and vast choice of competing media services. However, we must be sure consumers also have unfettered access to content, services and applications. Openness and access have fueled the growth of the Internet, and we must reject models which rely on proprietary systems block access to competitive or disfavored websites or services. Innovation will flourish only if device manufacturers who develop "edge technologies" have certainty that their products and services, like new IP-based video, can connect to the Internet.

I hope you consider these policy prescriptions as a roadmap protecting industry innovation in the near- to mid-term. Collectively, I believe they will protect our freedom to innovate and enhance our world.

Ladies and gentlemen, we are together sharing a moment in history. It is a moment of tremendous change, phenomenal promise and tough choices.

My personal wish for you is to accept the blessings of our bounty and to embrace the challenge of protecting the future of our sons and daughters. Technology gives immense power, but its very presence by definition forces change in almost every other related industry. We must work together to ensure that our destiny of a better world through technology is not artificially compromised to preserve old business models.

As you walk the halls, enjoy the show and marvel at our industry's innovation, consider how your personal actions can ensure our future of a better world. So please join our movement in the service of the industry and of mankind.

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